

# Japan's journey towards e-invoicing

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September 29<sup>th</sup>, 2021

Koichiro (Kay) Okamoto

Chairperson, E-Invoice Promotion Association (EIPA) of Japan  
(Chief Executive Officer, Yayoi Co., Ltd.)

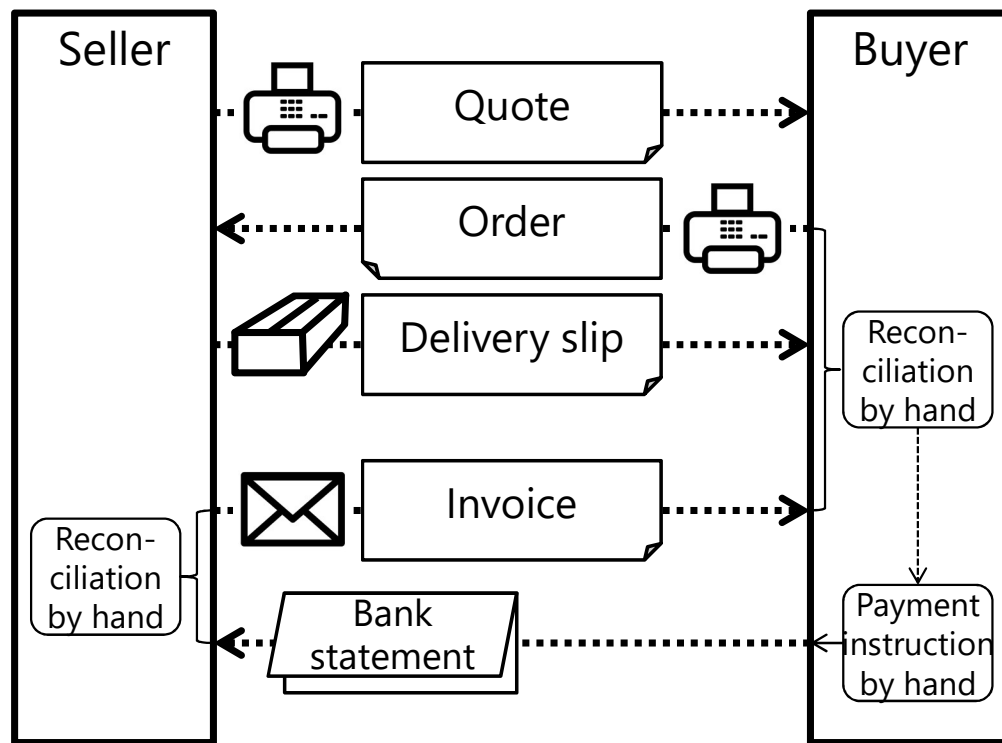
# Overview of E-Invoice Promotion Association (EIPA)

- Founded in July, 2020 by 10 founding members
  - ◆ Infomart, MJS, MoneyForward, OBC, PCA, SAP, SkyCom, TKC, Tradeshift and Yayoi
  - ◆ Yayoi was appointed as the chair of EIPA
- EIPA was founded to achieve the following
  - ◆ Mission statement: “Develop and promote the standard specification of e-invoice in order to build standardized e-invoice system that can be commonly and widely utilized by businesses in Japan”
  - ◆ First, to enable businesses in Japan to comply with new regulatory requirement, tax compliant invoice, which will come into effect in Oct. 2023
  - ◆ Second, but just as importantly, to enable businesses in Japan to drastically digitalize and streamline their business operations
    - Develop a standard specification so that e-invoices can be freely exchanged
    - E-invoice has to be structured data so that it can be digitally processed by the receiver
- EIPA has been attracting high level of attention, resulting in more than 100 members within a year
  - ◆ 122 members, mostly software vendors, as of today (Sep. 2021)

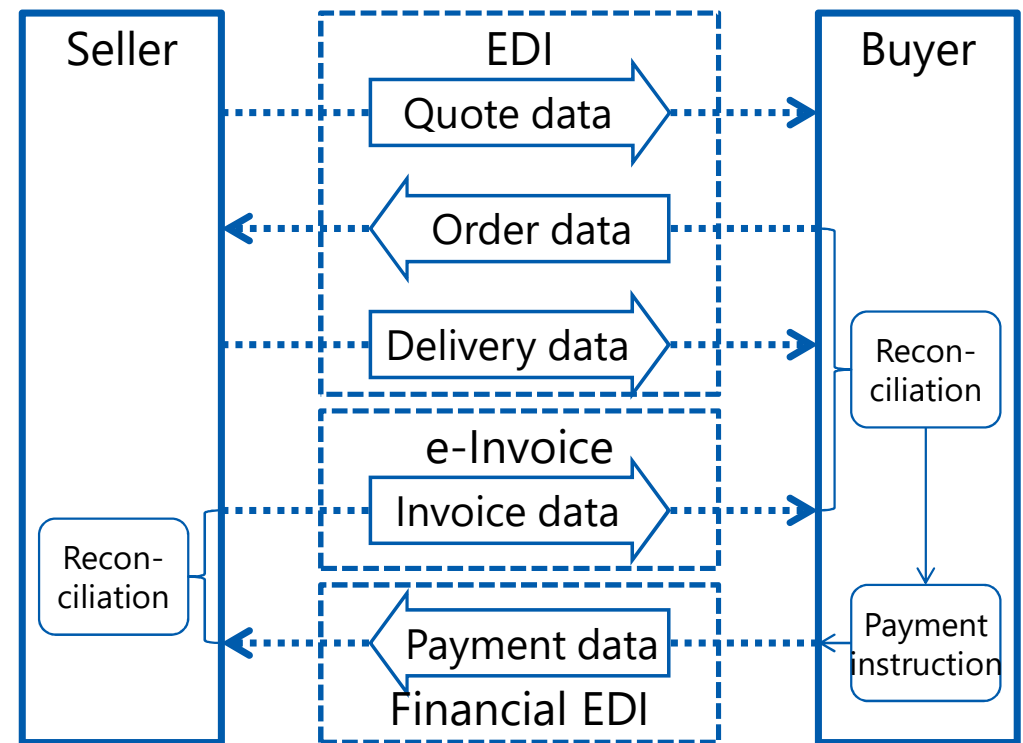
# E-Invoice will be a catalyst to digitalized “straight through processing”

- Tax compliant invoice will be mandated from October 2023
- E-invoice will help businesses to turn their analogue processes into digital processes

As-is: Paper & manual resulting in low efficiency



To be: Digitalized for the maximum efficiency



# Why Peppol?

- EIPA spent the second half of 2020 to evaluate which e-invoice standard to base on
  - ◆ Given that e-invoice can be used for international transactions, building Japan original standard was out of the question
  - ◆ EIPA conducted research on several e-invoice standards, including Peppol and UN/CEFACT CII
- EIPA reached its conclusion to choose Peppol as the base of Japanese standard
  - ◆ Peppol is all-inclusive standards with the network, the document specifications, and the legal framework
    - Most likely to be up and running well before Oct. 2023, when tax compliant invoice will be mandated
  - ◆ Through the adoption by Singapore and Australia/New Zealand, Peppol is in the closest position to become the global standard
- In Dec. 2020, EIPA made a proposal to the Japanese government to adopt Peppol as the base of Japanese standard
  - ◆ Mr. Hirai, the Minister of Digital Transformation, welcomed EIPA's proposal, and expressed his willingness for the government and EIPA to work together



# Why PINT?

- Since Jan. 2021, EIPA (with the support from the Japanese government\*) has been working with OpenPeppol team to develop Japanese specification that will meet Japanese legal/business requirements
  - ◆ Basic idea was to minimize the Japanese specific extension while accommodating Japanese requirements
  - ◆ In doing so, EIPA/OpenPeppol agreed to use PINT as the starting point of Japanese specification and then work to incorporate Japanese specification back into PINT
- Using PINT as the basis for Japanese specification made sense for the following reasons
  - ◆ PINT is based on the BIS Billing 3.0, which is a compliant restriction (CIUS) of the EN 16931 but is generalized to accommodate international needs
    - e.g., VAT related business terms are generalized to TAX, Payment means business terms generalized or added to support most payment means, Repetition is increased for payment means...
  - ◆ PINT is not necessarily bound by EN 16931 and can accommodate deviation from EN 16931 through “Shared”, “Aligned”, “Distinct” structure
    - Japanese requirements can be accommodated either ideally “Shared” or mostly “Aligned” but at least by “Distinct”

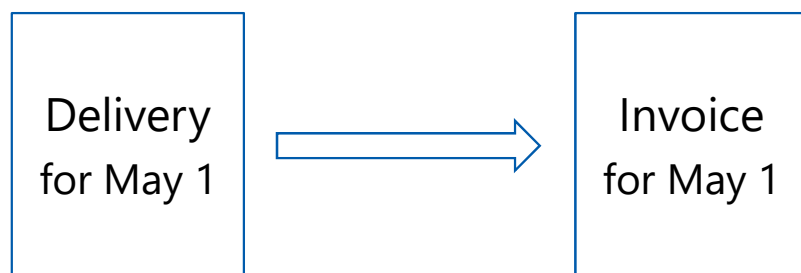
\* Formerly the cabinet office, currently the digital agency

# Japanese requirements: Standard invoice vs. Summarized invoice

## Standard invoice

### ■ 1 delivery = 1 invoice

- ◆ Issue an invoice promptly after the delivery

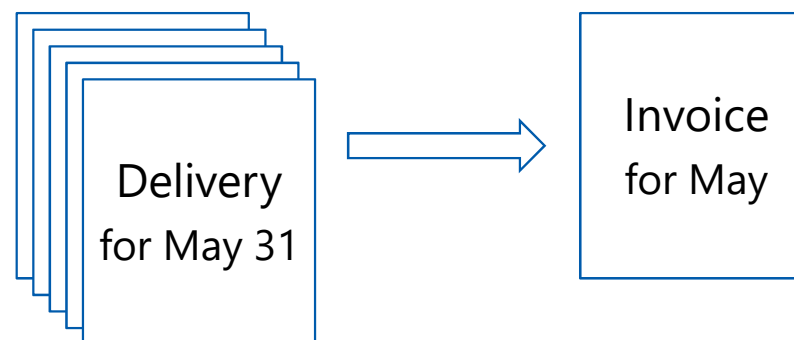


- ◆ Delivery note is typically issued for a delivery and sometimes delivery note also works as an invoice

## Summarized invoice

### ■ N deliveries = 1 invoice

- ◆ An invoice is issued at the end of pre-determined period (such as month-end) by summarizing deliveries within the period

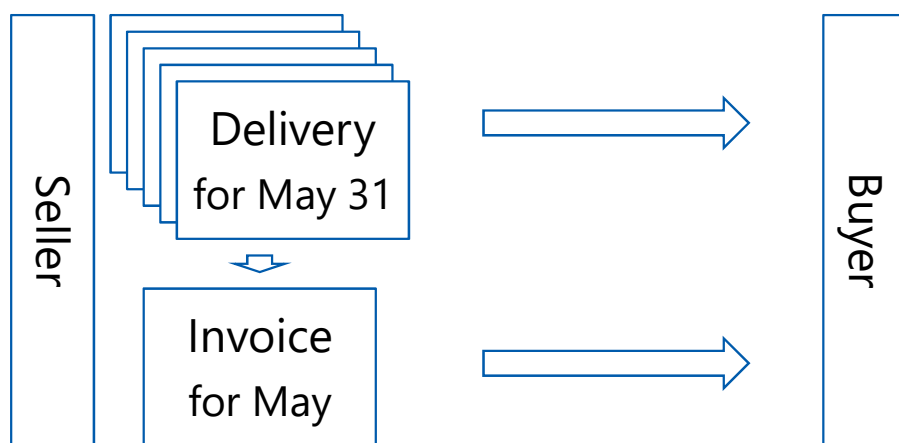


- ◆ To automate the payment process, the receiver should be able to identify which delivery each line of the invoice came from

# Japanese requirements: Summarized self-billing

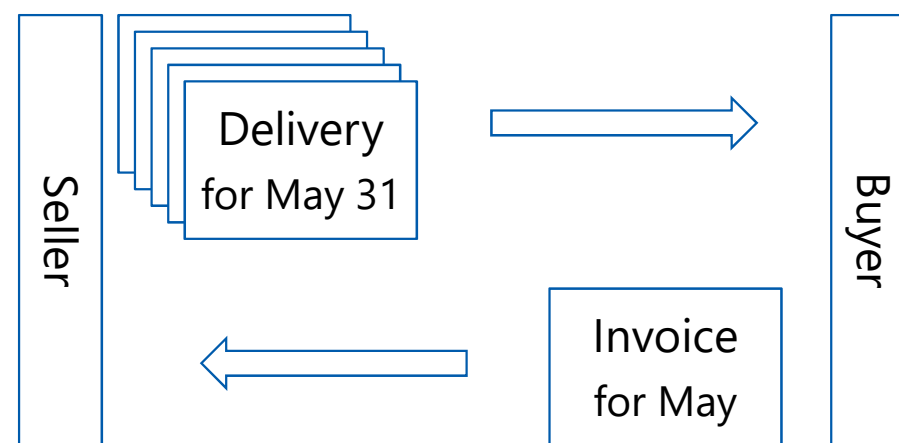
## Summarized invoice

- Invoice is issued from a seller to a buyer
  - ◆ An invoice is issued at the end of pre-determined period from a seller to buyer



## Summarized self-billing

- Invoice is issued from a buyer to a seller
  - ◆ An invoice (as a purchase list) is issued at the end of pre-determined period from a buyer to seller



# Japanese requirements: Statement

## Invoice

- Invoice claims payment
- Invoice is the basis for tax deduction

## But

- Invoice doesn't contain account balance information such as opening balance and amounts paid

## Statement

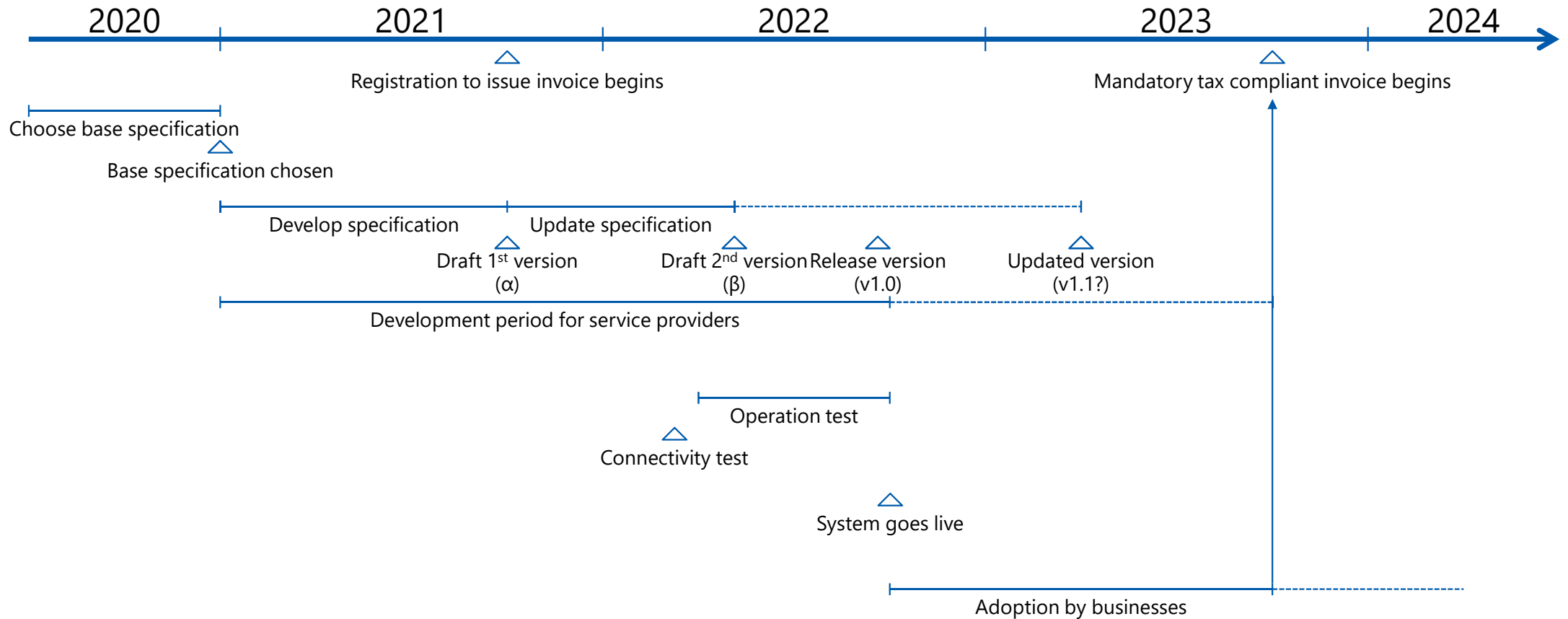
- Statement doesn't claim payment
- Statement isn't the basis for tax deduction

## But

- Statement shares account balance information between a seller and a buyer
  - ◆ Opening balance
  - ◆ Amounts paid
  - ◆ Amounts invoiced
  - ◆ Ending balance



# Roadmap towards e-invoicing in Japan



Target launch in Fall 2022, a year ahead of the mandate