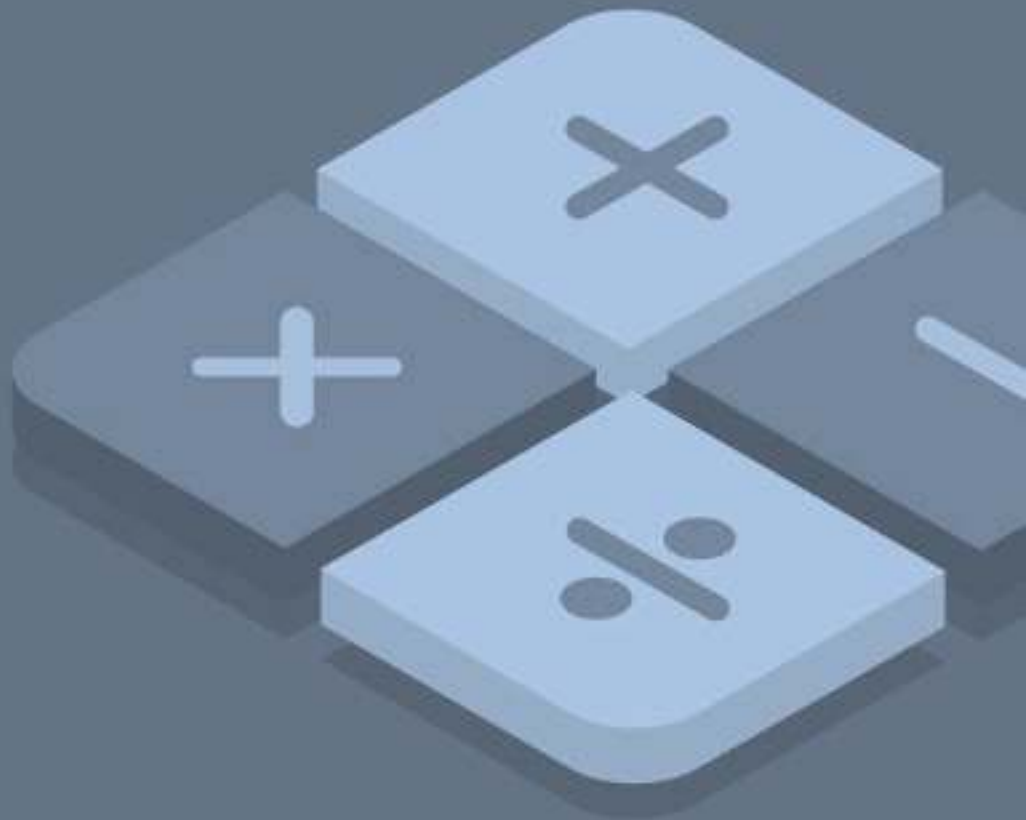


Peppol E-Invoicing



The ultimate guide to the what, why and how of Peppol e-invoicing

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Peppol e-invoicing has risen in popularity over the past few years, with adoption and mandates being introduced across a number of countries. As E-invoicing and Source to Pay transformation experts with over 15 years experience we want to help businesses and organisations understand all the ins and outs of Peppol, what it is, why your business should consider it and how to get started.

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What is e-invoicing?

Over 1.2 billion Business to Business (B2B) and Business to Government (B2G) invoices are exchanged annually in Australia, the majority of those invoices are sent either as paper invoices or as PDF invoices attached to an email. These are costly ways to process invoices with manual data entry or validation usually required. [The Australian Tax Office](#) (ATO) estimate that:

- Average invoice processing cost for a paper invoice is \$30.87
- Average invoice processing cost for a PDF invoice is \$27.67

The majority of the costs are based on the usual manual work required to enter the invoice data into your systems and process it for approval and payment.

Electronic invoicing (or e-invoicing) is the automated process of submitting and processing an invoice in a digital format. Integrating the supplier's accounts payable (AP) solution with the seller's accounts receivable solution, for exchanging invoice information electronically in an automated way - removing the need for any manual data entry or validation of the invoice. This process often includes validation of invoice information, acknowledgement of receipts and some specific business rules.

Using e-invoicing to connect businesses and enabling them to trade electronically is a modern, innovative solution to help businesses become more efficient and effective. The ATO estimates that businesses shifting to e-invoicing can reduce the cost of processing an invoice down to \$9.18. The NSW Government estimated a shared saving between suppliers and the NSW government of \$71m based on the 4.2 million invoices across NSW Government in 2019. So the business benefits are pretty hefty when e-invoicing is adopted between buyers and sellers.

Is emailing PDF invoices, e-invoicing?

No, whilst PDF invoicing is more efficient than paper processing it still has a number of flaws that can be overcome by true e-invoicing. At a simple level, PDF invoices are where the PDF file acts as a carrier for the invoice data and a way for people to visualise the content of the PDF.

This means instead of supplier needing to print an invoice from their accounting system, pop it in an envelope and mail it to their customer, most modern accounting systems can produce a PDF and have it emailed automatically - most suppliers already do this hence the misconception that they are already “doing e-invoicing”.

PDF invoicing, whilst more effective and efficient than paper, carries with it some big inherent risks and issues that business should be mindful of.

- **Data capture is only semi-automated** - depending on your OCR solution there is always a need for some manual checks and validation of the data on PDF invoices
- **High risk of invoice fraud** - PDF invoices can easily be intercepted mid-flight and manipulated before being received by the organisation. Email compromise scams like this are on the rise, a topic we wrote about [recently](#).
- **Low data accuracy** - as the data captured is only semi-automated the manually entered data is prone to error and with typical OCR data capture accuracy rates at around 80%, this manual data entry can really add up quickly.
- **High processing cost** - based on the work required the ATO estimates that PDF invoices can cost a business up to \$27 per invoice to process, a cost that adds up very quickly if you process a large number of invoices.

Peppol e-invoicing

The business case is clear for e-invoicing when you consider the risks with PDF invoicing, the question is how to get started. The Australian, New Zealand and Singaporean governments have all agreed on adopting the Peppol framework for e-invoicing, providing a secure, easy to implement and effective way to send and receive [Peppol e-invoices](#).

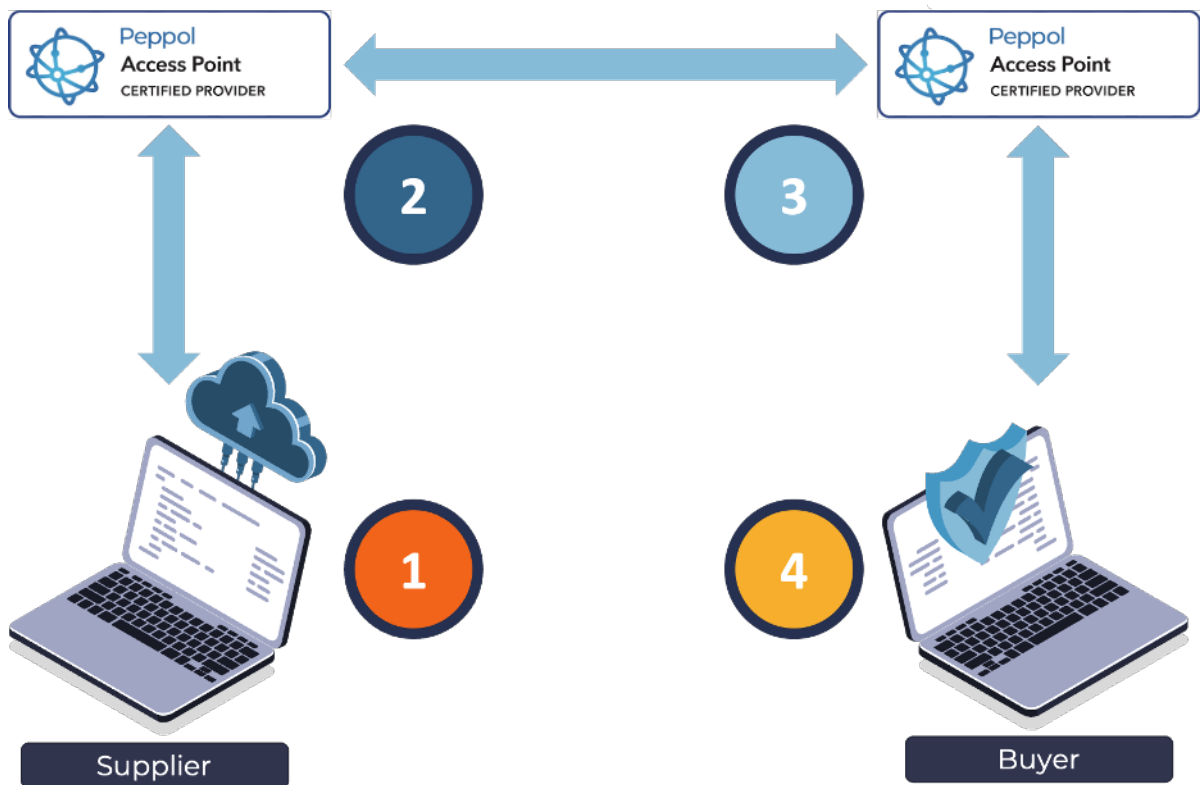
How does e-invoicing work?

E-invoices are not a new concept, they have been around for a while in a number of different formats, standards and names. Typically, they have been focussed on connecting a buyer with a supplier and have historically been quite expensive and time consuming to setup - this meant that it was largely only looked at by large businesses who had a big volume of orders or invoices. The lack of a consistent and single format and framework for e-invoicing has kept it from being mainstream.

The turning point for e-invoicing has been the adoption of a globally recognised standard for sending e-invoices and e-orders known as [Peppol](#) (Pan-European Public Procurement OnLine). This standard enables anyone who is part of the network to easily and safely, send e-invoices and e-orders to each other.

The standard also enables a simple and accessible way for businesses to be onboarded onto the network. There are already 200,000+ businesses across 34+ countries on the Peppol network. Australia, New Zealand and Singapore have all adopted this standard as the basis for their e-invoice mandates.

The diagram on the following page outlines broadly how Peppol e-invoices are sent and received:



Step 1

The supplier generates an invoice from their accounts receivable system for the buyer and it is sent electronically to their Certified Peppol Access Point, this is typically done via an integration between the supplier's system and the access point provider. Note - Peppol Access Points act as gatekeepers in the network to ensure that each invoice is in the right format, ensuring that it is a valid invoice, the sender is who they say they are and that it gets to the right receiver.

Step 2

The sender's Peppol Access point validates a number of things to make sure that the invoice can be sent via the Peppol network as well as that the supplier is legitimate and that the receiver can receive the invoice. The sender's access point finds the buyer's access point and sends it electronically to them.

Step 3

The buyers access point receives the validated invoice and processes it directly to the buyer's accounts payable system. This is typically done via an integration between the buyer's system and the access point provider.

Step 4

The supplier's invoice is automatically entered into the buyers system - no need for any manual data entry or validation. The whole process takes a matter of minutes, is highly secure and very easy to use.

What is Peppol e-invoicing?

Peppol e-invoicing refers to the sending and receiving of invoices through the Peppol network between two organisations who are connected to the network. Invoices are sent digitally to a Peppol Access point that the sender chooses.

The access point then validates the sender and the invoice data, identifies the receiver of the invoice and sends the invoice automatically to the access point that the receiver has chosen and is automatically entered into the financial system for processing.

What does Peppol stand for?

Peppol is an acronym for **P**an-**E**uropean **P**ublic **P**rocurement **O**n**L**ine, and is a globally recognised standard for sending e-invoices and e-orders used in a number of countries across the world for many years.

Why have the Australian and New Zealand governments adopted the Peppol standard?

Australia and New Zealand announced the adoption of the Peppol framework for e-invoicing in February 2019. As part of a number of Digital Economy strategies, the need to have a more effective way for organisations to conduct their business has been a key driver, Peppol has been used in over 38 countries globally, for longer than a decade providing a reliable, secure and easy to adopt method to facilitate e-invoicing.

What is a Peppol access point?

A Peppol access point is what your system connects to so it can send and receive information to other businesses access points in the network. Put simply, an access point is like your mobile phone number, it can be provided by any carrier but it is able to send and receive calls and messages to any other carrier all on the same network.

This means that once you are connected to an access point you will be able to send and receive e-invoices or e-orders to any other business that is connected to the network without any extra work.

What is the Peppol standard?

To ensure that e-invoices, e-orders and other e-documents can be easily exchanged between businesses there is a need for a common data structure and format. The Peppol Business Interoperability Specifications (BIS) forms the basis for determining the format and structure of Peppol documents based on [ISO/IEC 19845 Universal Business Language](#).

In less technical language this means that the specifications have been created based on well published and globally accepted data formats to ensure that the formats can be adopted by businesses. Fortunately for businesses there are providers, like Valtatech, who can support businesses to translate their existing orders and invoices into the required format.

The specifications have been developed to support a number of different business documents in the procure to pay ecosystem, the business documents are currently within scope across Australia and New Zealand:

- Invoice, credit note and invoice response
- Order and order response
- Advanced Shipping Notice
- Catalogue and catalogue response
- Punchout
- Order agreement
- Self-billing

Who owns Peppol?

Peppol is managed by OpenPeppol a not-for-profit, democratic, member-led international organisation to enable and govern e-invoicing & e-procurement across the globe using the Peppol interoperability framework. It is based in Brussels and was established under Belgian law in 2012.

Governance of Peppol

To ensure the validity, security and compliance with the network, Peppol has a very strong governance structure in place. These governance agreements ensure compliance to the standardisation that is required for all stakeholders and are established and governed through legally binding multi-lateral agreements.

The key stakeholders involved in managing the governance of Peppol are as follows:

- **General Assembly:** OpenPeppol members form the general assembly in accordance with OpenPeppol statutes and internal regulations, elects the general secretary, managing committee and election committee.
- **OpenPeppol**
- **Peppol Authorities:** Peppol authorities drive the adoption of Peppol in a jurisdiction. They are currently all government agencies. Australian Taxation Office (ATO) is the Peppol Authority in Australia and Ministry of Business, Innovation and Employment (MBIE) is the Peppol authority in New Zealand. These Peppol authorities are also OpenPeppol members and operate under standard bilateral legal agreement with OpenPeppol.
- **Peppol Service Providers:** Peppol Service providers enable business process interoperability between end users over Peppol network via Peppol BIS. These are sometimes also called as Peppol Access Points (APs) or Service Metadata Publishers (SMPs), are OpenPeppol members and operate under standard bilateral agreements with a Peppol Authority.
- **End Users:** These are buyers and sellers that exchange business documents and are also known as participants in the Peppol network. These can be members of OpenPeppol but are not required to be. End users get into commercial agreements with Service Providers for availing Peppol services.

How has Peppol evolved?

The Peppol network and interoperability framework has evolved dramatically since its inception in 2008. It was started as a pilot project by European commission in 2008 with focus on cross border public procurement in Europe. The acronym, Peppol or (Pan European Public Procurement OnLine) was later established and has been managed by OpenPeppol since 2012. Since its expansion into the private sector and use outside of Europe it was rebranded as Peppol.

- 2008 - PEPPOL pilot by European commission
- 2010 - First live transaction
- 2011 - PEPPOL e-invoicing mandate in Norway
- 2012 - OpenPeppol established
- 2013 - AS2 protocol released
- 2015 - Peppol BIS 2.0 released, 5 Peppol Authorities
- 2018 - 11 Peppol Authorities, Peppol adopted in Singapore, New OpenPeppol Statutes.
- 2019 - Peppol BIS 3.0 released, Peppol adopted in Australia and New Zealand
- 2020 - AS4 protocol released and 15 Peppol Authorities
- 2021 - New Peppol Agreements in line with Peppol expansion globally

Why use Peppol e-invoicing?

The Australian government believes that e-invoicing can save the economy \$28bn over 10 years. Sounds great, but what are the actual benefits and why would businesses want to be able to send and receive Peppol e-invoices? The first thing to consider about Peppol e-invoicing is how you are currently processing invoices.

Our resident e-invoicing experts pulled together a detailed overview of how invoicing has evolved and assessed each evolution of that option across a number of key factors:

FEATURE	Paper Invoicing	PDF Invoicing	EDI Invoicing	Closed Network Invoicing	Peppol e-invoicing
Data Entry	Manual	Semi-Automated	Automated	Automated	Automated
Accuracy	Low	Low	High	High	High
Data Structure	Unstructured	Semi-structured	Structured	Structured	Structured
Sustainability	Poor	Good	Good	Good	Great
Risk of Fraud	High	High	Low	Medium	Low
Reach	High	High	Low	Medium	High
Complexity	Low	Low	High	Medium	Medium
Setup Costs	Low	Low	High	Medium	Low
Maintenance Cost	Low	Low	High	Medium	Medium
Risk of losing invoices	High	High	Low	Low	Low
Risk of late payments	High	High	Low	Low	Low
Processing Cost per Invoice	~\$30 AUD	~\$27 AUD	~\$15 AUD	~\$12 AUD	~\$9 AUD

Depending on which invoicing method you are currently using, the benefits of shifting to Peppol e-invoicing can be huge. Typically we find that Peppol e-invoicing (and e-ordering) can help support businesses with a range of challenges they face today:

Problem: Large supplier base making invoice automation impossible and too expensive

Utilising Peppol e-invoicing, once you are connected to the Peppol network through an Access Point, you are automatically connected

with every other buyer and supplier in the network - greatly enhancing your ability to automate invoice processing with all your suppliers. If your trading partner is not on the Peppol network yet, we can help onboard them which doesn't require any investment from you or your trading partners.

Problem: High Risk of Invoice Fraud

PDF invoices can easily be intercepted mid-flight and manipulated before being received by the buyer and email compromise scams like this are on the rise, a topic we wrote about recently. With Peppol e-invoicing, the sender is validated to ensure they are who they say they are and that bank account details match your records before transmitting the data through the Peppol network.

The network itself is highly secure as only accredited Peppol Access Points providers like Valtatech can exchange the documents over the Peppol network. Access providers like us are required to meet strict security protocols equivalent to ISO27001 covering intrusion prevention, multi-factor authentication for privileged user access and data encryption to ensure the security of the network.

Problem: Cash Flow Management during the Pandemic

Businesses can be crippled when buyers pay them late, invoices can get missed when it's reliant on human intervention. Equally, buyers can miss out on early payment discounts if the invoice is lost or not processed quickly. E-invoicing speeds the whole invoice processing piece up for both sides, removing the worry of whether an invoice has been received and processed or not. In Australia,

Commonwealth and NSW government agencies guarantee 5-day payment terms for e-invoices which makes e-invoicing even more attractive.

Problem: Meeting ESG Commitments

Peppol e-invoicing is far more friendly to the environment compared to paper and PDF invoices helping to support your sustainability goals as an organisation.

Why use Peppol e-invoicing?

Organisations looking to reap the benefits of being able to send Peppol e-invoices and e-orders have the benefit of choice. In simplistic terms, you need to get set up with a Certified Peppol Access Point Provider like Valtatech. As an access point provider we act as gatekeepers in the Peppol network to ensure that each invoice is in the right format, ensuring that it is a valid invoice, the sender is who they say they are and that it gets to the right receiver.

There are a number of Access Point providers, like Valtatech, who offer a range of different services to help support businesses to utilise Peppol e-invoicing. Depending on your particular circumstances, existing technology and processes you may require:

- An integration between your finance systems and the access point
- To provide additional information to be able to send an invoice
- Your invoice data export to be converted to a Peppol (BIS) format

An integration between your finance systems and the access point

You need to be able send data into the Peppol network, this is most commonly enabled through an automated integration from your accounts payable (to receive invoices) and accounts receivable (to send invoices) into a Peppol Access Point. You can choose to use a different Access Point to send invoices and a different Access Point to receive them but be mindful that this may create an administrative and overhead management that comes with two providers.

Provide additional Information to be able to send a Peppol e-invoice

The Peppol framework has mandatory data requirements to ensure that the security, compliance and robustness of the network is maintained. For Australia and New Zealand, the information that is required is pretty standard to what organisations are already producing to create an invoice at the moment but there may be new fields that you need to create in order to meet the format.

Some providers, like Valtatech, can augment some data that is required based off information that is already provided for the invoice - make sure you discuss this with prospective solution providers.

Your invoice data export to be converted to a Peppol (BIS) format

Some finance systems are able to export your invoice data into the

format that Peppol requires - Business Interoperability Specifications (BIS). For those that can't, access point providers like Valtatech are able to translate the invoice data you can export into a BIS format as part of the integration.

Timelines for becoming Peppol e-invoicing enabled

In the simplest of circumstances you can be up and running with Peppol in less than two weeks. More complex systems and processes may take a few weeks. You should ensure that your Access Point provider can support your existing processes and technology and ensure that your use of Peppol will drive the expected benefits for your organisation.

What do I need to be able to work with a Peppol Access Point?

With a number of providers in the market, organisations have a lot of options when it comes to being able to work with a Peppol Access Point. The standardised nature of the Peppol framework makes it relatively straightforward for organisations to be able to get connected through these access points - but a common question is what does an organisation need to be able to work with a Peppol Access point? We take a deep dive in.

Sending a Peppol e-invoice

To be able to send a Peppol e-invoice you will need a way to be able to extract data from your accounts receivable platform in a

Business Interoperability Specifications (or BIS) format and into the Access Point. In some accounts receivable platforms they may have this ability in the platform. If it can't, your Access Point provider will be able to integrate with your platform, extract and translate the data into a BIS format.

What invoice information is required to send a Peppol invoice?

Peppol e-invoicing has mandatory requirements to ensure that security, compliance and robustness of the network is maintained. Fortunately the large majority of the data required for an invoice is in line with what needs to be on your invoices now. In order to send a Peppol invoice you will need to be able to provide:

- Invoice number
- Invoice date
- Invoice due date
- Document type (e.g. invoice, credit note etc)
- Invoice currency
- Customer reference or purchase order reference
- Customer email address
- Sales order reference
- Contract reference
- Your business details
- Your business tax ID (e.g. ABN)
- Your email
- Payment reference
- Bank account details
- Payment terms
- Invoice line item details including tax
- Invoice total details including tax

Your Access Point provider may be able to augment your existing data to ensure you meet the requirements to send an invoice - this should be part of your conversations with them.

Receiving a Peppol e-invoice

To be able to receive a Peppol e-invoice you will need a way to be able to receive data, which will be in a BIS format, from your Access Point into your Accounts Payable platform. Again, some accounts payable platforms may have the ability to connect and translate a Peppol BIS invoice into a format that can be imported. If your platform can't, your Access Point provider will be able to integrate with your platform, extract and translate the data from a BIS format into a format that can be imported by your platform..

What fields are required to receive a Peppol invoice?

When you receive a Peppol e-invoice you will receive all of the mandatory data in that invoice (see What invoice information is required to send a Peppol invoice? Section above). However there is not a requirement for you to use all of that data if you don't want to. You can work directly with your access point provider to determine what data you want to integrate into your financial systems that are made available with the Peppol invoice.

Can I use a different access point for sending and receiving invoices?

Absolutely, the Peppol network has been specifically designed to enable choice for people who are using the network, meaning that you can use one access point provider for sending e-invoice and a different access point provider for receiving the invoices. Depending on your circumstances some businesses may benefit from having one access point provider to both send and receive e-invoices.

What should I be looking for in a Peppol Access Point?

There are a number of different Access Points that are available across Australia and New Zealand, it can be difficult to accurately assess which Peppol Access Point is best for your business. We break down a number of areas that you should be considering when selecting your Peppol Access Point.

Time to Value

Time to value is a very important aspect of choosing your access point and it can be influenced by a number of different variables, typically the biggest influencer into this is how long it takes to get fully connected to the Peppol network and successfully send your first transaction. You want this to be as short as possible based on your scope so make sure you are asking your access point what their time to value is likely to be and what process they use to ensure this happens.

Services Metadata Publisher

You want to ensure that your Access Point publishes your business details into the Peppol registry so that you are a listed sender and receiver. Not all Access Points offer this as a standard so make sure that you understand how this will happen if your access point doesn't offer this.

Integration with your Finance Systems

One of the more complicated parts of getting connected to the Peppol Network is the data connection from your Finance systems

(either Accounts Payable or Accounts Receivable) into the Peppol network. If you have IT integration resources available within your organisation you may be able to do this part yourself, some Access Point providers also provide data integration services as part of their offering so make sure you are clear what your access point provides and whether it meets your integration needs.

Translation of data to and from Peppol BIS 3.0

If you are able to integrate your data from your finance system you will also need to be able to translate the data from your finance system. For data going into the Access Point this will be from your finance systems format into a Peppol BIS 3.0 format. For data coming out of the Access Point, it will need to be translated from a Peppol BIS 3.0 to a format your finance system can ingest. Where you have IT integration resources available they may be able to do this work for you, if not some Access Point providers also provide this as a service. Again make sure you are clear on what your Access Point provider is providing and whether it meets your integration needs.

Guidance on Buyer and Supplier Enablement

Getting your organisation connected to the Peppol network is only half of the puzzle, to realise the full benefits of adopting e-invoicing you also need your buyers and suppliers to be enabled into the network as well. Some access point providers have expertise in the most effective ways to onboard your buyers and suppliers once you are connected to the Peppol network, which can make a huge difference in making sure you realise the cost savings associated with Peppol e-invoicing.

Support for all e-procurement and e-invoicing documents

As the popularity of Peppol e-invoicing continues to rise, it's important that you are future-proofing your solution so that it can grow with your volume but also evolve as the technology evolves. One of the exciting opportunities that the Peppol network offers is the ability to more deeply integrate with each of your customers and suppliers. Sending important business documents electronically for more than just invoicing and enabling true, touchless processing.

To prepare for this, one of the unique features of our Peppol Access Point Service is that we support a wide range of business documents out of the box. This includes the following processes and business documents:

- Billing processes:
 - Invoices
 - Credit notes
 - Invoice acknowledgements
- Order processes:
 - Orders
 - Order responses
- Fulfillment processes:
 - Advance shipping notice
- Sourcing processes:
 - Product/service catalogues
 - Product/service catalogue responses
- Shopping cart processes
 - E-commerce punchouts - where a shopping cart is filled on a suppliers e-commerce website but the transaction is finalised in your system.

How much does Peppol e-invoicing cost?

How much does Peppol e-invoicing actually cost? In order to help businesses choose the right Peppol solution provider we break down how the costs for Peppol e-invoicing.

The business case for Peppol e-invoicing

One of the first considerations when looking at how much Peppol e-invoicing costs is to consider how much it costs to process your invoices currently - this gives you an idea of what your baseline costs are. There are a few different ways to calculate how much it costs you to process each invoice, you could look to break down each of the different activities involved in processing an invoice and mapping out the time it takes for each process and the cost of the resources involved in each activity.

Alternatively you can review the research the ATO has done into the approximate costs of processing different types of invoice:

- **Paper invoices** - approximately \$30 to process each invoice
- **PDF Invoices** - approximately \$27 to process each invoice
- **E-invoice** - less than \$10 to process each invoice.

Using these calculations along with your invoice volume gives you an idea of the total cost you pay to process all your invoices currently and then you can apply the same calculations for the cost of e-invoicing. This will also give you an idea on potential cost savings that can be achieved.

The costs for Peppol e-invoicing

As there are a number of different Certified Peppol Access Point Providers across Australia and New Zealand the costs involved with each vary greatly from provider to provider. A key principle for our pricing model has been that it should be on a pay-as-you-go model as the adoption of Peppol across Australia and New Zealand will grow over time. Our pricing is designed to scale as the number of transactions you send or receive (e.g. e-invoice, e-order etc) grow.

There are two main components to our pricing:

- 1. Implementation fee** - this covers the initial setup of the access point and integration to your finance systems, this could include an integration from your accounts payable platform into our access point, an integration from your accounts receivable platform into our access point or both.
- 2. Monthly subscription fee** - Once your finance systems are all connected to our access point there is then a monthly subscription fee. This covers the costs involved in sending and receiving business documents (e.g. e-invoices, e-orders) via the Peppol Network. To ensure that the subscription fee is right sized for your business, the subscription fee is completely volume-based so that you are only paying for what you use. With greater discounts available for greater volumes, the average cost per business document sent or received goes down as the volume increases.

About the Author:

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CEO of Valta Technology Group. With more than 15 years of global experience developing and implementing Source to Pay, Procure to Pay, e-invoicing, and related finance and procurement transformation projects. My team and I have led the implementation of more than 40 large scale Procure to Pay and Source to Pay projects.

About Valtatech:

At Valta Technology Group we believe that everything a business does should be simple and drive measurable value. To drive simplicity and value, we focus on uniting the right technology, the right services and process together.

We transform source to pay systems and processes for businesses that want to regain control of their spend.

Delivering Value as A Service

From our own operations to what we offer our clients, we are focused on one thing: business value. It's more than how much you paid for something or what a new solution saved. Value is the quantifiable, measurable improvement that a solution or process delivers. It's explicit, but it isn't a singular achievement or a moment in time.



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