



## Alert - Indirect Tax - VAT

### Germany introduces mandatory e-invoicing for domestic B2B transactions as of 1 January 2025

On 27 March 2024, the business tax reform bill ("Growth Opportunity Act"), which introduces mandatory electronic invoicing for domestic business-to-business (B2B) transactions as from 1 January 2025, was adopted in Germany. No specifications on the transaction-based reporting system have been issued as yet.

#### Background

The global trend to implement mandatory e-invoicing is rapidly spreading as governments around the world recognize the benefits, transformative potential of digitalization and its effect on modernizing the tax administration processes.

The German government's strategy, with respect to the introduction of mandatory B2B e-invoicing, aligns with the EU proposal [VAT in the Digital Age](#) (ViDA) as they intend for their e-invoice schema to adopt, as a minimum, the European e-invoicing standard EN 16931. However, the new law does not yet include an obligation to report data (e-reporting or SAFT) to the tax administration, although this is speculated to be introduced at a later stage.

#### Upcoming e-invoicing mandate in Germany as from January 1, 2025 in phases

The Growth Opportunities Act does not alter the rules for who must issue invoices or when invoices should be issued. It also does not alter the requirements for what information needs to be included in invoices. Instead, it focuses on the format of the invoice mostly. The Act distinguishes between e-invoices and "other invoices," with compliance with the EU standard EN 16931 being the main distinguishing factor. This standard was developed and published by the European Committee for Standardization at the request of the European Commission. It consists of a semantic data model and two mandatory syntaxes: UBL (Universal Business Language) and CII (Cross-Industry Invoice).

According to the Growth Opportunities Act, an e-invoice is one issued either in a structured electronic format according to EN 16931 (as a minimum basis of requirements) or in a format agreed upon between the invoice issuer and recipient, as long as it allows for the correct and complete extraction of the required information in accordance with EN 16931 or is interoperable with it.

This flexibility ensures that businesses transmitting invoices using electronic data interchange (EDI) procedures can continue doing so as long as they meet the minimum standard of the EN19631. E-invoicing will become the default invoicing method in Germany from January 1, 2025 in a phased approach.

"Other invoices" refer to those transmitted in a different electronic format (i.e., non-EN16931 compliant) or on paper. From 2025 onwards, consent from the recipient will be required for the electronic transmission of other invoices. No consent will be needed for paper invoices. The use of "other invoices" will gradually be phased out until 2028.

The e-invoicing obligation will apply to domestic B2B supplies. This means that a business resident in Germany must issue electronic invoices for supplies taxable in Germany if the invoice recipient is also based in Germany. There will be no obligation to issue electronic invoices for business-to-consumer (B2C) sales. Certain exempt B2B sales where invoices are generally not required, transactions with amounts below €250 and tickets. It is currently envisaged that non-resident businesses with mere VAT registrations in Germany will not be affected by the e-invoicing mandate. The obligation to issue electronic invoices does not apply to intra-EU supplies, as these will be covered by the digital reporting and invoicing obligations outlined in the ViDA proposal, which will also be introduced gradually from 2025 to 2028-2030 (EU political agreement is foreseen for 14 May 2024 at the Ecofin meeting).

### Implementation timeline

	PDF	EN e-invoice	EN EDI e-invoice	EDI e-invoice	Other e-invoice
2024	Default	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>
2025	Allowed	Default	Default	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>
2026	Allowed	Default	Default	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>
2027	Allowed*	Default	Default	Allowed <i>(with buyer consent)</i>	Allowed <i>(with buyer consent)</i>
2028	NOT ALLOWED	Mandatory	Mandatory	NOT ALLOWED	NOT ALLOWED

The e-invoicing obligation will roll out in a phased approach gradually from 2025 to 2028. Starting January 1, 2025, businesses involved in domestic B2B transactions must at least be equipped to **receive structured electronic invoices** adhering to the EN 16931 standard. The Federal Finance Ministry has [confirmed](#) that commonly used e-invoicing formats in Germany, like [ZUGFeRD](#) (versions older than 2.0.1 will not be accepted) and [XRechnung](#), meet the criteria for compliant structured invoices.

As of January 1, 2025, businesses should be capable of receiving invoices in the ZUGFeRD (applicable versions) and X-Rechnung formats. However, the obligation to issue electronic invoices will not come into effect until 2027. During 2025 and 2026, businesses may choose to issue paper invoices or invoices in other electronic formats, but transmitting the latter will necessitate the recipient's consent.

***In 2027, businesses with a turnover exceeding €800,000*** in the previous year must issue electronic invoices. However, those surpassing this limit can still use EDI procedures, even if they cannot fully comply with EN 19631 standards, as long as the recipient agrees. Then, from 2028, all businesses will need to issue electronic invoices. (See above the envisaged roadmap and timelines).

### **Concluding remarks**

The move to make e-invoicing mandatory in Germany reflects a global trend towards digitalizing tax processes and tax administration systems. Unlike certain other European countries, such as Poland or Italy, Germany is not yet specifying exactly how invoices should be exchanged and reported (this means that, in theory, businesses could even resort to using email for sending electronic invoices, though this is not the most secure or efficient option). Instead, (the envisaged) German regulations focus solely on the formats allowed for electronic invoices as a minimum and the conditions for issuing and receiving them.

The obligation to transmit invoice data to tax authorities will be introduced later, once the mandatory issuance of e-invoicing enters into force. This phased approach is designed to facilitate a smoother transition, enabling businesses to adapt and comply with the new rules more seamlessly. However, in practice it will mean that from 2025 to 2028 business must prepare to receive issue and process various formats from paper to hybrid to fully structured/compliant. Whilst EN16931 forms the basis of the structured requirements, other (more extensive) standards will most likely also be adopted (i.e., Peppol Bis 3.0 or UBL2.1). In practice this may be a challenge for businesses' IT systems and process set up.

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