ELECTRONIC INVOICING AND VAT REPORTING

POLAND

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INDEX

1 ELECTRONIC INVOICING IN THE EUROPEAN UNION

The digital economy is continuously growing and, with the rise of technology, there is an increasing need for more efficient and cost-effective solutions.

As part of this digitization process, the European Union launched the Digital Agenda for Europe, with e-Invoicing being one of its priorities, as it allows companies to spend less time on administrative tasks and more time on their core businesses. It aims to promote a digitally connected society and economy.

Currently, in the B2G (Business to Government) sphere, all EU countries are obligated to receive electronic invoices, although not all of them obligate their suppliers to send invoices in electronic format.

In the B2B (Business-to-Business) sphere, although it is not yet mandatory in many places, an increasing number of countries are beginning to require electronic invoicing, following the lead of countries like Italy, France, Poland, and Slovenia.
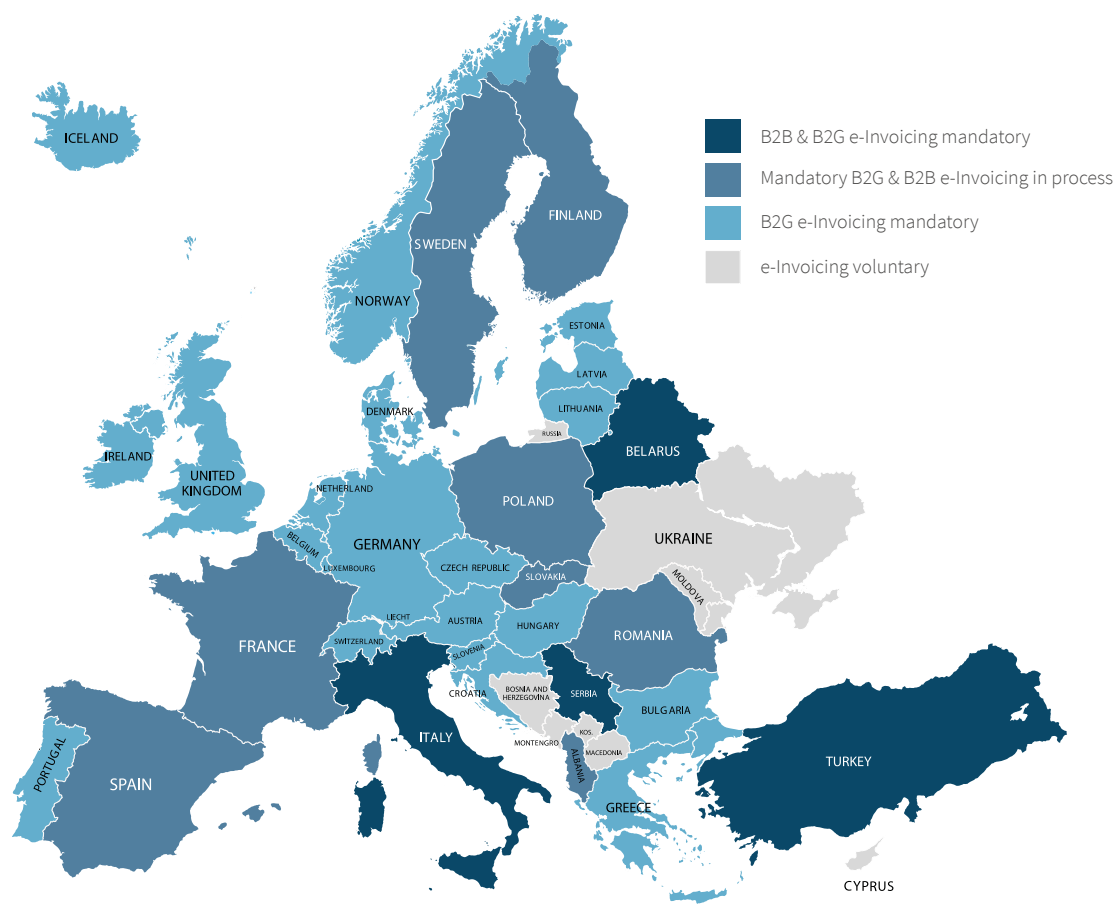
In December 2022, as part of the VAT in Digital Age - ViDA project, the European Commission announced a series of measures aimed at modernizing the current VAT system in the European Union to combat tax fraud. Among the initiatives, the forthcoming launch of a new system aimed at harmonizing VAT returns in electronic format at intra-EU level is noteworthy. The new system will introduce real-time electronic declaration of tax information through electronic invoicing.

The ViDA project aims primarily to modernize the European VAT system and has set itself the following objectives:

- ▸ To ensure an efficient and fair VAT system
- ▸ To fight fraud, especially intra-community fraud.
- ▸ To ensure the proper functioning of the Internal Market.
- ▸ Simplify and adapt VAT regulations to the new digital market to facilitate tax compliance and provide greater legal certainty.
- ▸ Optimize tax reporting requirements through digitization.

With regard to e-invoicing, the VAT in Digital Age - ViDA project describes this set of measures:

- ▸ E-invoicing will be the default method for electronic tax returns.
- ▸ The use of e-invoices will be the default method of issuing invoices.
- ▸ The exchange of e-invoices will no longer be subject to acceptance by the recipient.
- ▸ Member States will be able to impose B2B e-invoicing without the need to seek a derogation from the European Parliament.
- ▸ E-invoicing will be mandatory for cross-border transactions.
- ▸ A common standard for electronic invoicing will be established.
- ▸ The possibility of issuing summary invoices will be eliminated.

- ■ B2B & B2G e-Invoicing mandatory
- ■ Mandatory B2G & B2B e-Invoicing in process
- ■ B2G e-Invoicing mandatory
- ☐ e-Invoicing voluntary

2 B2B E-INVOICING IN POLAND

Poland ranked 24th among the 27 EU Member States in the Digital Economy and Society Index (DESI) 2022. In terms of the integration of digital technology into business activities, Poland also ranked 24th among EU countries. While advanced technology systems are slowly but steadily gaining popularity among Polish companies, 19% of them use cloud solutions (EU 34%) and 32% use electronic exchange of information (EU 38%).

In the private sphere, there was no obligation for companies operating in Poland to use e-invoicing until 2021. In 2021, the Polish government decided to promote digitalisation of the economy by introducing e-invoicing in the B2B sphere. The Polish e-invoicing system is called KSeF (Krajowy System e-Faktur).

In 2021, the development phase of the e-invoicing system in Poland known as KSeF came to an end, and the testing period began. From January 2022, companies have been able to voluntarily issue structured invoices to KSeF. In February 2022, the Polish Ministry of Finance issued an notice with changes to the KSeF system, stating that the use of B2B e-invoices will be mandatory for all companies from July 2024.

Starting July 1st, 2024, e-invoicing between businesses will be mandatory in Poland.

2.1 NATIONAL E-INVOICING SYSTEM – KSEF (KRAJOWY SYSTEM E-FAKTUR)

Poland is making progress in digitizing its tax system with the widespread adoption of electronic invoicing. KSeF is the national system for electronic invoicing, which allows businesses to send and receive invoices in a structured format. Electronic invoicing through KSeF enables taxpayers to submit digital records of their transactions and receive an immediate response from tax authorities.

Under this system Poland has a more efficient and modern tax system, similar to other countries such as Italy where B2B e-Invoicing has been mandatory since 2019. Its SDI system (National e-Invoicing System) is a success story that many other EU countries are trying to replicate.

The Polish e-Invoicing system bears certain similarities with the Italian one. All e-Invoices must be sent to a central platform called the National e-Invoicing System (KSeF) - similar to Italy's SDI.

Therefore the KSeF is where companies will send and receive all e-Invoices. They will be accessible for consultation or download for a period of 10 years since the portal will also act as an archive, storing the e-Documents.

A structured invoice will be understood as an XML e-invoice managed through the KSeF. During the voluntary phase, the structured invoices will coexist with paper invoices and any other electronic invoices that already exist in the Polish market.

This measure will affect all companies established in Poland.

In summary the functions of the KSeF are:

- Issuing and Receiving e-Invoices

- Validating invoices

- ID assignment

- Archive for 10 years

KSEF IMPLEMENTATION SCHEDULE:

OCTOBER 2021

Beginning of test period. Service providers can participate in system testing with KSeF.

JANUARY 2022

Voluntary phase. Companies can begin issuing "structured" invoices to KSeF and benefit from fiscal benefits.

JULY 1, 2024

All businesses registered in Poland are required to issue B2B invoices under Polish VAT regulations

2.2 HOW THE NEW KSEF B2B E-INVOICING SYSTEM WORKS

During the transition period e-Invoices sent via the KSeF platform **require approval by the recipient.** If the recipient does not give their consent the issuer can still issue the e-Invoice on the platform but will also be obliged to deliver the invoice to the recipient in the previously agreed form, e.g., in electronic format by email or as a hard copy by regular mail.

The designed solution is based on the credential model, i.e., authorization is required from a person registered in the system. Once the user is identified and enters the platform, they can view, issue, receive and download their invoices in a structured format.

There is the option to **authorize a third party** to access the taxpayer's individual account.

The option to issue an e-Invoice using the **existing template on the platform** is also available. However it is usually prepared in the taxpayer's accounting and financial system and then sent to the KSeF.

Once the e-Invoice is received, it is verified that it meets the necessary requirements. An ID number is assigned to the invoice in the KSeF system. It is considered received on the date of its verification.

Finally, it is **archived for 10 years** on the KSeF platform.
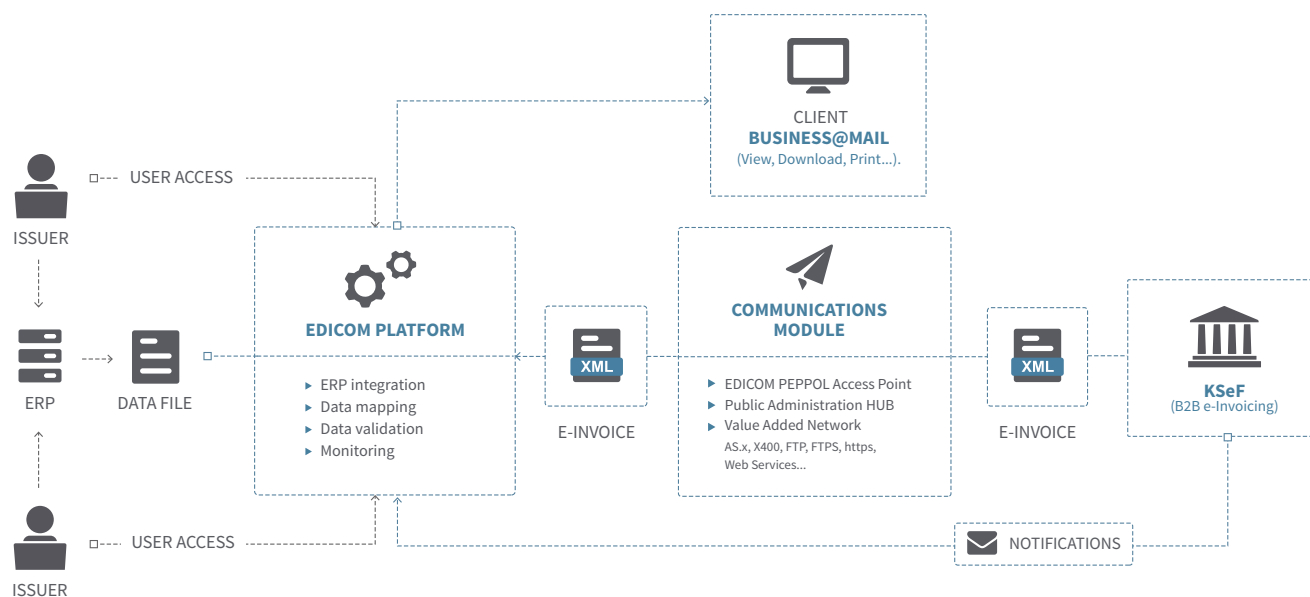
2.3 KSEF IMPLEMENTATION OBJECTIVES

The proposed solution seeks to achieve different objectives:

▸ Increase **control of the tax system** while at the same time limiting irregularities in the VAT settlement.

▸ Contribute to **improving the process** through easier and faster access to documents.

▸ Provide **greater security** to commercial transactions with a standardized invoice.

▸ Increase state budget **revenues** due to the supposed increase in VAT collection.

▸ Improve the **competitiveness** of the economy and the entrepreneurial mindset, including entrepreneurship.

▸ Provide of the ability to issue e-Invoices using a **structured invoice template**, with archiving being provided by the tax authority.

2.4 BENEFITS OF KSEF (NATIONAL E-INVOI-CING SYSTEM)

Poland is making progress with the digitization of its tax system with the widespread use of e-Invoicing. This system entails a series of advantages, among which the following stand out:

▸ **Reduces VAT** refund times for the taxpayer (40 days instead of 60).

▸ **Sending the JPK_FA** file will no longer be mandatory as long as all invoices are exchanged through KSEF.

▸ **Streamlines** the invoicing process for users, simplifying and speeding up administrative management.

▸ **Increases transaction security** by standardizing the invoice model.

▸ **Automates** the entire administrative process, reducing the likelihood of human error.

▸ **Increases tax collection** with greater fiscal control.

3 B2G E-INVOICING IN POLAND

In the B2G transactions, since 2019 all public administrations in Polan must be able to receive and process e-Invoices, although suppliers sending e-Invoices is voluntary.

All public sector e-Invoices are managed through a single portal known as the **Polish e-Invoicing Platform or PeF** (Platforma Elektronicznych Invoicing).

3.1 POLISH E-INVOICING PLATFORM OR PEF

PeF is the **central platform** public entities and economic operators use for **B2G e-Invoicing in public procurement.**

The platform supports sending and receiving e-Invoices, orders, and additional documents in a standardized XML format. It is based on the PEPPOL network.

The platform consists of two PEPPOL Access Points (PEPPOL Access Points) implemented by service providers such as EDICOM.

HOW DOES PEPPOL WORK?

Peppol is a set of guidelines that promote the digitization of transactions in the business-to-government (B2G) and business-to-business (B2B) sectors.

Although Peppol was initially designed by the European Union for cross-border trade between companies and public bodies within the EU, it has become a successful model due to its advantage in terms of interoperability and telecommunications and is now being used outside the EU.
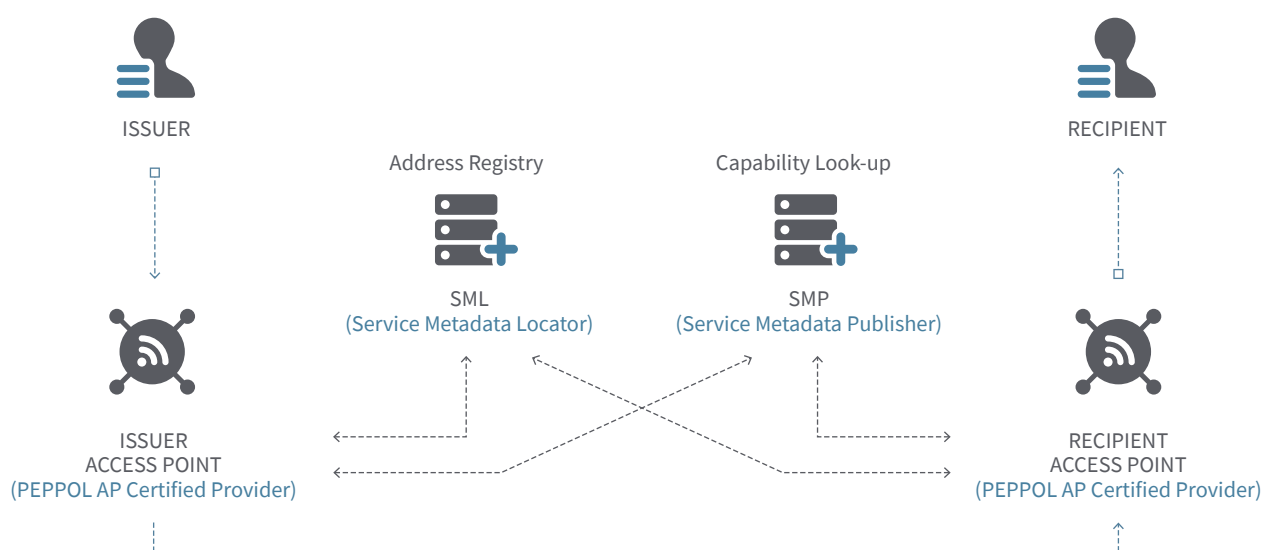
Peppol is a common, interoperable standard that promotes the development of cross-border e-procurement.

In order to gain access to the PEPPOL network, one must go through an Access Point (AP). APs are certified by the OpenPEPPOL association and use standardized protocols and document formats. They are also responsible for sending and receiving files.

EDICOM was certified as a Peppol Access Point by the OpenPeppol association in 2015. The company also received SMP certification for its metadata publication service.

The EDICOM Peppol Access Point enables public administrations and authorities to interact with their community of partners and suppliers through integrated solutions that automate the exchange of all types of electronic documents under the Peppol-UBL standard. The EDICOM Access Point simplifies connectivity to the Peppol network, allowing for transparent and direct access to the other Access Points in the network.

ISSUER

Address Registry

Capability Look-up

RECIPIENT

SML
(Service Metadata Locator)

SMP
(Service Metadata Publisher)

ISSUER
ACCESS POINT
(PEPPOL AP Certified Provider)

RECIPIENT
ACCESS POINT
(PEPPOL AP Certified Provider)

4 SAF-T DECLARATION OF VAT REGISTRATIONS IN POLAND

Poland has one of the most sophisticated electronic tax reporting systems in Europe. The Ministry of Finance's primary goal is to streamline the electronic declaration of documents by reducing the number of files that need to be generated. This approach minimizes the number of documents to a single SAF-T file.

As of October 1st, 2020, the Polish Ministry of Finance requires that all VAT records be declared electronically via the JPK_VAT file, for both Polish companies operating in the country.

The JPK_VAT file for VAT returns is an electronic document consisting mainly of two parts.

> **1.** Fields for the inclusion of VAT records (information on sales and purchases).

> **2.** Fields with the fiscal data of the VAT return of companies and taxpayers (VAT-7 and VAT-7K returns).

There are two types of JPK_VAT files: one for taxpayers who declare VAT on a monthly basis, and one for taxpayers who declare VAT on a quarterly basis. The file "JPK_V7 M" is for monthly filers, and the file "JPK_V7 K" is for quarterly filers.

The JPK_VAT file must be sent electronically to the relevant authorities by the 25th of each month. However, companies must also be prepared to provide the following accounting files in case of audit: accounting records, bank statements, warehouse data, invoices, tax receipts and expense ledger, in addition to the income register.

5 COMPREHENSIVE COMPLIANCE SOLUTION IN POLAND

For the time being, both the PEF (B2G) and KSEF (B2B) platforms will coexist in Poland, pending publication of the definitive legislation by the Polish government.

EDICOM offers a comprehensive solution for companies operating in Poland, which includes both the PEF and KSeF. This allows for easy exchange of documents and notifications in an integrated way.

As mentioned previously the Polish Ministry of Finance requires Electronic VAT Reporting through the JPK_VAT file, both for Polish companies and those operating i the country.

The JPK_VAT file and other files relating to electronic accounting must be issued in XML format following the SAF-T format defined by the OECD.

The EDICOM solution automates the generation of the **SAF-T files** and simultaneously manages the **connection with the tax authority to declare them.**

At the same time via an integration with your ERP the EDICOM solution will allow you to generate, send and receive both B2B e-Invoices to be declared through the new KSeF system and B2G e-Invoices addressed to the

Polish public administrations through the PeF platform in compliance with the legal and technical requirements-required by the Ministry of Finance.

Ultimately EDICOM has a comprehensive solution that will help you cut VAT refund times, reduce your administrative costs and offer you additional security and confidentiality guarantees. How the EDICOM Solution works:

▸ Data Capture: first, our solution integrates with your ERP or accounting system to capture invoice data.

▸ File Generation: an XML-structured data file is then generated in compliance with regulations.

▸ Connectivity: a Web Service call required to send the files to the tax authority is made.

▸Integration and Reception: The Polish tax authority issues notifications about the status of invoices. These responses are automatically integrated with the client's ERP or accounting system.

▸ Archiving: XML files of invoices and their associated statuses are stored in our eIDAS certified electronic archiving system.
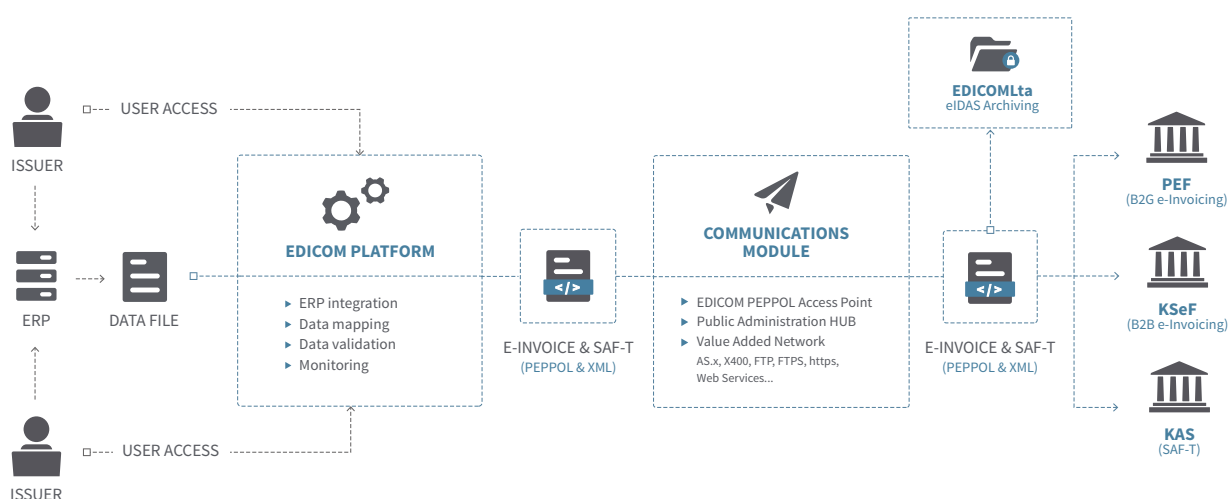
5.1 FEATURES OF THE EDICOM PLATFORM

SAAS PLATFORM

The SaaS model allows users to access solutions via the Internet using a web browser. This gives users the ability to administer, manage, configure, and monitor their integrated electronic data interchange solution.

INTEGRATION

The solution can integrate with the most popular ERPs on the market and is able to perform data transformations in the formats required by commercial partners and tax authorities.

CENTRALIZATION

A centralized solution for exchanging any type of electronic document, whether B2B, B2G, or B2C, with any type of business partner (SMEs, medium-sized, or large companies).

SCALABLE

EDICOM can adapt to the changing needs of your business as it grows. The versatile solution allows you to change your business processes to meet new demands.

COMPLIANCE

The Platform is continuously updated to meet the technical and legal requirements of tax authorities worldwide.

SECURE

EDICOM is a highly secure organization, holding numerous certifications (ISO 27001, ISO 20000, ISAE 3402, TIER II). It is also a Qualified Service Provider under the European eIDAS Regulation, offering qualified electronic signature and seal services, time stamping and preservation of electronic seals together with your documents. This guarantees the integrity, confidentiality and privacy of all data and processes managed on the Platform.

TRACEABILITY

The platform's tracking mechanisms will notify you directly through your ERP of all processes occurring on the platform, so you will always be aware of the status of your business.

INTERNATIONAL SUPPORT CENTER

The EDICOM team boasts more than 500 engineers who are dedicated to providing you with the best customer service possible. You will always have access to a personalized advisor who can help you with whatever you need in your language.

SLA GUARANTEE

EDICOM promises in its SLA that platform availability will never dip below 99.9%. The solutions are hosted on EDICOM's servers, which comes with the added benefit of 24/7 technical monitoring. EDICOM also offers a user support service to resolve queries and incidents through personalized attention in up to 7 different languages.

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