



Outsourcing newsletter - **Fully digitalized invoices are coming!**

With the introduction and promotion of fully digitalized invoices, your business is likely to encounter such transformation in the near future. In this newsletter, we present key points about fully digitalized invoices and the impact on your operations.

What is a fully digitalized invoice?

Fully digitalized invoice has the following characteristics:

- No paper version
- No need for a USB-Key or invoice machine
- No need to apply for purchasing

Meanwhile, fully digitalized invoices have the same functions as traditional paper invoices.

Fully digitalized invoice vs paper digital invoice

| | Fully digitalized invoice | Paper digital invoice |
|-----------------|--|---|
| How to manage? | <ul style="list-style-type: none"> Can be issued once the company is operating. Total invoice limitation will be assigned by the tax system and can be dynamically adjusted. | <ul style="list-style-type: none"> Need to apply for invoice machine / USB-key. Need to purchase invoice from tax bureau. Upper limit for each invoice and can apply to raise the amount or limit if needed. |
| How to deliver? | <ul style="list-style-type: none"> Invoices sent automatically to the tax digital account of recipients. No manual work to send / receive. | <ul style="list-style-type: none"> Sent by email / message by issuer, recipients need to download / print. Manual work to send / receive. |
| How to archive? | <ul style="list-style-type: none"> Deliver via XML file. | <ul style="list-style-type: none"> OFD file must be saved. |
| How to use? | <ul style="list-style-type: none"> Invoice issuance, delivery, and verification can be all done on the invoice platform. | <ul style="list-style-type: none"> The platform for invoice issuance, delivery, and verification are independent of each other. Platform's functionality is relatively simple. |

Who can receive and issue fully digitalized invoices?

- Recipients: all domestic companies can be the recipient of a fully digitalized invoice as of today.
- Issuers: currently, only certain companies registered in the following provinces / city can issue fully digitalized invoices.
 - Shanghai
 - Inner Mongolia Autonomous Region
 - Guangdong (excluding Shenzhen)
 - Sichuan

At present, the issuance of fully digitalized invoices is in a pilot process, the company must be selected by the tax bureau in order to be eligible to issue the digital invoices.

How to deal with the introduction of fully digitalized invoices?

Fully digitalized invoices will bring new opportunities to companies, but also challenges.

- Higher requirement for compliance, bearing in mind that tax authorities will adjust the invoice limitation dynamically based on the business operation.
- Companies need to strengthen internal control, ensuring invoices are in compliance to avoid potential tax risks.
- Companies need to optimize the process of reimbursement and archiving for all electronic invoices.

Should you have questions regarding the potential impact of fully digitalized invoice on your business, please reach out to your usual point of contact at Mazars.

References:

- General Office of the CPC Central Committee, General Office of the State Council: Opinions on Further Deepening the Reform of Tax Collection and Administration (link here in Chinese).

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