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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Subject: COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION of
Directive 2014/55/EU on electronic invoicing in public procurement
Accompanying the document
Report from the Commission to the European Parliament and the Council on the effects of Directive 2014/55/EU on the Internal Market and on the uptake of electronic invoicing in public procurement

Delegations will find attached document SWD(2024) 40 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION

Evaluation of Directive 2014/55/EU on electronic invoicing in public procurement

Accompanying the document

**Report from the Commission to the European Parliament and the Council
on the effects of Directive 2014/55/EU on the Internal Market and on the uptake of
electronic invoicing in public procurement**

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1. Introduction

The Directive 2014/55/EU of the European Parliament and of the Council of 16 April 2014 on electronic invoicing in public procurement, (the ‘Directive’), aimed at establishing a European eInvoicing standard, at creating capabilities for public authorities to process electronic invoices and at enhancing interoperability, with the final objective to foster the Internal Market. The purpose of the evaluation in the Staff Working Document is to assess the performance of the Directive and to provide conclusions that can be used as a basis for future policy development.

The period considered in the Evaluation Staff Working Document lasts from 2014 to 2022, with a specific focus on the phase following the transposition of the Directive for central contracting authorities and entities, i.e., the period after April 2019. The geographical scope of the analysis encompasses all EU Member States.

2. What was the expected outcome of the intervention?

In the 2010 Digital Agenda for Europe, the European Commission recognised the potential of electronic invoicing (eInvoicing) as a key enabler for the digital economy and a means to promote the Internal market. In the same year, the EU's policy on eInvoicing was promoted with the European Commission Communication 'Reaping the benefits of e-invoicing for Europe', advocating eInvoicing adoption and the development of a standard. However, two years after, the EU landscape of eInvoicing in public procurement had not significantly changed. Hence, in the European Council Conclusions of June 2012, Member States advocated for actions to encourage eInvoicing, and the European Parliament, in a resolution passed in April 2012, urged the mandatory implementation of eInvoicing in public procurement by 2016. This led to the proposal of the Directive accompanied by a thorough Impact Assessment, which explored the effects of promoting eInvoicing adoption and interoperability in public procurement. At that time, eInvoicing constituted between 4 and 15% of invoicing procedures in the EU, with challenges hindering both SMEs and large enterprises.

In 2014, the Directive was adopted with the aim of enhancing the Internal Market by reducing barriers in cross-border public procurement caused by the lack of interoperability. The Directive aimed to facilitate B2G (Business-to-Government) and B2B (Business-to-Business) eInvoicing, reduce complexity, and lower costs for all parties involved in transactions. It mandated public administrations to accept eInvoices compliant with the European eInvoicing standard for public procurement contracts. The Directive's expected impact was to improve interoperability, increase eInvoicing uptake, and simplify invoicing procedures and business flows.

3. How has the situation evolved over the evaluation period?

The European Commission is actively promoting the exchange of eInvoices by strengthening its standardisation efforts based on the European eInvoicing standard to support the Internal Market. The Commission mandated CEN (European Standardisation Committee) to create the 2017 European eInvoicing standard as requested by the Directive in its Article 3. The European eInvoicing standard is the semantic data model of an electronic invoice, which is properly the content of an invoice. In 2017, when the Commission published this standard by Commission Implementing Decision (EU) 2017/1870, this was accompanied by two syntaxes, which are the only ones that can be used with it for compliance. Furthermore, Member States

had a deadline of April 2019 for the implementation of electronic invoicing in B2G at the central level and of April 2020 for the sub-central level. Linked to the transposition of the Directive into national law, some Member States have mandated eInvoicing in B2G, which means that suppliers in public procurement can send only electronic invoices to public authorities. Currently, several EU countries are planning to introduce mandatory eInvoicing also for B2B transactions. With the current expansion of eInvoicing to encompass B2B, the risk of fragmentation has intensified. This is critical as B2B transactions constitute the majority of eInvoicing transactions in Europe.

A recent important policy development in the EU invoicing policy is linked to the 'VAT in the Digital Age' legislative proposals, which were published on December 8, 2022. The ViDA package aims to modernise the EU VAT system, to reduce administrative costs for businesses. It also seeks to help tax administrations address VAT fraud issues, through a series of proposed measures, notably, by making eInvoicing the default method for issuing invoices in Europe from January 2028, and by making VAT reporting to be based on electronic invoicing for intra-community transactions. The eInvoicing definition would be aligned with the eInvoicing Directive, covering only structured electronic invoices fit for automatic processing.

4. Evaluation findings

To what extent was the intervention successful and why?

The Directive's implementation and the adoption of the European eInvoicing standard by public authorities and economic operators have significantly contributed to harmonising electronic invoicing in Europe. However, the Directive's objectives have been each fulfilled to a different extent, as shown below.

The Directive has successfully set up the European eInvoicing standard in 2017. However, the objective of making national public authorities at all levels (i.e. central, sub-central) accept and process eInvoices compliant with the standard was only partially achieved. This objective has been generally secured at the central level, as all the Member States - with the exception of two, Cyprus and Slovakia, that are currently building their invoicing platforms, have ensured the receiving and processing of eInvoices compliant with the European eInvoicing standard. Yet, it has not fully been achieved at the sub-central level.

Regarding its specific objectives related to the fostering of the Internal Market, namely by ensuring interoperability, achieving widespread adoption, enhancing the ease of operations for economic entities through legal certainty, mitigating technical complexity, and by reducing costs, the impacts vary.

In regard to ensuring interoperability, the Directive has effectively addressed obstacles to interoperability at both the semantic and syntax levels. However, the evolving landscape of eInvoicing in the last decade has brought new challenges, particularly regarding the necessity for interoperability at the transmission level across the EU. In terms of the operational objective, which was to create conditions for the emergence of technical solutions in public procurement, the intervention facilitated the establishment of pan-European eInvoicing capabilities, particularly in the public sector. Interoperability was achieved by imposing obligations on public authorities and allowing the use and expansion of the Peppol network

present in 23 EU Member States as a harmonised solution for transmission and for exchanging European eInvoicing standard-compliant eInvoices across the EU.

When it comes to achieving widespread adoption of eInvoicing, the Directive has played a pivotal role by setting the legal basis for eInvoicing adoption. However, there is a high level of B2G eInvoicing adoption only in Member States where the government mandated suppliers to send only eInvoices in public procurement and in digitally mature countries (e.g. Estonia, Finland, Sweden). Beyond its immediate impact within the public procurement sphere, the Directive has played a role in promoting further harmonisation in the B2B context. By establishing a common foundation for eInvoicing practices within the EU and introducing the European eInvoicing standard, the Directive has encouraged developments in B2B, where the EU standard is already used and its usage will likely be further extended by the ViDA legislation, for which the European eInvoicing standard is currently being adapted through the work of CEN to cover all use cases.

The efficiency of eInvoicing implementation in terms of costs and benefits shows a varied situation among Member States. The costs borne by public authorities depend on the digital maturity of their public sectors. Economic operators, particularly Small and Medium Enterprises (SMEs), face varying costs depending on eInvoicing service packages available and transaction volumes. Nevertheless, a significant number of Member States, 17 out of 23 surveyed, confirmed that the benefits of eInvoicing outweighed their associated costs at the national level for all stakeholders. The benefits include operational efficiencies, improved transparency, and environmental benefits. Process automation is perceived as the main driver, followed by the use of the common standard, faster processing and shortened payment delays as well as less complexity.

- For national authorities, the main cost factor for the implementation of the Directive was the establishment of the national eInvoicing infrastructure (if it was not already in place) and the maintenance of such infrastructure, while the cost of adjustment to the European eInvoicing Standard was marginal.
- SMEs have difficulties to quantify the advantages brought by eInvoicing, but they state that they would clearly benefit if eInvoicing were adopted across the board and if they would be able to use eInvoicing for new innovative applications such as tax reporting, eco reporting, eInvoice financing, or customs declaration.
- For large enterprises, implementing eInvoicing across different EU Member States that have different legal and technical rules is expensive.

As regards the coherence criteria for success, the Directive demonstrates both internal and external coherence. Its objectives are aligned with the development of the European eInvoicing standard, ensuring consistency between legislative objectives and further adaptation of the standard by CEN. Externally, it aligns with EU policies such as Public Procurement Directives, the 2023 proposal for a regulation repealing the Late Payment Directive, and VAT in the Digital Age (ViDA) legislative proposals, contributing to the harmonisation of EU eInvoicing rules and interoperability.

How did the EU intervention make a difference and to whom?

There is a broad consensus among EU Member States and eInvoicing stakeholders that the Directive has produced significant value at EU level in several aspects.

From the perspective of national authorities, the main EU contribution consists of limiting the emergence of various national eInvoicing standards. A high level of legal certainty was introduced by the Directive and significant technical simplification was provided thanks to the use of a common European eInvoicing standard, leading to considerable cost reduction.

For economic operators, the Directive's impact varies among and within each stakeholder category.

- For SMEs, the main contribution consists of easier B2G invoicing, followed by improved efficiency, and easier invoicing to large enterprises.
- For large enterprises, in addition to cost savings per eInvoice, improved interoperability in supply chains, easier invoicing to public bodies, increased accuracy, improved data quality, and enhanced security are considered the most relevant positive impacts associated with the eInvoicing Directive.
- For service providers operating in this field, the establishment of a European eInvoicing standard helped simplify decisions in relation to selecting and investing in a single eInvoicing format for both domestic and cross-border public procurement.

Is the intervention still relevant?

The Directive, adopted in 2014, remains highly relevant due to persistent challenges and the emergence of new issues. The Directive has successfully established a European eInvoicing standard and created the conditions for public authorities to receive and process electronic invoices compliant with the European standard.

National variations of the European standard still pose ongoing challenges to interoperability. Furthermore, new interoperability challenges have appeared due to the evolution of eInvoicing in the last ten years, especially at the transmission level.

5. What are the conclusions and lessons learned?

The Directive has played a crucial role in harmonising eInvoicing within Europe, achieving significant progress in enhancing the Internal Market through the deployment of national eInvoicing infrastructures compliant with the European standard for B2G transactions and through its adoption by economic operators. Due to the positive developments in the EU, Europe's influence in eInvoicing extends globally, with Peppol specifications being adopted by countries in different regions of the world.

Despite these achievements, the evaluation has identified shortcomings that hinder the Directive's full potential, especially at the level of adoption. Moreover, ensuring full interoperability, including the transmission level, remains challenging. The variations in national implementations of the European standard may limit the seamless exchange of eInvoices, which could be further exacerbated when EU governments mandate for B2B eInvoicing are enforced.