



# A GUIDE TO E-INVOICING:

**What is it and  
Why it matters**



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# DID YOU KNOW?

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**THE AUSTRALIAN TREASURY HAS  
ESTIMATED THAT E-INVOICING COULD  
RESULT IN SAVINGS OF \$28 BILLION  
OVER TEN YEARS FOR THE AUSTRALIAN  
GOVERNMENT ALONE**

**Australian Treasury**

[www.treasury.gov.au/consultation/e-invoicing](http://www.treasury.gov.au/consultation/e-invoicing)



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# PAPER TO E-INVOICING... AND EVERYTHING IN BETWEEN

From creating invoices manually to emailing PDF invoices, the invoicing landscape has come a long way and now it's time, once again, to move forward with new technologies.



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# INVOICING

## ... SO FAR

### PAPER INVOICING

**Manual entry:** Paper Invoicing requires the largest amount of manual intervention, particularly in the creation of each invoice. With such high levels of manual entry, it's no surprise that it leads to a higher level of errors when creating invoices.

**Physical impacts:** Paper invoices often require physical postage that can cause increased delays and, in some cases, lost invoices. Because they're physical, many trees and forests are continually being destroyed to create additional paper stocks causing significant negative impacts on the environment.

### PDF INVOICING

**Comparison to e-Invoicing:** Many often mistake PDF invoices for e-Invoice, this is because they are seen as electronic based on the mode of transport, often email. This is where the similarities stop. PDF's are essentially an image and require the receiver to check and then enter all the data manually into their accounting system. This is still a highly manual process.

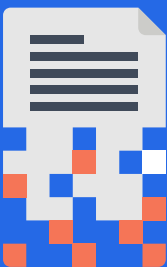
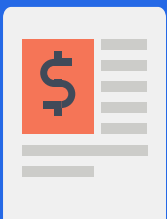
**Fraud and scams:** One of the biggest drawbacks of PDF Invoicing is their susceptibility to fraud. Many scammers today use fake PDF/email invoicing to scam businesses out of millions of dollars annually. The ability to recreate or tamper with an invoice in an unsecured environment is just too easy to do.

### OTHER TECHNOLOGY

Paper and PDF invoicing have been the invoicing standard for many years, but there are also other invoicing technologies and supplementary services that have been used.

**OCR Scanning:** Some businesses use OCR (Optical character recognition) scanning technology in conjunction with PDF Invoicing to assist with automation. This relies heavily on the OCR technology knowing where to look and what to extract. This still requires manual checking to ensure it's accurate and can prove to be a costly process to setup and maintain.

**Traditional EDI (Electronic Data Interchange):** Traditional EDI technology is used to assist with automating invoice processes. However, due to the high costs involved with setup and maintenance, it's often only larger organisations that can justify the costs of implementation. Traditional EDI requires separate connections for each trading partner an organisation does business with including the ability to accept each unique file format that these trading partners are using. You can see why it can be hard to justify traditional EDI for many organisations, as the initial setup and ongoing maintenance costs can outweigh the benefits that it delivers.



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WHAT IS

# E-INVOICING?

Paper, PDF and traditional EDI have presented adequate solutions to invoicing over the years but with high processing costs, low security and extensive manual work, the time is right for us to utilise technology to further automate processes and positively impact the way we do business.

The former solutions highlighted the need for better technology, like e-Invoicing, but what exactly is it and how does it work?

e-Invoicing (sometimes known as electronic invoicing) is the automated exchange of structured invoice data directly between senders and receiver's software across a highly secure, governed network. The use of structured data allows it to be interpreted by any invoicing software enabled for e-invoicing, dramatically increasing the automation and security of the process and at the same time lowering the cost.

The ability to send from software (accounting platform) to software removes the need for creating paper-based or PDF invoices, minimising manual data entry, and reducing errors process invoices faster and more efficiently. In the simplest terms, **e-invoicing allows the seller to create and send an invoice from their software, through the e-Invoicing network straight into the buyers software.**

With many organisations throughout the world already using e-Invoicing, including the Australian and New Zealand governments, now is the time to enable e-Invoicing.

But first, how does it all work?



## PROCESSING COSTS

# AT A GLANCE

The estimated costs for businesses to process a **Paper invoice is around \$30** and **\$27 for a PDF invoice.**

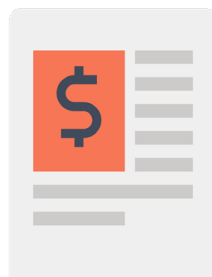
In comparison an **e-Invoice is estimated to cost under \$10** due to the increased levels of automation involved.

### Paper Invoice



**\$30.87**

### PDF Invoice



**\$27.67**

### e-Invoice



**\$9.18**

Australian Taxation Office

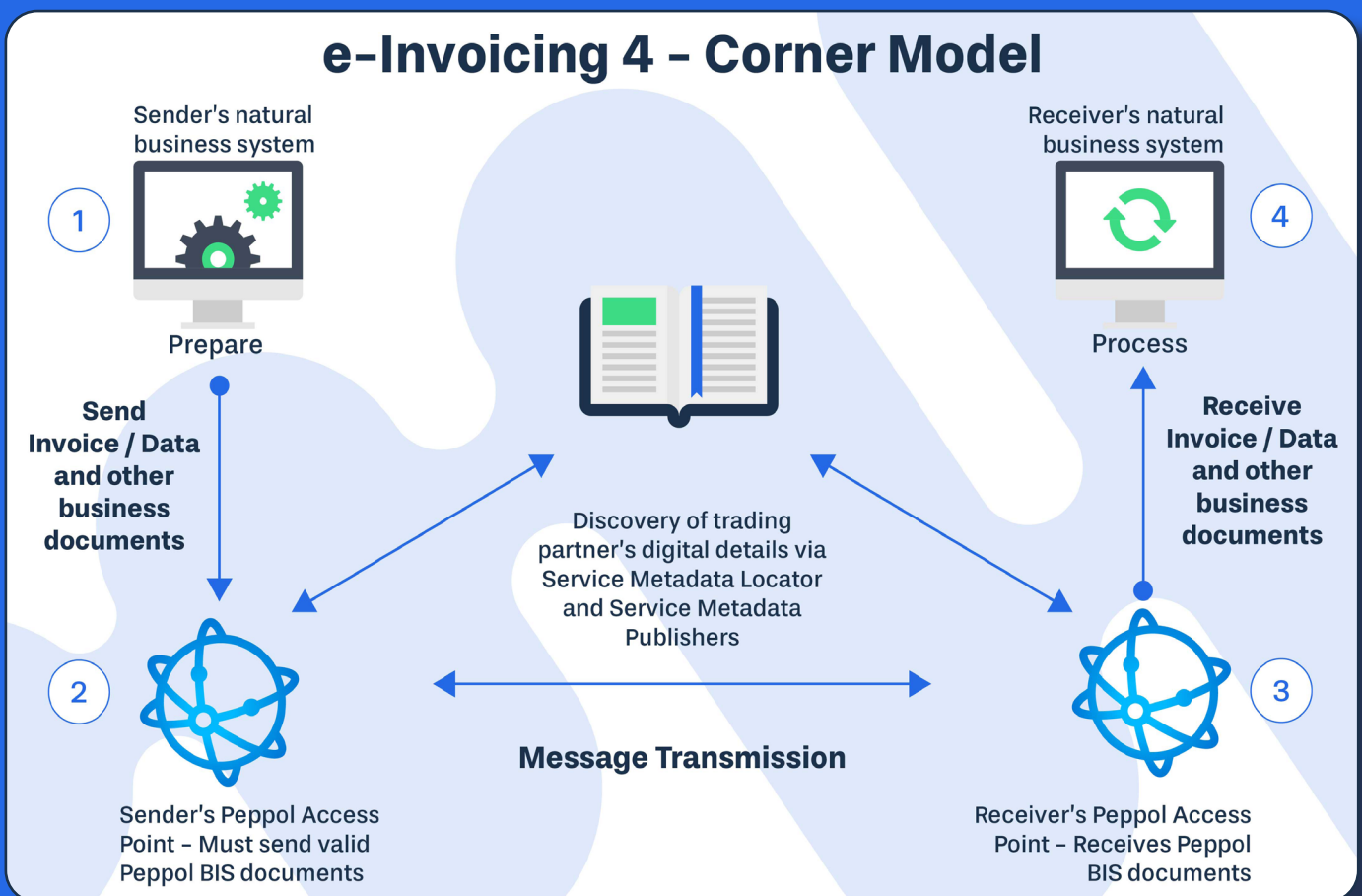
[www.ato.gov.au/Business/E-invoicing/E-invoicing-for-businesses/](http://www.ato.gov.au/Business/E-invoicing/E-invoicing-for-businesses/)

# HOW DOES IT WORK?

The simple diagram below illustrates how e-Invoicing works via a Peppol 4 corner model:

- **Corner One** is the Supplier (sender of the invoice)
- **Corner Two and Three** are the Access Points
- **Corner Four** is the Customer (receiver of the invoice)

**E-INVOICING ALLOWS YOU TO CONNECT ONCE AND TRANSACT TO EVERYONE ON THE NETWORK INCLUDING IN AUSTRALIA, NEW ZEALAND AND MANY COUNTRIES IN EUROPE.**





# SO, WHAT IS PEPPOL AND WHAT IS AN ACCESS POINT?

Let's start with Peppol, it was created by OpenPEPPOL in 2008 to set the standard for e-Invoicing and other e-Documents. The Peppol framework outlines the Peppol UBL (Universal Business Language) format for these documents and it governs the Access Point network. This framework is currently used in over 34 countries including Australia, New Zealand and many countries throughout Europe. In 2019 the ATO was appointed the country authority for Peppol in Australia and MBIE took that role in New Zealand. Working closely together these agencies govern the administration of the network and the accreditation of Access Points in Australia and New Zealand.

In the 4-corner model, Access Points send and receive business documents between organisations. Think of them like a post office box, the sender's software sends the invoice to their Access Point (corner two) and the receiver's software then collects it from their Access Point (corner three). To be a part of the Peppol e-Invoicing Network, organisations need to go through an extensive accreditation process to become an accredited Access Point. Included in this process are stringent certifications, meeting the highest security and interoperability requirements. This ensures that the Access Points, not only have the capabilities to function within the network, but also the trust and reliability to maintain a stable network free of fraud. The country authorities maintain this layer of governance across the network to ensure it remains secure.

By adopting the Peppol framework the prime ministers of Australia and New Zealand have agreed to the standardisation of formats and processes across a single economic market. It also allows businesses to transact with trading partners in Europe without any additional work, all because we're using the same standardised formats and secure network.

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## WHY THIS MATTERS FOR YOUR BUSINESS?

### The benefits of e-Invoicing

#### **COST SAVINGS**

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**e-Invoicing costs a fraction of traditional invoicing methods.**

With paper invoices estimated to cost \$30.87 to process and PDF invoicing costing an estimated \$27.67 to process, e-invoicing can be up to **70% cheaper** to process compared to traditional formats. With an estimated 1.2 billion invoices sent every year in Australia and New Zealand, the cost savings will be significant.

#### **EASE OF PROCESSING**

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**Automation equals less manual data entry**

As e-Invoices are automated from system to system, manual data entry is removed meaning **processing invoices is far simpler**. While you still need to apply your own workflow processes, reducing the manual processes will save time processing all invoices.

#### **FASTER PAYMENT TERMS**

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**Get paid faster with less errors**

Less errors, less administration and system to system delivery, **e-Invoicing will significantly reduce payment times** allowing business to process and pay invoices faster. And with enhanced traceability, you'll always know where your invoices are and when they've been received and actioned.



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## The benefits of e-Invoicing continued.

### **SECURE AND RELIABLE**

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#### **Minimising fraud and billing scams**

Under the Peppol network all invoices are sent in the same predefined format with encryption and strict security minimising the possibility of it being altered in any way. Sending and receiving invoices directly through the network via the approved and accredited Access Points, means it **reduces the risk of fake invoices and scams to virtually nil.**

### **FEWER ERRORS**

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#### **Less manual handling equals greater accuracy**

Removing the need for manual handling and re-keying of invoice information means **far less errors and no missing invoices.** e-Invoicing means greater accuracy of data being transferred from system to system.

### **GOVERNMENT INCENTIVES**

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#### **Get paid within five days or receive interest on late payments**

The Australian government has announced that from 1 January 2020, Australian Government agencies will **pay e-Invoices of contracts up to \$1 million within five days** and pay interest on any late payments. e-Invoicing capabilities will also be included in government tenders as a condition.

# PREPARE YOUR BUSINESS FOR E-INVOICING

Getting started with e-Invoicing can be extremely simple, especially if the software provider you currently use is already connected to the Peppol network. If they are, you'll be able to get e-Invoicing enabled as easy as 1-2-3.

To assist with this process, OZEDI has established [e-invoicing.com](http://e-invoicing.com); a comprehensive directory of software that is already connected to the Peppol network. The directory will allow businesses to look up their current software provider to see whether they are connected. It also features an activation kit for those businesses who have enabled e-Invoicing to help their clients and suppliers to turn on e-Invoicing too.

**Powering  
e-Invoicing  
together**

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# EINVOICING IN 1-2-3



## SEARCH FOR YOUR SOFTWARE

Visit [einoicing.com](https://einoicing.com), search for your accounting software to see available solutions for e-invoicing.



## COMPARE AVAILABLE SOLUTIONS

Compare the available solutions for your software based on their e-Invoicing status and Peppol capabilities.



## SELECT A SOLUTION PROVIDER

Select an available solution to be sent directly to the Solution Provider's designated e-Invoicing page to get e-Invoicing enabled.

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## CONNECT YOUR NETWORK



Now that you're enabled, it's time to connect your network so you can start sending and receiving e-Invoices throughout your network. Our white-labelled activation kit has email templates and instructions on how to get your network to go through the simple process of getting enabled through **einoicing.com**. Your network then completes the same simple process and uses our communication kit to enable their network, and so on, **until all of Australia and New Zealand are e-Invoicing enabled.**



**Want to know more about e-Invoicing?**

**Contact OZEDI today**

**e: [info@ozedi.com.au](mailto:info@ozedi.com.au)**

**w: [www.ozedi.com.au](http://www.ozedi.com.au)**