

Invoice Regulation in China

Electronic Invoice

- Since December 2021, China has piloted fully digital electronic invoices (referred to as "digital e-invoices") in selected regions. Starting from December 1, 2024, these invoices will be officially promoted nationwide.
- Digital e-invoices are a type of "**electronic invoice**" defined in the **Regulations on Invoice Management of the People's Republic of China**, fully digitizing invoice elements and holding the same legal validity as paper invoices.

Electronic Invoice & ERP System Integration

- **System Integration Issues:** The **ERP system must be integrated with the electronic invoice service platform of the State Administration of Taxation** to enable real-time data exchange. If the ERP system is not properly connected, it may not be able to issue electronic invoices directly.

Paper Invoice

In China, **electronic invoices and paper invoices are two distinct forms of invoices**. Even if the information is identical, a **paper invoice cannot be directly converted into an electronic invoice**. Instead, specific procedures must be followed according to tax regulations.

Handling Scenarios for Paper Invoices

1. Paper invoices cannot be directly converted into electronic invoices

- Electronic invoices are generated through tax-authorized systems (e.g., Golden Tax Disk, tax control servers, or electronic invoice service platforms).
- OCR (Optical Character Recognition) can extract data from paper invoices but cannot directly convert them into electronic invoices. However, OCR can be used to record invoice details in financial systems for management and verification.

2. How to verify or check paper invoice information

If a customer provides a paper invoice, you can verify its authenticity using the following methods:

- State Tax Administration Invoice Verification Platform: <http://fz.chinaive.com/fpcy/>
 - Use invoice code, invoice number, issue date, and invoice amount to verify its authenticity.

- OCR Scanning & ERP System Integration:
 - Many ERP systems (e.g., Kingdee) support OCR scanning to extract invoice details and automatically fill in invoice data, reducing manual errors.
- Duplicate Invoice Check:
 - ERP systems can integrate with corporate financial software to check whether the same invoice has already been reimbursed or recorded, preventing duplicate reimbursements.

3. How to link paper invoices to electronic invoices

If a company prefers to manage invoices electronically, the following options are available:

- Issuing a new electronic invoice:
 - If the customer agrees, the company can issue a new electronic invoice through the tax control invoicing system. However, the original paper invoice may need to be canceled or returned.
- Obtaining an electronic invoice copy:
 - If the paper invoice was originally issued through a tax control system, a corresponding electronic invoice copy may be available in the tax system.
- Red-Character Invoice Issuance & Reissuance:
 - If necessary, a red-character invoice (credit note) can be issued to cancel the original paper invoice, followed by issuing a new electronic invoice.

4. Electronic invoices (e-invoices) Vs. paper invoices in China

Aspect	Electronic Invoice (E-Invoice)	Paper Invoice
Issuance Method	Generated through tax-controlled systems (e.g., tax control server, e-invoice service platform) in PDF or OFD format	Printed using a tax control device (e.g., tax disk) on official tax paper
Storage	Stored electronically, can be downloaded and printed	Stored as a physical document
Transmission	Sent via email, WeChat, ERP systems, etc.	Requires manual delivery or mailing
Verification	Can be verified on the State Tax Administration Invoice Verification Platform	Must manually input invoice details (code, number, date, amount) for verification
Reimbursement	Can be used for reimbursement directly in digital form	Needs to be scanned or manually entered into financial systems
Conversion & Linkage	E-invoices and paper invoices are different formats and cannot be directly converted between each other	OCR can recognize the content but cannot generate an e-invoice from a paper invoice

5. Summary

In China, invoices (fapiao) are not just commercial documents like in Finland. They are tax-controlled documents that serve as both proof of transaction and a regulatory tool. Unlike Finland, where businesses can freely issue invoices, in China, all invoices must be generated through a government-regulated system. Also, paper invoices and e-invoices are separate formats and cannot be converted between each other.