3342810 - IL_Electronic invoicing and allocation numbers

Component: SBO-SD (SAP Business One > Sales - A/R), Version: 10, Released On: 31.03.2024

Symptom

The Ministry of Finance of Israel has published the country's economic plan for the years 2023 and 2024. One of the main objectives of the program is to combat fraud and tax evasion due to the use of illegal invoices in the country to avoid tax payments. To achieve this, a model for sending invoices in electronic format and in real-time to the tax authorities is planned.

In accordance with the plan, beginning January 1, 2024, the tax authorities will assign unique allocation numbers online to A/R invoices whose value exceeds a NIS 25,000 threshold; the threshold will decrease in the subsequent five years, so that by January 1, 2028, the threshold will be NIS 5,000. From the beginning of the implementation of the program, there will be an obligation to obtain allocation numbers from the tax authorities for invoices that meet the prescribed amounts. Only tax invoices that have approval and allocation numbers will be usable by receivers for input tax deductions.

Solution

SAP intends to provide a support package to solve the symptom that is described in this SAP Note. The section **References** below lists the related support package once they become available. Be aware that **References** can only be confirmed at support package release date. SAP delivers packages or patches only for selected releases at its own discretion, based on the business impact and the complexity of implementation.

To allow for this requirement, some changes are available in the Israel (IL) localization as of SAP Business One SP 2311, and SAP Business One, version for SAP HANA SP 2311.

To send relevant A/R invoices and A/R reserved invoices to the Israel Tax Authority (ITA) and receive allocation numbers from the tax authorities for those invoices, follow the below process:

Environment Setup:

1. SAP Business One *Electronic Document Service* (EDS) component is installed. For more information see SAP Note **2952067 - Electronic Document Service** .
2. Restart the *"SAP Business One EDF Back-end"* service.

Prerequisites:

1. Access the *Electronic Document Service Dashboard* at https://[ServerName]:7299, activate *protocol ConnectorEII-1 (EII)*, then its status changed to *'Processing'*.
2. In SAP Business One *Main Menu → Administration → System Initialization → Company Details → Accounting Data* tab, make sure the following fields are configured correctly, as those are mandatory for this process:
    1. *Federal Tax ID 1*
    2. *Software License Number* – This new field contains the SAP Business One software license number as provided by the Israeli Tax Authorities at https://www.gov.il/he/service/itc-software-registry-for-computerized-accounting-systems. By default, the current software license number for version 10.0 00094516 is displayed.
    3. *Unified Federal Tax ID* – If you work with partnerships, in this new field choose the field that you have defined as the unified federal tax ID. If not, choose the default field, *Federal Tax ID 1*.
    4. **Threshold Value for Electronic Invoice** – The current default value is 25,000 NIS as defined by the ITA, is displayed.
3. In *Administration → System Initialization → Document Numbering* set a series for digital documents and make sure to select the *Digital Series* column for that series.
   Note! Only documents that are created in this specific series will be able to go through the electronic invoicing process.
4. In SAP Business One *Main Menu → Administration → System Initialization → Document Settings → Electronic Documents* tab, *Electronic Invoices for Israel* section:
    1. Enable the protocol.
    2. Double click the **Processing Target Setup** field and make sure *"Electronic Invoice Connector"* is active.
    3. As the ITA has changed some URLs, you need to modify the beginning of the URL from *openapi.taxes.gov.il* to *ita-api.taxes.gov.il* in the following three fields:
       Invoice Endpoint(Dealer Side)
       Invoice-Information Endpoint(Customer Side)
       Emergency-Invoices Endpoint
       Then restart the *"SAP Business One EDF Back-end"* service.
       Note! The URL in the *OAut2 Base URL* field should remain unchanged.
       Note! As of SAP Business One SP 2402, and SAP Business One, version for SAP HANA SP 2402 all ITA URLs are defined correctly and no change is needed.

4. **Authorization** – In this field the user who is the company representative registered in ITA portal need to click the *Authorization to ITA* link to open the ITA website (as defined in the *OAuth2 Base URL* field which includes the localhost and the port) and get the authorization. Once you are authorized you can see the updated status in the *Authorization Status* field, including the expiration date and time.

    If the expiration date is approaching, you can click the authorization link again and get a new authorization with a new expiration date.

    Note! There is no notification prior to the expiration date.

    Note! When the ITA registration page is not opened after clicking the *Authorization* link, contact the ITA by e-mail (APIHD@taxes.gov.il) and send them the server's Public IP, together with your company name and Federal Tax ID, so they will add the server to their allow list.

5. In the print layout designer of the invoice and in crystal reports, manually add the *Allocation Number* field so it will be printed on the invoices. For more information see the referenced KBA.

Scenario:

1. Go to *Sales A/R → A/R Invoices* and create an A/R invoice (or an A/R reserve invoice).
2. Choose a digital series for the invoice.
3. In the *Electronic Documents* tab, make sure that the *eDoc Generation Type* is set to *Generate*.
   Note: The system automatically set the generation type of the invoice to *Generate*, if the following four conditions are met:
   1. The invoice amount before VAT is higher or equal to the threshold value defined in the company details.
   2. The invoice includes a VAT component.
   3. The customer is an "authorized dealer" (has *Federal Tax ID*).
   4. The customer's '*Type of Business*' is not '*Private'*.

      Note: Invoice can have one of three statuses:
      1. *Not relevant* - the invoice will not be sent electronically.
      2. *Generate* - the invoice will be sent electronically while adding the document.
      3. *Generate Later* - the invoice will not be sent electronically while adding the document. You can send it later from the *Electronic Document Monitor*.
4. Add the invoice.
5. Go to *Reports → Electronic Document Monitor* to follow the electronic invoice status.
   1. *New* - the invoice is added but is not yet sent to the ITA.
   2. *In Process* - the invoice is being sent to the ITA
   3. *OK* - the invoice is successfully sent to the ITA and was approved. In addition, an allocation number was received from the ITA and was updated in the invoice's header.
   4. *Error* - in this case, check the corresponding message to get detailed information.

Additional Information:

1. When you work with the function of printing the document while adding it, a prompt message will pop-up when adding this invoice, notifying you that the allocation number is not yet ready. You can choose to cancel the printing operation and wait for receiving the allocation number, so it will be printed on your original invoice.
   Note! The Hebrew translation for some strings in this function will only be available in next version.
2. When you want to manually print an invoice that you have added just before, check that the allocation number is updated in the invoice before you send it for printing.
3. For A/P invoices you can manually insert the allocation number.
4. The PCN file is updated with the allocation number (OINV.AllocNum/ OPCH.AllocNum) where relevant.
5. As of SAP Business One SP 2402, and SAP Business One, version for SAP HANA SP 2402 allocation numbers are also supported in manual journal entries and journal vouchers. The allocation numbers are also updated in the journal entries automatically created by A/R invoice and A/P invoice documents.
6. In future versions, you will be able to also send deliveries and credit memos to the ITA.

Note:

- SAP is not responsible for the content that is sent to the tax authorities, but only for the transfer of the data provided by the customer.
- There are other options to execute this process, as explained in the Israeli Tax Authorities instructions published at the ITA website.
- In a case of a technical failure, either on SAP side or on the ITA side, there is an option for emergency allocation number as detailed in the tax authorities' website.

Other terms

e-Invoice

Attributes

Key	Value
Other Components	SAP Business One > Localization > Israel (SBO-LOC-IL)

Products

Products
SAP B1 10.0 FOR SAP HANA
SAP BUSINESS ONE 10.0

This document refers to

SAP Note/KBA	Component	Title
3426034	SBO-INT-B1IF	IL_Electronic invoice status remains 'New'
3411528	SBO-GEN-PLD	IL_How to add Allocation Number to Electronic Invoice layout
3449344	SBO-FIN	Central note for legal changes affecting SAP Business One

This document is referenced by

SAP Note/KBA	Component	Title
3413926		Overview Note for SAP Business One 10.0 SP 2402, version for SAP HANA
3413880	SBO-BC	Overview Note for SAP Business One 10.0 SP 2402
3383027	SBO-BC	Overview Note for SAP Business One 10.0 SP 2311, version for SAP HANA
3382886	SBO-BC	Overview Note for SAP Business One 10.0 SP 2311
3406841	SBO-SD	IL_SAP Business One Integration Framework scenario package for electronic invoicing and allocation numbers