

Background Information

Invoices are an essential element of almost all VAT systems. Taxpayers use them to document claims for input VAT deductions and tax authorities monitor them for VAT compliance. Paper invoices entail steep transaction costs and the documents themselves are vulnerable to error or destruction. Electronic invoicing may present a more reliable, cost-effective alternative. Most tax authorities permit electronic invoicing and increasing numbers of tax authorities are requiring it.

Many countries have also introduced or are planning to introduce a requirement that invoice information be communicated to the tax authority in advance of issuance or shortly thereafter, under various CTC systems, as an anti-fraud measure. CTCs are an alternative to the traditional post-audit model, under which taxpayers preserve invoices for a specified period and make them available for audit upon request, often long after the transactions in question occurred.

The Council of the European Union agreed to support the expansion of electronic invoicing and CTCs as part of the “VAT in the Digital Age” package of measures it adopted on March 11, 2025. When the measures come into force, they will enable EU Member States to introduce obligatory electronic invoicing without prior Council Authorization. In 2030, real-time reporting requirements will come into force for B2B transactions.

Electronic invoicing can facilitate CTCs but not all electronic invoicing mandates include a CTC component, and vice versa. Tax authorities may impose electronic invoicing and/or CTC requirements on all transactions, or only on certain transactions, such as domestic business-to-business (“B2B”) sales.

Table 1 summarizes the major models of CTCs.

Table 1: Continuous Transaction Control Models

Model	Description
Post-audit	No continuous transaction control. Invoicing data provided upon audit.
Centralized Exchange	Platform or procedure requiring the tax authority to authorize and issue invoices upon the request of the issuer.
Centralized Clearance	Scheme through which invoices can only be issued after they are verified and cleared through a central platform operated by the tax authority.
Decentralized Clearance	Scheme through which invoices are sent to authorized third party service providers for validation. The service provider signs and seals the invoice for return to the tax authority and to the taxpayer, who can then send it on to the counterparty.
Real-time reporting	A system that requires taxpayers to communicate invoicing data to the tax authority within a specified period, e.g., a set number of days from issuance, but not to obtain authorization prior to issuance.
Batch reporting	A system similar to real-time reporting, except that taxpayers are required to upload invoicing data periodically, e.g., monthly.