



E-invoicing with SAP Document and Reporting Compliance

Efficient invoicing and fulfillment of legal requirements

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B2B E-invoicing is coming: The Growth Opportunities Act requires domestic businesses to be able to receive electronic invoices by January 1, 2025. Sending them will also become mandatory in stages. A similar requirement for federal government suppliers has been in place for three years.

This whitepaper provides an overview of the legislation, explains what an electronic invoice actually is, and shows how SAP Document and Reporting Compliance (DRC) can help you make the transition.



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Overview of current legislation

Sending E-invoices to public customers (B2G) is already mandatory in Germany since November 2020.

The background is the EU Directive EN 2014/55/EU. It aims to harmonize the many existing incompatible standards for e-invoicing. The regulations have been implemented throughout Germany as part of the E-invoicing Act and the E-invoicing Ordinance. According to these regulations, invoices must be issued and transmitted in electronic form. It is also stipulated that the „XRechnung“ standard must be used. However, other formats are permitted if they comply with the directive. A definition of the term „e-invoice“ is also covered by these regulations and, together with the permitted standards, is dealt with in the next section of this whitepaper.

There are almost no exceptions to the obligation. Small handicraft businesses are affected as well as large companies. Invoices of €1,000 or more must be electronic. For smaller amounts, a paper invoice will still suffice. Although the regulations described above only apply at the federal level, many federal states also require electronic invoicing under their own regulations. These include Bremen, Hessen and Baden-Württemberg.

The Growth Opportunities Act passed by the German Bundestag now makes electronic invoicing mandatory for services between German companies. The legislative process is not yet completed.

The Bundestag has already approved the Growth Opportunities Act, but the Bundesrat has not. A mediation committee is currently in place. According to the current draft, invoice formats that comply with the EU Directive must be used in accordance with the B2G obligation. As of January 1, 2025, every company in Germany must be able to receive e-invoices. Sending e-invoices, however, will become mandatory in stages:

- From 01.01.2027, companies with a turnover of > € 800,000 in the previous year must send electronic invoices to B2B customers. Companies with a turnover of < €800,000 in the previous year can continue to issue paper and PDF invoices.
- From 2028, all domestic companies will have to send e-invoices.
- Paper invoices can still be sent until the end of 2026. The same applies to electronic formats that do not meet the requirements for E-invoicing (see next page).



The E-invoice and allowed formats

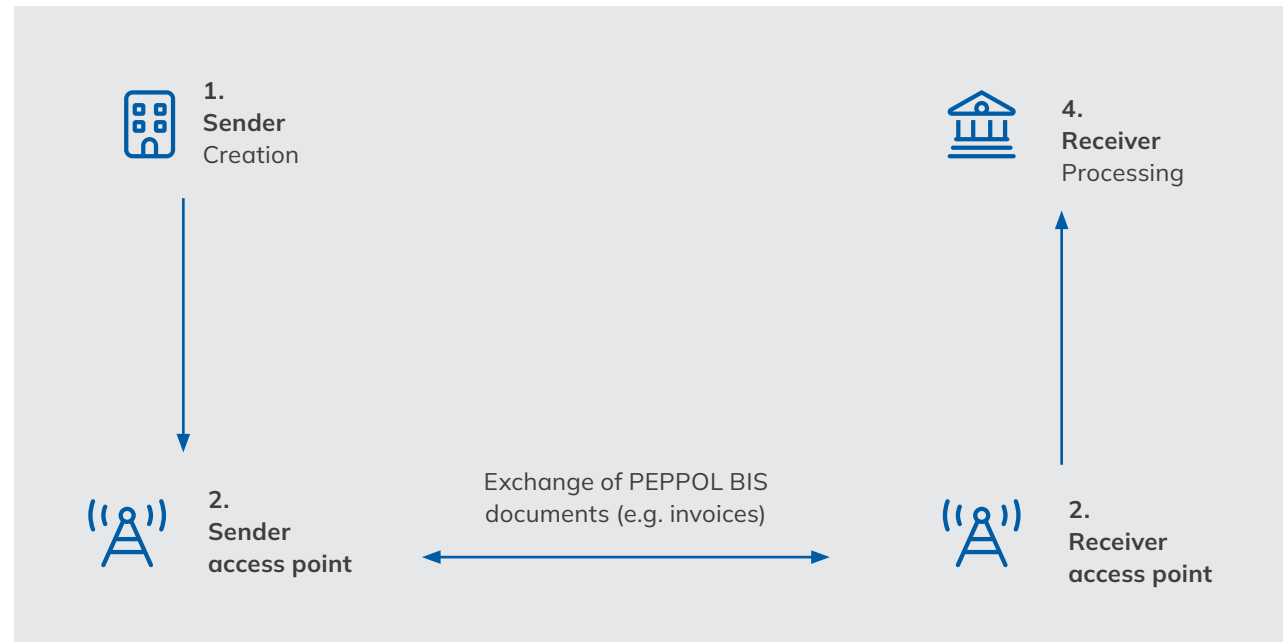
In common parlance, a PDF invoice is often described as an electronic invoice. However, the legislator limits the term to structured formats, i.e. XML. Image-based files such as PDFs are not recognized. In addition to purely structured formats, hybrid formats are also permitted.

In Germany, the „XRechnung“ standard was developed based on the Brussels specifications. This is a pure XML format. The „ZUGFeRD“ format is also recognized. In this hybrid approach, the XML is embedded in a human-readable PDF file. Invoices issued in another electronic format or on paper are described as other invoices.

Transmission channels

In contrast to the formats, there are no regulations regarding transmission in either the B2B or B2G sectors. For example, web capture, upload and e-mail transmission are conceivable.

In the European context, transmission via the so-called PEPPOL (Pan-European Procurement Online) network is very common. This is a Web service-based transport infrastructure for handling cross-border electronic procurements.










The idea is that any company can exchange documents with any European authority. PEPPOL is also increasingly used in the B2B sector. The network is based on a 4-Corner-Model in which the two business partners use service providers instead of direct exchange. These providers operate access points for sending and receiving, through which each participant can be reached according to the „connect once, connect to all“ principle. As the transmission is regulated by a legal framework, no bilateral

agreements between the parties are necessary. In addition, the sender receives an acknowledgement of receipt upon successful transmission. As XML is the leading format for PEPPOL, this network cannot be used for the hybrid format ZUGFeRD.

Advantages of E-invoicing

In addition to legal compliance, E-invoicing offers a number of benefits to billers and bill recipients:

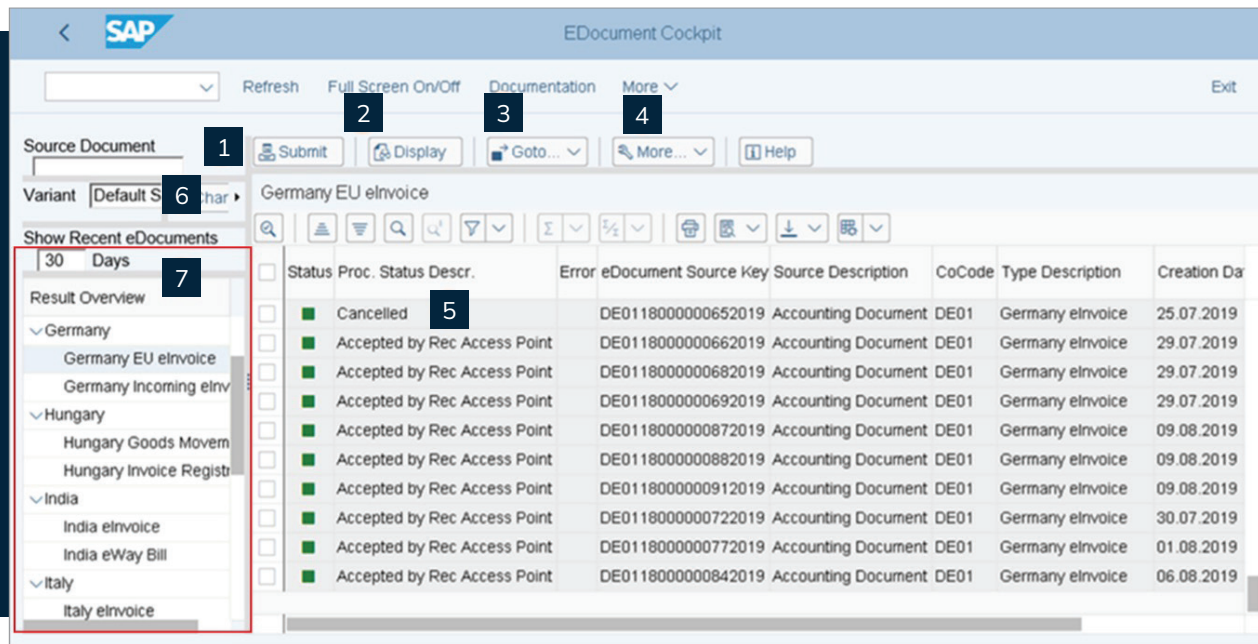
-  Huge reduction of processing costs
-  Sustainability aspect because of paper savings
-  Savings in time, shipping, and personnel costs
-  Reduction of input errors
-  Faster payment to optimize cash flow
-  Increased invoice processing efficiency
-  Legal compliance through regulatory compliance

E-invoicing with SAP Document and Reporting Compliance

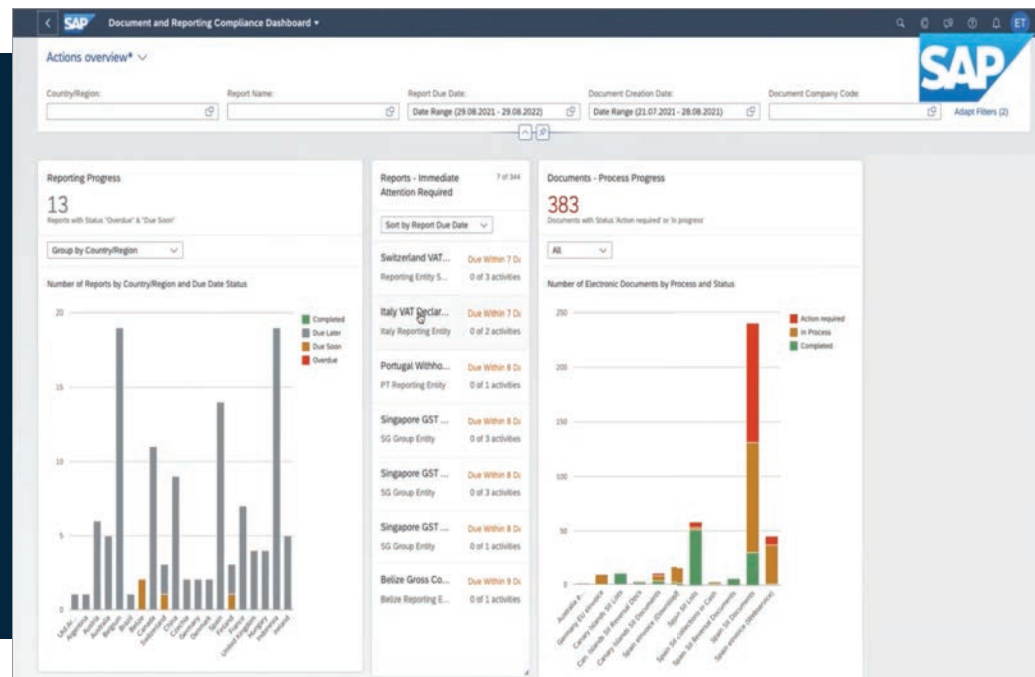
With SAP Document and Reporting Compliance, SAP offers the right tool to support the legal challenges described above and to optimize invoicing processes. Specifically, SAP DRC, Cloud Edition is required for German customer scenarios. It is a cloud service managed by SAP on the Business Technology Platform (BTP). Both automated sending and receiving are supported.

During the sending process, the user creates an invoice, e.g. using SAP SD. On saving, the corresponding eDocument is generated in the background, which is the e-invoice in the appropriate XML format. The documents are managed by a central application, the eDocument Cockpit. The invoice is technically and commercially validated before it is sent. This ensures that only invoices that meet the formal requirements for XRechnung are transmitted. It is also possible to view the invoice file in advance. As soon as the receiving system has received the invoice, the status is updated in the cockpit.

SAP DRC supports XRechnung and ZUGFeRD. XRechnung is transmitted via PEPPOL, ZUGFeRD via e-mail. Because XRechnung is usually an XML that cannot be read by the end user, SAP now offers an HTML preview integrated into the eDocument Cockpit. The document is displayed in an easy-to-understand format before it is sent, and the invoice can be checked again before it is sent. Individual fields are also provided, and the structure of the e-invoice can be extended using the EDOC_ADAPTOR BAdI.



1. Sending the eDocuments
2. Display the file, HTML preview
3. Display source document, document history, etc.
4. Delete, cancel and reject eDocument
5. Status of the eDocuments
6. Filter options & selection variants
7. Central monitor for all country-specific scenarios



Reports for monitoring invoices are also available in S/4HANA. These include the Document and Reporting Compliance Dashboard, by which the status of eDocuments can be analyzed in real time.

The SAP DRC is available for both S/4HANA and ECC. Because SAP now delivers much of the implementation as pre-configured content, only a little manual customizing is required. In addition to Germany, many other countries, such as France and the Netherlands, and their country-specific formats are covered by one license. Once the solution has been successfully implemented for one country, other countries can be set up in a very short time. The send and receive scenarios for all countries can be controlled via the universal eDocument Cockpit.

As a federal contractor, we are affected by the legal obligations ourselves and have successfully implemented XRechnung and dispatch via PEPPOL for our customer HIL GmbH. The changeover was realized within 4 months with one consultant and minimal development adjustments. We also supported the KAEFER Group in customizing and setting up outgoing electronic invoices.

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ABOUT US



The abat Group, founded in 1998, is an SAP service provider, innovative software developer and provider of complete solutions for software-supported process optimization –

primarily in the core industries of automotive and discrete manufacturing as well as in logistics processes and production control. With our six service areas, we give companies the freedom they need for new ideas, efficient processes, and future-oriented solutions.

In the **consulting** service area, we advise and support you in all phases of an SAP project – from conception to implementation to operation of your SAP system. With abat **manufacture**, you receive digital, high-availability solutions for production control in the complex manufacturing industry. With abat **transform** we offer you innovative and unique solutions that make you special: from AI to cloud to X-Reality. The **PLM** area offers comprehensive process consulting with the goal of achieving a continuous data flow across PLM, ERP and MES. Offerings from the **protect** area help customers secure information and maintain the confidentiality, availability, and integrity of business relationships. Finally, our **sustain** experts advise on how sustainability and CSR reporting can be strategically and structurally anchored in the company.

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