

Press Release

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64% of European companies are missing out on the competitive advantages of e-invoicing and e-archiving

A study by PricewaterhouseCoopers predicts much catching-up over the next 12 months

A study by PricewaterhouseCoopers conducted in July and August 2005 showed that only 36% of European companies with a high volume of invoices actually use e-invoicing and e-archiving. Companies that have implemented these solutions benefit from increased efficiency, cost reduction and faster payments, which are but a few of the advantages mentioned in the study. The legislation and the technology have evolved and are no longer perceived as an obstacle.

However, this does not mean that these companies' invoicing processes are completely electronic. The study shows the need for more in-depth knowledge of the rules and technological possibilities both internally and vis-à-vis suppliers and customers. According to the results of the study, half of these same companies are currently working on the implementation of e-invoicing and e-archiving or have it on their agenda for the coming year. The general adoption of these e-commerce techniques will provide additional opportunities in terms of business efficiency and corporate competitiveness as well as for the economy in general.

It is remarkable that, in 38% of the companies that have implemented e-invoicing still exchange paper invoices in parallel, while this is no longer needed if their technical solution has been well implemented in a compliant fashion. In a test phase, it might be good to still exchange paper originals or paper copies but, in a production phase, it should be possible to achieve a completely "dematerialized" process. If you exchange EDI invoices with parallel paper invoices, make sure it is clear which invoice stream qualifies as the original invoices and which are "copies". Otherwise, you might end up with the risk that the tax authorities consider these as two

valid streams, with the result that VAT should be paid twice or that penalties are set for non-compliance in the case of one of the invoicing streams.

With this survey, we wanted not only to gain insight into the current state of the adoption of e-Invoicing and e-Archiving in Europe and what it is that drives companies to engage in e-Invoicing projects, but also to identify potential obstacles to the further widespread use of these digitisation techniques. Specifically, e-invoicing is the sending of invoices “by electronic means”, while e-Archiving is the storage of electronic invoices.

The 2001 European VAT Directive concerning invoicing aims to simplify, modernise and harmonise (e-)invoicing and (e-)archiving with regard to VAT. By January 2004, this Directive was to have been transposed into the national legislation of each of the then 15 Member States, with a date of 1 May 2004 being laid down for the 10 newly joined Member States. Despite the facts that the legal obstacles have been removed, many companies are now implementing e-invoicing and e-archiving, the requisite technological solutions are available and significant increases in efficiency and reductions in costs are expected, still e-invoicing and e-archiving are not very widespread today.

The companies surveyed have at least EUR 100 million in revenue and process at least 2,000 invoices a year, while 28% of them send out more than 500,000. Of the companies questioned, 36% are already using e-invoicing for customers and/or suppliers. Twenty percent are currently in the process of implementation and 29% plan to start in the next 12 months. Another 23% of companies have not yet fully considered e-invoicing while 3% have ruled out implementation. The initiative for e-invoicing and e-archiving usually comes from the company itself (64%), but sometimes customers (15%) or suppliers (11%) lead the process.

Ine Lejeune, Leader Global VAT & GST Network, comments on the results: “E-invoicing and e-archiving are still in their infancy. The legislation is ready and the technology exists. It is now up to companies to take the next step, and they certainly will do so. In 12 months, the results of this study will look completely different.”

The benefits mentioned include increased efficiency (71%), cost reduction (61%) and faster payments (38%). In addition, e-invoicing and e-archiving reduces disputes with customers and suppliers about invoices (21%). Some respondents indicated that they chose or would choose e-invoicing because customers (19%) or suppliers (16%) opt or would prefer to work electronically.

“Ten percent of companies still see the legislation as an obstacle, despite European harmonisation of the rules. It is indeed the case that transposition of the European directive into national legislation has not always been optimal. Companies also demand European commentary, so that the interpretation of the rules is identical in all countries, something that would make companies’ lives much easier and promote implementation by European businesses,” says Ine Lejeune. Thirty-five percent of companies say that their customers are not ready for or are unsuited to a system of e-invoicing, which also applies to 21% of their suppliers. For 30% of those surveyed, it is internal systems that are not compatible or ready. Other obstacles include complexity (23%), the high investment cost (24%) and the fear of too low a yield (10%).

In general, companies tend to feel well informed about most dematerialization technologies. They are most familiar with scanning (78%), e-invoicing (64%) and EDI (Electronic Data Interchange) (64%). Of the respondents, 22% are less well informed about electronic signatures

and 17% about e-archiving. The companies that have already implemented e-invoicing use especially EDI, EBPP* (Electronic Bill Presentment and Payment) and scanning. Implementation plans for the coming year are predominantly focus on Advanced Electronic Signatures and EIPP* (Electronic Invoice Presentment and Payment).

Daniel Evrard, responsible for ICT Process Improvement at PricewaterhouseCoopers Belgium, says, "Some companies already took the first step with EDI a couple of years ago, but must now take the next one: getting rid of the parallel paper flow and the archiving of paper invoices. Other companies use scanning, but this is also just an intermediate step towards complete e-invoicing and e-archiving. The technology is still primarily based on mature EDI communication, because Advanced Electronic Signatures are not yet very well known. Outsourcing of the invoicing process is still fairly rare. By not switching to paperless invoicing, many companies are missing out on the chance to further reduce their costs and increase the competitiveness of the company and our economy."

Most companies choose to operate a number of control in their e-invoicing process. Controls measures that are mostly used are the exchange of order and delivery forms via EDI, customer and supplier agreements regarding electronic invoicing and archiving, parallel paper flows or automated matching.

As for archiving, four-fifths of companies still store invoices on paper. Seventy-two percent archive the invoices on a server at the same time. Other media on which electronic versions are stored are CD-ROM (29%), DVD (15%) and tape (28%). Be aware that electronic invoices must also be archived electronically in most EU member states and that printed copies of electronic versions are not compliant archives. Only 5% of companies archive abroad, which probably has to do with the fact that most companies still archive paper versions and that is more easily done locally.

* EBPP means that invoices are sent and paid over the Internet, for B2C sales. EIPP concerns a B2B environment.

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Information for editorial boards:

The "E-invoicing and e-archiving – taking the next step" report is available at www.pwc.be or can be obtained upon request:

- For journalists: from Liesbeth Driesen of Luna: 02 658 02 93 or liesbeth@luna.be
- For other interested parties: from Marie Pivetta at PwC: 02 710 72 59 or marie.pivetta@pwc.be

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