

Electronic invoicing: advantages and future prospects 1/31/24



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Electronic structured invoices (e-invoices) are becoming increasingly widespread globally between businesses (B2B) as well as between businesses and government agencies (B2G). E-invoices are gradually replacing old-fashioned paper invoices and PDF invoices. Recent years have seen the member states working hard to implement e-invoicing. Latvia is set to legislate on mandatory e-invoicing in the B2G segment from 2025 and in the B2B segment from 2026.

Paper invoices

Despite the increase in digital communication, paper invoices still represent a significant proportion of invoices being submitted. However, this invoicing method is costly because of manual processes, staff and infrastructure costs as well as postal expenses.

PDF invoices

In the last decade, companies have switched to PDF invoices, legally equivalent to paper invoices.

PDF generates and sends invoices electronically, reducing the amount of work at the sender's end. However, the recipient still has to input the data manually because PDF is not a suitable format for automated data processing.

E-invoices

E-invoices are generated in a machine-processable format (e.g. XML or CSV) and sent right to the recipient's accounting system. E-invoices are integrated into the accounting system without human intervention and the data is immediately available for further processing, considerably accelerating and simplifying the process. Unlike paper or PDF, an e-invoice requires no manual operations and the process can be fully automated. In addition, the sender receives appropriate confirmation once the recipient has received the invoice.

In this article we will look at the main advantages of e-invoicing.

Saving time, delivery costs and staff costs

The tedious process of writing out paper invoices, from printing to postal expenses, is completely eliminated. The staff previously responsible for invoicing can now deal with other tasks. The company can focus on its core business without wasting resources on time-consuming manual processes. The recipient is relieved of manual invoice processing, as the data can be automatically forwarded to his ERP/accounting system.

Lower material costs

E-invoicing considerably reduces the costs associated with paper invoices. Obviating the need for paper, printing, postal services and storage helps companies save a considerable part of these costs.

Faster payment due to faster processing

The digital nature of e-invoicing shortens processing times for both the sender and the recipient, allowing access to the invoice right after it's sent. This leads to faster payments, improved cash flows and operational efficiency.

Fewer input errors

Automation reduces input errors likely to occur during manual invoice processing.

Simplified archiving

Latvian law requires companies to retain invoices for up to ten years. Paper invoices are not usually fit for prolonged storage. Archived invoices can be destroyed by fire or water, with costly consequences for the company. E-invoices are suitable for prolonged storage in an electronic environment – they are protected from damage and easy to integrate into archiving systems. Using backups and data mirroring – standard techniques in today's archiving systems – means your invoice data is always secure and accessible.

Improved data security

E-invoicing provides a higher level of security compared with traditional methods. Elements such as encrypted file transmissions and digital signatures protect sensitive financial information from fraud and cyber threats. This guarantees the authenticity and integrity of data necessary for secure business.

Compliant and audit-ready

Meeting the e-invoicing requirements improves tax compliance and reduces fraud, as the tax authorities can carry out more efficient audits in real time, enhancing transparency and reducing the shadow economy.

Global standardisation and trade facilitation

The global shift towards e-invoicing harmonises standards across regions and facilitates international trade. For example, the 'VAT in the Digital Age' initiative aims to standardise e-invoicing practices across the EU in order to make international trade more efficient and ease the compliance burden on companies operating internationally.

Compared to traditional forms of invoicing, e-invoices offer significant benefits in terms of efficiency and security. Although the transition to e-invoices requires initial investment and adaptation, they will create savings and improve the company's operations in the long term. E-invoicing not only facilitates supply chains but also encourages international trade and tax compliance.

We're inviting you to attend a PwC's Academy webinar on 15 August where we will be discussing the latest legislation, technical requirements and practical steps to implement e-invoicing successfully.