



The ABC
of Electronic Invoice
Costa Rica

What is an electronic invoice?

It's a commercial document with tax implications that is generated, expressed and transferred electronically. The electronic invoice differs from the paper invoice and from the digital invoice because it is created through a digital system that uses "XML" files to generate, express and transfer it instead of a printing company authorized by the General Directorate of Taxation.

It's imperative to note that these invoices have the same official validity and judicial value in the same conditions as the authorized paper invoices.

How has it been implemented?

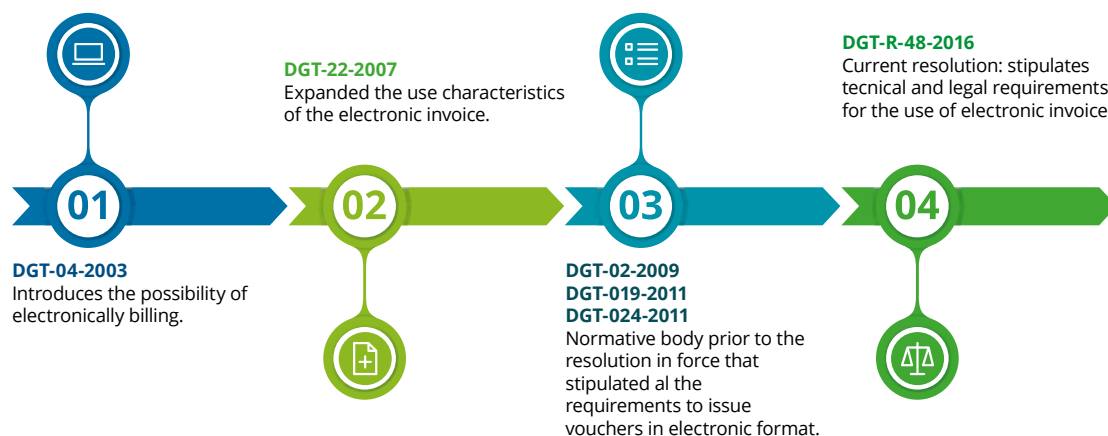
Since 2003, the General Directorate of Taxation of the Ministry of Finance introduced the possibility of producing electronic invoices. In 2007, the information about the technology needed to implement this invoice system was delineated. In 2009, three tax resolutions were issued defining the guidelines for the use of the electronic invoices.

Finally, in 2016, the most important resolutions were issued which established the mandate to use electronic invoices and detailed the format and technical specifications required.

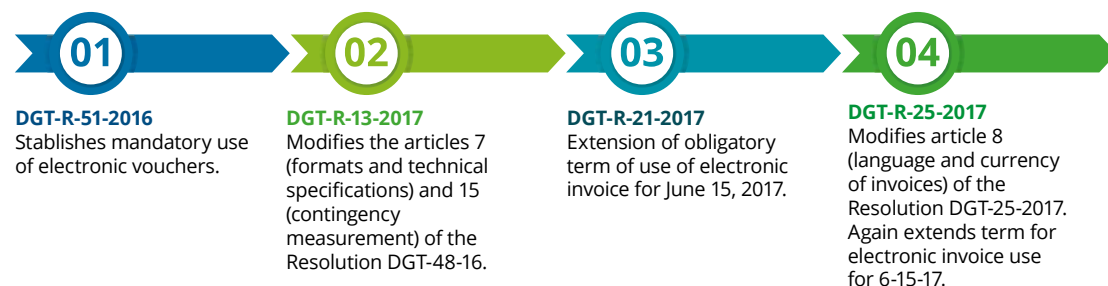
The following diagram shows the evolution of the guidelines to implement the electronic invoice.

It's imperative to note that the taxpayers who decided to implement this type of invoice since 2009, according to the guidelines in resolution DGT-02-2009, should have adopted the changes indicated, because while this resolution was not in effect if any invoices were produced under that resolution, such invoices would be unauthorized.

Legal framework: Background of the Resolution DGT-R-48-2016



What happens after the issuance of the Resolution DGT-R-48-2016?



What types of documents encompass the electronic invoice?

The electronic invoice covers some other digital vouchers such as:

Credit and debit notes

These are electronic documents that allow annulment or adjustments to the electronic invoice without alteration of the document of origin.

Electronic ticket

It's a commercial document with tax implications, generated, expressed and transferred in electronic XML format in transactions purchase-sale or delivery of services, authorized exclusively for exchanges with end-consumers.

How does the electronic invoice work?

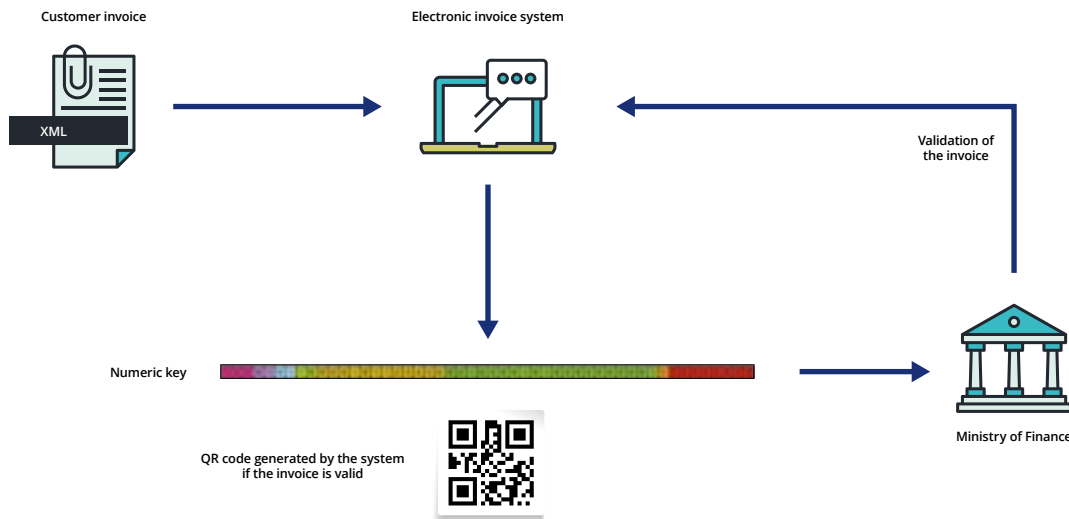
Each taxpayer must have a receipt system either in-house system, commercial software, custom software, or third-party system that, in other words, means to have a contract with any of the digital options available in the local market.

The system must have the provisions indicated by the Ministry of Finance, among them the most important is to have a system capable of generating the file in the format "XML".

The system works as follows:

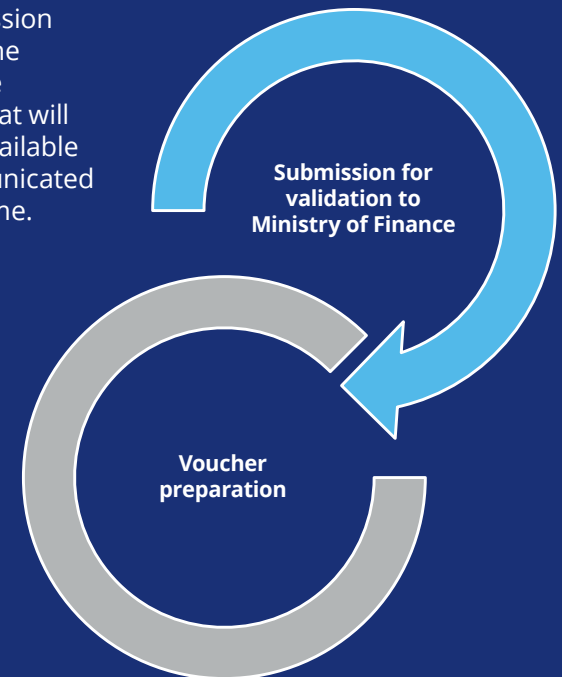
Electronic invoice

Information flow



1. Preparation of the voucher and submission for validation: The *electronic issuer - receiver* and the *electronic receiver - non-issuer* must transmit in the XML format an invoice that meets all the requirement including the numeric and QR codes, the same shall be submitted to the Ministry of Finance for its validation.

This submission shall be done through the channels that will be made available and communicated at a later time.



2. Reception of the file by the Ministry of Finance for validation:

At the time that the Ministry of Finance receives the XML files, it shall forward the confirmation of receipt. Once the message of confirmation is received it shall be delivered to the electronic receiver.

From the time of submission of the file, the Ministry of Finance will have a maximum of 3 hours to validate and send the message of acceptance or rejection of the file. The acceptance message constitutes the endorsement of the voucher or, in case of rejection, the indicated inconsistencies must be corrected.

3. Delivery of the voucher:

The delivery of the voucher must be made in the same transaction, sale or provision of the service, in order not to hinder the regular course of business even if the message of acceptance or rejection from the Ministry of Finance has not been received.

4. Message of acceptance or rejection by the Ministry of Finance:

All electronic invoices and related documents must have an acceptance message, otherwise they cannot be used as proof in fiscal credit or as deductible expenses.

At the time that the Ministry of Finance issues the validation of the voucher it is possible:

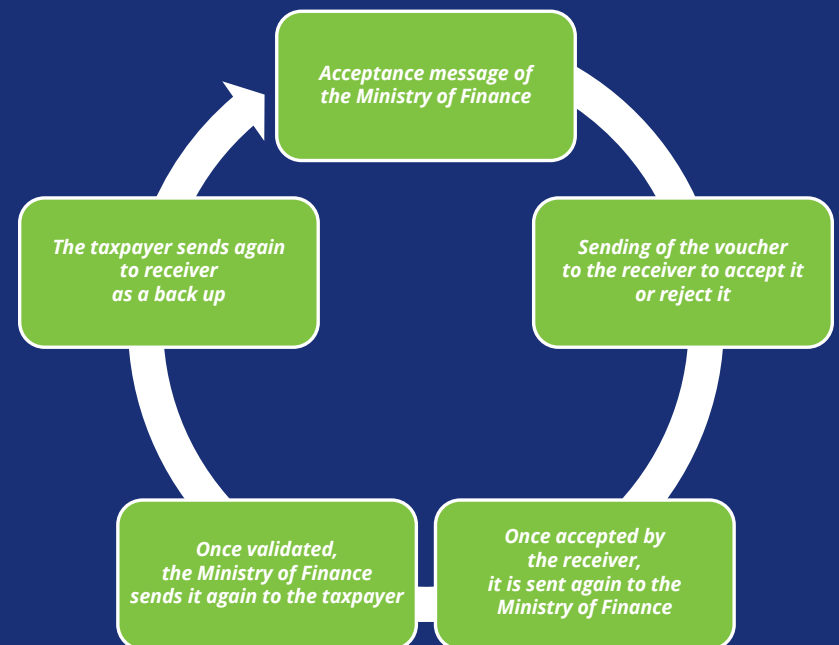
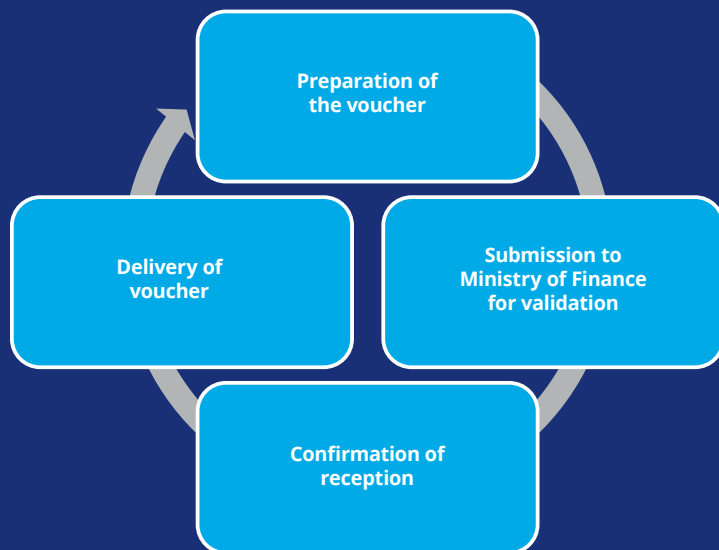
A. Acceptance message: The message can be issued and there are no needed modifications.

B. Rejection message: When the message is of rejection, it must be made a credit note canceling the electronic voucher, a new voucher must be generated immediately, indicating in the reference document which voucher is being replaced.

5. Sending of the voucher to the receiver:

Once the acceptance message of the voucher by the Ministry of Finance is received, in case of electronic issuer – receiver or electronic receiver – non-issuer, the electronic voucher must be accepted, or rejected. The preparation of the message of acceptance or rejection by the receiver is mandatory to back up the expenses and must be sent for its validation to the General Directorate of Taxation within a period of not more than 8 days. If it is rejected, a new confirmation message must be made.

Subsequently, the system sends this file to the Ministry of Finance for validation, once validated the document is sent again to the taxpayer system so he/she can send it later to the end consumer.



What steps must be followed to invoice electronically?

To implement electronic invoice, the following steps must be followed:

1. Have an electronic invoice system, either through the development of the computer system itself, or by hiring with any of the digital solutions in the market.
2. Comply with the formats and detailed XML structures.
3. Process of reception of the electronic invoices and its associated electronic documents.
4. Once these steps have been implemented, it must be registered with the General Directorate of Taxation under the modalities of electronic issuer-receiver, electronic receiver-non issuer or provider of electronic invoice web solutions.

1.
Have an electronic
invoice system

2.
Comply the
requirements

3.
Process of reception
and acceptance of
vouchers

4.
Register in the
General Directorate
of Taxation

Should there be a registration process in the Tax Administration?

Natural or legal persons complying with the requirements and obligations established to billing electronically must inform this condition to the Tax Administration, either *electronic issuers-receivers*, *electronic receivers-non issuers* or free system providers for issuing electronic vouchers.

For this purpose, the information must be updated through the form D-140 called "Declaration of Registration, Modification of Data and De-registration of the Unique Tax Registry", specifically in the section *Billing Methods*.

This must be done when the taxpayer's electronic system is ready to be use under the modalities specified as follows.

A. Electronic issuer-receiver: Person or legal entity authorized by the Tax Administration to issue and receive electronic vouchers through an electronic system.

B. Electronic receiver-non issuer: taxpayers who only receive electronic vouchers for purchases made in the local market.

In cases where the transaction takes place between electronic issuers-receivers or with electronic receivers non issuers, the voucher must be accepted or rejected by the receiver, the acceptance or rejection message by the receiver is mandatory to support the expenses and must be sent for validation to the General Directorate of Taxation within a period of no more than 8 days, in case of rejection a new confirmation message must be made.

C. Manual receiver: Refers to the natural or legal person who receives the digital voucher electronic voucher in the same act of sale or provision of the service. This person does not require to generate the voucher of acceptance or rejection of the invoice, in this case the issuer of the receipt must generate it, sign it and print it to deliver the bill to the receiver.

Is the electronic invoicing mandatory for all taxpayers?

The General Directorate of Taxation will select the taxpayers who will be required to use the electronic invoice, this will be communicated through a publication in the Official Journal La Gaceta and within a reasonable period of time will be informed the date on which they should start the compliance of the obligation. In the case of those classified as large taxpayers and large territorial companies, the communication will be carried out by electronic mail.

On September 20, 2017; the Ministry of Finance communicated the dates to start the use of the electronic vouchers for the sectors defined in the publication, indicated as follows:

On September 20, 2017; it was published in La Gaceta the: ***“Communication of the dates of beginning of use of the electronic vouchers for the defined sectors”.***



It is essential to note that the Ministry of Finance will progressively notify the sectors and activities that should start using electronic billing, so it is essential that each taxpayer verify that the code and activity detailed in the notice coincides with the activity registered with the Tax Administration.

Those taxpayers who are under simplified taxation are not yet obligated to make electronic billing.

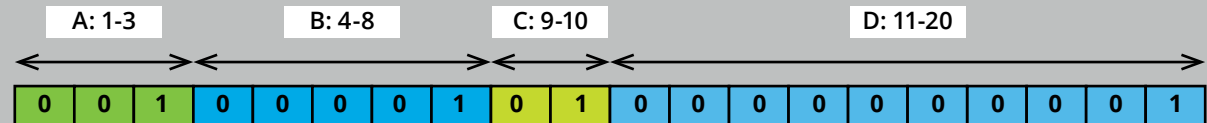


What are the requirements for electronic invoicing?

The requirements are the same as those currently applicable for paper billing such as identification of the taxpayer, name of the type of document, document issue date, time, terms of service, means of payment, among others.

- a. Version of the document
- b. Identification of the obligated
- c. Type of document
- d. Consecutive numbering
- e. Numeric key
- f. Date of issuance
- g. Time of issuance
- h. Conditions of the sale or service
- i. Payment method
- j. Detail of the merchandise
- k. Discounts
- l. Subtotal
- m. Tax
- n. Total value

In addition, it must include a consecutive numbering, the issuing must be assigned automatically and consecutively guaranteeing the inalterability, legitimacy, as well as the integrity of the consecutive. The first three numbers identify the location or establishment where the voucher is issued, from fourth to eighth digits identify the terminal or point of sale, from the ninth to the tenth digits correspond to the type of voucher and finally, from the eleventh to the twentieth digits, corresponds to the consecutive numbering of the voucher. It must be displayed as follows:



- A: Headquarters, branches
B: Terminal or point of sale
C: Type of voucher or associated document
D: Electronic voucher numbering

It is possible to issue vouchers in other language besides Spanish, these must comply with the stated requirements. In addition, it is important to indicate that Tax Administration could require the translation of the vouchers to Spanish.

In the same way, it is possible to issue the vouchers in foreign currency, however, the currency in which the transaction was carried out must be indicated.

How the numbering should be at the moment to start with electronic invoicing?

The numbering of the electronic vouchers and their related documents will begin in 1 in those cases were the taxpayer is transferred to use the electronic vouchers for the first time.

In the case of those who already use electronic vouchers and decide to change emission platforms, a consecutive numbering must be kept.

Is it possible to use free systems to issue electronic invoices?

The taxpayers engaged in the provision of professional services or who are accredited as micro and small enterprises in accordance with the classification defined by the Ministry of Economy, Industry and Commerce (MEIC, for its acronym in Spanish), may use the free systems for issuing of vouchers.

The Ministry of Finance is designing a basic function for all individual professionals as well as micro and small business can make their electronic vouchers, however, it is expected that it gets available at the second or third week of January 2018.

In case of contracting a company for this service, does the Ministry of Finance certify to the suppliers that provide the electronic invoicing issuance service?

This is not a duty of the Ministry of Finance, it is the taxpayer's responsibility to verify that the provider hired complies with the provisions indicated for the purpose.

What happens if there is a system failure that prevents the issuance of the electronic voucher?

If there is a system failure, it is possible to issue a provisional voucher, however, this use is considered a contingency measure and does not replace the electronic voucher, so it cannot be used as a backup option.

The provisional proof of contingency refers to a preprinted voucher issued by an authorized printing company, it must include the legend "provisional proof", these vouchers must be used only when it is impossible to use the system to issue electronic vouchers for reasons beyond the scope of the issuer.

It is stipulated that, once the contingency has been overcome, the electronic vouchers must be issued. For this purpose, the issuer of the voucher has a period of time of no more than two days from the habilitation of the systems to produce the voucher in an electronic form.



Once the electronic invoicing system is adopted, is it possible to use another type of vouchers?

Once adopted the electronic invoicing system it must be the only type of vouchers used, the only exception in which the use of preprinted vouchers is allowed is in case of contingency.

How long should electronic vouchers be retained?

They must be retained for a period of 5 years regardless of whether taxpayers are obligated to send them to the Ministry of Finance for validation or not.

Is it possible to modify or cancel an electronic invoice?

The electronic invoices and associated documents cannot be canceled directly, their accounting effects must be canceled or modified through the use of electronic credit or debit notes, prevailing the original document and its consecutive which may not be reused again.

What happens if the electronic invoice does not meet any of the established requirements?

If the electronic invoice does not meet any of the requirements stated, the failure to comply with any of the requirements is equivalent to administrative offenses that could generate penalties for the taxpayer.

Does the electronic billing need to be printed on paper?

This depends on the type of receiver, in case of transactions between issuers-receivers the printing of the invoice is not necessary. In case of manual receivers – referred to end consumers, it is mandatory to print the invoice or to send it by e-mail.

What are the penalties provided if electronic invoicing is not used?

The penalties provided for using electronic vouchers are those established in articles 83, 85 and 86 of the Code of Taxation Rules and Procedures:

A. Article 85. Non-issuance of invoices: Fine equivalent to 2 base salaries (€852,000) to those who do not issue invoices or vouchers duly authorized by the Tax Administration, or not to deliver them in the act of sale or provision of the service.

B. Article 86. Infringements that give rise to the closing of business: Closing for a period of 5 calendar days of the commercial establishment, industry, office or place where the activity takes place or the trade in which the infringement was committed. For the taxable or declaring persons who reoccur in not issuing invoices or proofs duly authorized by the Tax Administration or in not handing the client in the act of sale or provision of the service.

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