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SPAIN'S NEW ELECTRONIC INVOICING REGULATIONS – A GUIDE THAT EVERY BUSINESS MUST READ

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The introduction of electronic invoicing is happening all over the world. Spain has now concluded its regulations

For today, this might seem to be an exaggeration, but if a country does not already have solid plans in place for electronic invoicing, it soon will.

Governments cannot help themselves wanting to control everything and electronic invoicing with its automatic tax reporting is irresistible. Especially with the advent of the inevitable AI enhanced tax inspection labour saving systems,

Needless to say EU countries are vying for a lead in this initiative!!

RULES, RULES, AND YET MORE RULES

The Ministerial Order HAC/1177/2024, published on 28 October 2024, establishes the regulations for business IT systems to comply with the 'VeriFactu Regulation'.

This Ministerial Order, originally promised for over a year ago does not modify the original implementation deadlines. Businesses must adapt their systems to fully comply no later than 1 July 2025.

For the technically minded, the regulations originate from Law 11/2021 against tax fraud in Spain, followed by the Royal Decree 1007/2023, the 'VeriFactu Regulation'. These were in turn enabled by a modification to General Tax Law article 29.2.j)

These regulations established the obligation for business to use Computerised Invoicing Systems (SIF- Sistema Informático de Facturación) for accounting, invoicing and management processes that guarantee the integrity, conservation, accessibility, legibility, traceability and inalterability of invoice records.

These regulations established measures to prevent the manipulation of accounting data and duplicate accounting systems and the alteration of transactions records. They require businesses to ensure that their accounting, invoicing and financial management systems guarantee the integrity, conservation, accessibility, legibility, traceability and inalterability of the records, ensuring that interpolations, omissions or alterations are duly noted in the same records. Standard invoice formats were also established with these measures.

The Government stated that these measures would promote the digitalisation of small businesses in Spain, whilst at the same time improving tax compliance and fighting tax fraud.

As an alternative to SIF systems, the VeriFactu system is allowed. This sends invoice records to a service provided by the State Tax Administration Agency (AEAT). In effect this provides a simplified mode of compliance by sending invoicing records data to the State Tax Administration Agency (AEAT) at the moment of their creation. The system incorporates security elements, such as electronic signatures and chained hashes, to prevent any modification of the records without the corresponding control, thus ensuring transparency and traceability in invoicing.

With the launch of the VeriFactu system regulations, Spain has now completed all the processes needed to make electronic invoicing operational in Spain.

THE REGULATIONS IN DETAIL - CONTENTS

- What is a SIF and what is VeriFactu?
- Who is affected by the VeriFactu regulations?
- When will the VeriFactu regulations come into force?
- SIF systems requirements
- Invoice register characteristics
- What is the purpose of the QR code on the face of invoices?
- Register of SIF events
- How are VeriFactu invoices identifiable?
- Other data that will have to be recorded in system?

WHAT IS SIF AND WHAT IS VERIFACTU?

A SIF or Computerised Invoicing System is a system that complies with the technical requirements defined in Royal Decree 1007/2023. Every business using a system to invoice customers, must use a compliant SIF to generate and issue their invoices.

Alternatively, businesses may use the VeriFactu system for issuing verifiable invoices. This is a system that can send invoicing records to the Tax Agency (AEAT).

So, to comply with the 'VeriFactu Regulation', there are two possibilities:

- Computerised Invoicing System (SIF) that complies with the principles of integrity, conservation, accessibility, legibility, traceability and unalterability of invoice records.
- VeriFactu system or a system that issues verifiable invoices that automatically sends this invoice data to the AEAT system.

WHO IS AFFECTED BY THE 'VERIFACTU REGULATION'?

The 'VeriFactu Regulation' applies to businesses established throughout Spanish territory, including the Canary Islands, Ceuta and Melilla. In the case of the Basque Country and Navarra, the regulation will only be applicable to taxpayers who have their tax domicile in the rest of Spain. The businesses affected by this regulation are those issuing invoices, with the exception of taxpayers obliged to submit the Immediate Supply of Information (SII), except in exceptional cases.

Therefore, the 'VeriFactu Regulation' will be applicable to the following taxpayers who use Computerised Invoicing Systems (SIF), even if they only use them for part of their activity:

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- Corporation taxpayers, with the exception of exempt entities. For partially exempt entities, the obligation applies exclusively to transactions that generate income that is subject and not exempt to corporation tax.
 - Self-employed taxpayers who carry out business activities.
 - Non-resident taxpayers who obtain income through a permanent establishment.
 - Entities under the system of attribution of income that carry out economic activities, without prejudice to the attribution of income that corresponds to their members.
 - Producers and vendors of computerised invoicing systems, in relation to their activities of production and marketing of the computerised systems made available to taxpayers.

WHEN WILL THE 'VERIFACTU REGULATION' ENTER INTO FORCE?

Royal Decree 1007/2023 came into force on 8 December 2023. However, as technical development was required by its measures it established a series of deadlines so that the different taxpayers can adapt to the requirements of the new regulations. These have been under continuous review until the latest Ministerial Order, Orden HAC/1177/2024, was released on 28 October 2024.

- Producers and vendors of Computerised Invoicing Systems (SIF) must offer their adapted systems within a maximum period of nine months from the entry into force of this Ministerial Order. However, due to this deadline now surpassing the original date indicated in RD 1007/2023, a new date of 29 July 2025 has been confirmed for these obligations to be met.
- Within the same nine-month period, must be available in the tax office web site a service for receiving the invoicing records sent by Computerised Invoicing Systems (SIF).
- According to the dates established in RD 1007/2023, the implementation deadline for all obligated parties would be on 1 July 2025, which precedes the deadline for developers to have their software systems adapted. Therefore, the tax office has indicated that they are already working on adjusting these deadlines, though this could not be addressed in the last Ministerial Order. The tax office is actively working on revising the timelines, with January 1, 2026, being proposed as the new probable implementation date.

REQUIREMENTS FOR COMPUTERISED INVOICING SYSTEMS (CIS)

The 'VeriFactu Regulation' establishes that IT systems used to record and document the supply of goods and services must guarantee the integrity, conservation, accessibility, legibility, traceability and inalterability of the invoicing records.

In addition, they must have the capacity to send electronically to the Tax Agency, in a continuous, secure, correct, complete, automatic, consecutive, instantaneous and reliable manner, all the invoicing records generated.

To this end, the computer systems will have to:

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- Support the entry of billing information by any method.
 - Store and process the invoicing information, either in the invoicing computer system itself or by means of an external physical medium or through telematic transmission to another computer system, whether or not it is an invoicing system.
 - Generate, simultaneously with or immediately prior to the issuing of the invoice, an invoice registration record.
 - Incorporate an electronic fingerprint or hash in the registration and cancellation records, which links them and guarantees their traceability.
 - Sign the invoicing records with an electronic certificate.
 - Incorporate a readable QR code on the invoice itself that facilitates its capture and digitalisation and allows the recipient to voluntarily provide information regarding it to the AEAT.
 - Enable all invoicing records to be sent to the AEAT continuously and automatically.
 - Facilitate immediate access and/or extraction of data to the AEAT.

CHARACTERISTICS OF THE INVOICING RECORDS

The computerised invoicing systems used must automatically generate a registration invoicing record simultaneously or immediately prior to the issuing of each invoice, detailing the minimum content to be generated. Each registration invoice record shall include:

- NIF, name and surname, name or company name of the person issuing the invoice.
- Invoice number and, where applicable, invoice series; as well as the date of issue and the date on which the transactions documented were carried out or the advance payment was received, where applicable.
- The type of invoice issued, indicating whether it is complete or simplified (as defined in tax law), and, where appropriate, the additional detail necessary for the correct identification of the type of invoice issued.
- The general description of the transactions and the total amount of the invoice.
- An indication of the system or systems applied to the transactions documented for VAT purposes, or of other transactions with tax implications.
- An indication of whether the recipient of the invoice is a VAT taxable person.
- The taxable amount of the transactions, the VAT liability, the rate(s) of the equivalence surcharge applied and the amount of the equivalence surcharge.
- If the transaction is not subject to VAT, the amount corresponding to the transaction and the reason for the non-subjection.
- The date, hour, minute and second on which the registration invoice record is generated.

When an invoice has been issued erroneously and it is necessary to cancel the corresponding registration invoice record, a cancellation invoice record (a credit note in English!) will have to be generated, with the necessary information to correctly carry out the cancellation.

Additionally, the regulation incorporates security mechanisms to guarantee that the invoicing records are not altered, such as the fingerprint or hash and the electronic signature.

WHAT IS THE PURPOSE OF THE QR CODE ON THE FACE OF INVOICES?

The QR code on electronic invoices serves several important purposes for both the issuer and recipient of the invoice, as well as for tax authorities. Here are some of the main reasons:

- **Authentication and Security:** The QR code can contain encrypted information about the invoice, such as the invoice number, date, total amount, and details of the issuer and recipient. This helps verify the authenticity of the invoice quickly and securely, ensuring it has not been altered after issuance.
- **Ease of Access to Information:** By scanning the QR code with a mobile device, users can instantly access the details of the invoice. This is useful for accounting and for confirming that the invoice details are correct without the need to manually enter data.
- **Tax Compliance:** In many countries, tax authorities require electronic invoices to include a QR code to simplify tax controls and audits. The code allows authorities to quickly and efficiently verify relevant transaction information without the need to process large amounts of paper data.
- **Integration with Accounting Systems:** QR codes facilitate the integration of electronic invoices with business management and accounting systems, allowing for automatic and accurate data importation, which reduces human errors and improves operational efficiency.

In summary, the QR code on an electronic invoice not only enhances the security and authenticity of fiscal documents but also provides convenience to both businesses and consumers and aids in complying with tax regulations.

RECORDING OF EVENTS IN COMPUTERISED INVOICING SYSTEMS (SIF)

Computerised Invoicing Systems must implement an event log that records all interactions with the computerised system, as well as operations performed and events occurring during its use.

This functionality of the IT systems shall:

- Ensure traceability of any download, dump or storage of records.
- Ensure the unalterable preservation of the original data, recording any modification or cancellation by creating a new record.
- Retain all billing records generated by the system itself.

- Have a register that automatically records any interaction, operation carried out, start-up and shut-down, user entry and exit, and errors that have occurred.

HOW ARE VERIFACTU INVOICES IDENTIFIED?

When a company or professional sends all its invoicing records to the AEAT, it is necessary to record this procedure on the invoices themselves. To this end, VeriFactu invoices must meet the following requirements:

- Incorporate a QR code with a series of data identifying the invoice.
- Include a reference indicating that they have been generated using a verifiable invoice issuing system with the text label 'VERI*FACTU'.

WHAT OTHER DATA THAT WILL HAVE TO BE RECORDED IN SYSTEM?

One of the justifications that Government used for creating this system, with all the burdens that will affect businesses, is that it will improve the behaviour of businesses that are notoriously slow in paying their suppliers. It is true that Spain is no stranger to the abuse of smaller suppliers by large customers who like to use as working the debts they have with their suppliers.

So, at some point in the future, details of when payments of invoices are actual made will be uploaded to the stored invoice records. This sounds like 'a good idea', though perhaps tedious and time consuming unless systems are designed do this automatically, and indeed, some already do this.

It is, of course, one thing to store such data and another to do something useful with it. So far, how such detail will help disadvantaged smaller businesses is not explained in any of the relevant regulations.

We live in hope!

SPENCE CLARKE CONSULTING SERVICES

There is no doubt that these new regulations have the potential to seriously disrupt small businesses, especially those with low levels of computerisation. Larger businesses will probably be already using systems that will be upgraded by their existing providers, especially given that the regulations force system suppliers to provide this service.

Spence Clarke can offer the follow advice and services:

- For small businesses, choosing and adopting new accounting/invoicing systems that meet their requirements.
- For all businesses, examination of their existing systems and in the case that existing systems are inappropriate, assisting with the adaptation of their processes and systems to meet these new requirements.

- Provision of cloud-based systems to clients enabling them to handle as much of their day to day invoicing and record keeping that they wish, with the supervision and back up of expert bookkeeping staff and financial management.

FAQS:

1. What is an electronic invoice?

In addition, with the compliance to invoice legislation in respect of its content, its integrity, guarantee of genuine in origin, etc it must comply with the following:

- It must be issued and received electronically. Therefore, an invoice issued electronically and sent in paper is not valid. On the other hand, a paper invoice which is scanned and then sent and received electronically is valid.
- The recipient of the invoice must have authorised to receive the invoice in this format. The authorisation can be direct or indirect. An indirect example would be to access the electronic portal of the issuer of the invoice to obtain the invoice and to not communicate at this point the disagreement. The recipient must have the necessary technologic equipment to enable them to verify the digital signatures or digital certificates. They must be able to cancel to receive the invoice at any moment
- Its authenticity and the origin can be verified, any form that has been previously approved by the tax office, for example, a digital certificate or digital signature. You can also download the free software "Facturae" which you can access from www.facturae.gob.es and which you can use to issue invoices.

2. What is Verifactu?

Verifactu is a system designed to ensure that invoices issued by companies meet standards of authenticity, integrity, and preservation. It is part of the Spanish tax office (AEAT) initiatives to combat tax fraud by ensuring that billing records are unalterable and traceable.

3. Who is required to use Verifactu?

The following are required to adopt Verifactu:

- Companies and self-employed individuals issuing invoices in Spain.
- Those using management and billing software, which must be adapted to meet the technical requirements set by AEAT.
- In general, any business obligated to issue invoices could be affected.

4. What are the requirements for billing software under Verifactu?

The software must meet the following conditions:

- Immutability: It must not allow invoices to be modified once issued.
- Traceability: It must record all operations related to each invoice.
- Integrity: Invoices must be generated with a unique identification code (similar to a "hash").
- Electronic preservation: Electronic billing records must be preserved for the legally required period.

5. What happens if the Verifactu requirements are not met?

Non-compliance with Verifactu regulations may result in:

- Financial penalties: For using uncertified software or manipulating invoices.
- Audit of past operations: The AEAT may investigate suspicious operations.

6. When will Verifactu come into force?

On 28th October 2024 the last ministerial order was published, stating that from this moment on, manufacturers and software developers have 9 months to adapt/develop the invoicing computer systems according to this ministerial order, that is, until 29th July 2025.

According to the dates indicated in RD 1007/2023, the entry into force for all obliged parties would be 1st July 2025, that is, before the developers are obliged to have the computer systems adapted.

For this reason, the AEAT headquarters is informing that they are already working on modifying the deadlines, being a probable date of entry into force on 1st January 2026.

7. What are the benefits of Verifactu for businesses?

- Greater legal security: Authentic and immutable invoices help avoid fiscal issues and penalties.
- Automation: The new standards can encourage businesses to modernize their management systems.
- Fraud reduction: Verifactu helps combat the shadow economy and increases tax fairness

8. What costs will be adapting my business to Verifactu entail?

The cost will depend on:

- The type of software is currently in use.
- Whether you need to acquire new software or simply update the existing one.
- The size and complexity of the business.

9. How can I be prepared for Verifactu?

- Consult with your billing software provider to ensure they are working on the necessary adaptations.
- Consider switching to software that is compatible with AEAT requirements.
- Stay informed about regulatory updates through the official AEAT website or a tax advisor.

10. If a person handwrites their invoices or uses Word, Excel, etc., how should they operate, and what options exist?

Under the new electronic invoicing requirements, businesses must issue invoices through systems that comply with Spain's digital invoicing standards. Handwritten invoices or those generated using tools like Word or Excel must be processed further to meet compliance.

Options available:

- Transition to certified invoicing software: Use government-approved invoicing software that meets the technical standards, known as Computerised Invoicing Systems, (SIF).
- Integrate current tools with compliant systems: Use connectors or middleware to convert Word/Excel invoices into compliant electronic formats (e.g., FacturaE).
- Manual Entry into compliant software: Input invoice data into compliant invoicing systems manually.

11. In case of having a SII (Immediate Supply of Information), will the tax office require all the data in the same way as VeriFactu?

Yes, if the invoicing software integrates with the SII (Suministro Inmediato de Información), the Spanish Tax Authority will require real-time reporting of key invoice details. This will mirror the functionality of VeriFactu in capturing:

- Invoice issuance and reception dates.
- Invoice details like unique codes, VAT amounts, and totals.

- Recipient information and transaction types.

Ensure your invoicing software is updated to report the required data directly to the SII in real-time or within the specified time frame.

12. If an electronic invoice is sent but has an error, what is the procedure to rectify?

Issuing a credit note invoice (Factura Rectificativa). Spanish regulations mandate issuing a new invoice to correct any errors in the original. It must reference the original invoice and include:

- The reason for correction.
- The adjusted or correct amounts.
- Notify the recipient: Ensure the corrected invoice is sent to the client, and the erroneous one is invalidated.
- Update reporting: Submit the corrected invoice to the tax authority if real-time reporting is mandatory.

13. What does the recipient of the invoice do with the QR code?

The QR code on electronic invoices is primarily for:

- Verification: Recipients can use it to confirm the authenticity and compliance of the invoice.
- Record-Keeping: The QR code ensures that recipients can easily integrate the invoice into their own digital systems.
- Accessing Invoice Data: Scanning the QR code may redirect recipients to a digital portal or system for further details.

No manual action is typically required beyond verification and storing the invoice for compliance.

14. What happens if the internet goes down for a business? How do they report created invoices?

If internet connectivity issues prevent immediate electronic invoicing:

- Local Backup: The business should store invoices locally in the required electronic format until the connection is restored.
- Deferred Reporting: Once the internet is available, these invoices must be submitted to the tax authority within the specified timeframe for delays (often 4-7 days).
- Contingency Plans: Some compliant software includes offline modes for such scenarios, ensuring invoices are properly formatted and queued for submission.

15. What happens if hackers get into systems?

The Verifactu framework incorporates several features and principles to safeguard data and ensure compliance even in the event of a breach:

- **Immutable Invoices:**

Once an invoice is created under Verifactu, it cannot be altered without detection, thanks to the use of unique digital identifiers (e.g., cryptographic "hashes") and traceability mechanisms.

- **Centralized Reporting to AEAT:**

Verifactu integrates with systems like the SII (Immediate Supply of Information), ensuring that invoice data is transmitted to the AEAT in near real-time. This minimizes the risk of data loss or manipulation since records are already stored securely with the tax authority.

- **Software Certification:**

All software compatible with Verifactu must meet strict certification standards, including security protocols to prevent unauthorized access.

- **Regulated Data Preservation:**

Verifactu enforces rules for secure electronic preservation of invoice data, requiring robust encryption and access controls to protect against breaches.

16. Is the VeriFactu system already available so that business systems can test and interact with it?

As of now, the Verifactu system is still in the process of development and implementation by the Spanish Tax Agency (AEAT). While specific testing environments or APIs for businesses to interact with the system have not yet been publicly announced.

17. I only sell to the public because my business is a retail outlet, how does this affect me?

If you only carry out transactions under the simplified VAT regime, in general, you will not be affected by Verifactu, as those obliged to use this regime are not obliged to issue an invoice, with certain exceptions.

18. I have business and non-business customers; do I have to issue electronic invoices to all customers?

For transactions with other businesses (B2B), you are generally required to issue invoices, and under certain circumstances, these invoices must be electronic.

For sales to individuals or non-business customers (B2C):

- Electronic Invoices are not always mandatory: For standard retail transactions, a simplified receipt is typically sufficient unless the customer explicitly requests an invoice.
- When an invoice is requested: If a non-business customer asks for an invoice, you must issue an electronic invoice.

19. All my customers are foreign businesses; how does this affect my obligations to issue electronic invoices?

Yes, all transactions in respect of which businesses (natural or legal persons) must issue invoices in accordance with current legislation, are subject to the new electronic invoices. This includes both exports and EU intra-Community deliveries of goods and non-EU or intra-Community supplies of services.

20. I usually receive 50% payment in advance for the services I render but I only ever create the invoice once I have been paid in full. Does this affect my electronic invoicing requirements?

According to tax regulations, an invoice must be issued in the case of advance payments, so if the type of transaction carried out requires an invoice to be issued, you must issue an electronic invoice.

In case of delivering proformas to customers, it would not be prohibited by the new invoicing system, but draft invoices or proforma invoices do not carry any tax 'QR' code.

21. How does Verifactu impact the archiving and storage duration of electronic invoices? Are there specific digital formats or security measures required?

Verifactu mandates the retention of electronic invoices for a minimum period as per Spanish tax regulations, which typically align with a six-year period or more in cases involving certain tax obligations. Businesses must ensure that electronic invoices are stored in a digital format that guarantees their legibility, authenticity, and integrity over the entire retention period. Recommended formats often include XML or PDF

22. If a business outsources its invoicing to a third-party service provider, what responsibilities do they have to ensure compliance with Verifactu?

If a business outsources its invoicing to a third-party service provider, it remains the ultimate responsibility of the business to ensure Verifactu compliance. The business must verify that the provider adheres to the technical and procedural requirements of Verifactu. This includes proper submission to the tax authorities, handling the QR codes, and maintaining the integrity

of invoice data. Contractual agreements should outline these compliance obligations to safeguard against potential liability.

23. What support or training resources are available for businesses to understand and implement the changes required by Verifactu?

The Tax Office and related business organizations provide comprehensive support resources, including guides, webinars, and FAQs.

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