

W H I T E  
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C F D I



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# I N D E X

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# 1. What is the CFDI?

The CFDI acronym stands for **Comprobante Fiscal Digital por Internet**, an electronic billing schema defined by the Federal Tax Code, which obliges the issuer to contract an **Authorized Certification Provider** (PAC).

The CFDI is nothing new, as it first emerged in January 2011. However, since then, the regulation has allowed it to coexist with the previous CFD schema (Digital Tax Receipt). The change took place on May 31, with the publication of the **2nd Resolution of Amendments** to the **Omnibus Tax Ruling** ([http://www.dof.gob.mx/nota\\_detalle.php?codigo=5300907&fecha=31/05/2013](http://www.dof.gob.mx/nota_detalle.php?codigo=5300907&fecha=31/05/2013)), which stipulated the obligation of taxpayers to migrate to CFDI and, therefore, the final disappearance of the CFD, before **January 1st 2014**.

## 2. How does it work?

- 1** The CFDI model **simplifies the process** of issuing fiscally valid invoices for the taxpayer, since it is their Authorized Certification Provider (PAC) that is responsible for validating the documents and declaring them to the Tax Administration Service (SAT).
- 2** Once the taxpayer has drafted the invoice, their PAC checks the document and ensures that it meets the corresponding certification requirements. In addition, before sending it to the customer, it includes the folio and serial number assigned by the SAT, along with its digital stamp, the CFDI seal and the certification date and time.
- 3** Subsequently, **the PAC declares the stamps or certificates generated to the SAT**, which obtains the details of the tax base and taxes to be declared on the different trading operations carried out countrywide.
- 4** This way, the taxpayer no longer needs to request the serial numbers and folio from the SAT, or submit the monthly invoice report. But the CFDI not only facilitates operations. In addition, it is a formula that **enhances and guarantees the taxpayer's security** and document integrity.



### 3. Who has to issue CFDIs?

Under the new regulations, the number of taxpayers obliged to invoice in line with the CFDI model increases. Those affected by this reform can be divided into three groups:



### 4. What are the benefits of CFDI?

- **Process simplicity.** With the CFDI, the PAC, in addition to checking the documents, includes the four-wheel and serial numbers in the invoices and declares them to the SAP, so the taxpayer is relieved of an important part of the process.
- **Taxpayer security is enhanced,** since the PAC validates the invoice authenticity.
- **Document integrity** guarantee. Both sender and receiver can rest assured that when the PAC stamps the invoices, they can no longer be modified, thanks to elements such as the digital seal or certification.
- Security in **invoice safekeeping.** Some PACs may offer CFDI storage services, in such a way that they act as an electronic notary, protecting the receipts (invoices) as legal electronic originals that may subsequently be retrieved and consulted as required.
- **Less risk of information loss.**
- Guarantee that the **XML is issued in line with the regulation,** as the PAC takes care of ensuring that this is the case.
- **Cutting costs.** The CFDI means considerable savings, both economic, by making the process electronic, and in working terms, since it automates the transactions.
- **Document availability.**
- **Paper saving.** With the CFDI, the use of paper is reduced, with all that this entails: greater environmental care and lower printing, messaging and physical storage costs.
- **Better security in delivery.** The CFDI opens the doors to the use of technological solutions that automate electronic dissemination of the document and its direct integration into the management system of accounts payable and due. The delivery systems are faster and safer than electronic mail or physical delivery of the bill in hard copy on paper.



## 5. What is the difference between CFDI and CFD?

The main difference between the two billing models is that the CFDI allows a PAC to verify both the author of the document and its content. This involves **invoice integrity**, in other words, ensuring that the receipt or invoice is unalterable and preventing its falsification.

Moreover, with this system the taxpayer no longer needs to ask the SAT for the Folio and serial numbers, or fill out a monthly statement of invoices, as the PAC is now charged with these functions.

Other features that clearly differentiate the two models are those referring to security. The CFDI includes a two-dimensional **QR code** and the universally unique identifier reference of the **UUID** receipt, as well as mechanisms for **document retrieval**.

## 6. Steps to follow to issue a CFDI

Issuing Digital Invoices via Internet involves generating structured files in XML format. The construction of these files is subject to series of steps and obligations which every natural or legal person (business) must follow:

- 1 Electronic System Accounting.** Accounting must be carried out in a system that electronically records the date, hour, minutes and second that the invoices generated, to prevent document duplicity.
- 2 FIEL Advanced Signature Certificate:** Invoice issuers must have an Advanced Electronic Signature Certificate or FIEL issued by the SAT in accordance with the requirements detailed here ([http://www.sat.gob.mx/sitio\\_internet/e\\_sat/tu\\_firma/60\\_11506.html](http://www.sat.gob.mx/sitio_internet/e_sat/tu_firma/60_11506.html)). This certificate requires the presence before the SAT of the physical or legal persons in whose name it is issued. The Certificate allows multiple administrative and tax-related transactions and is needed to obtain the Digital Stamp Certificate.



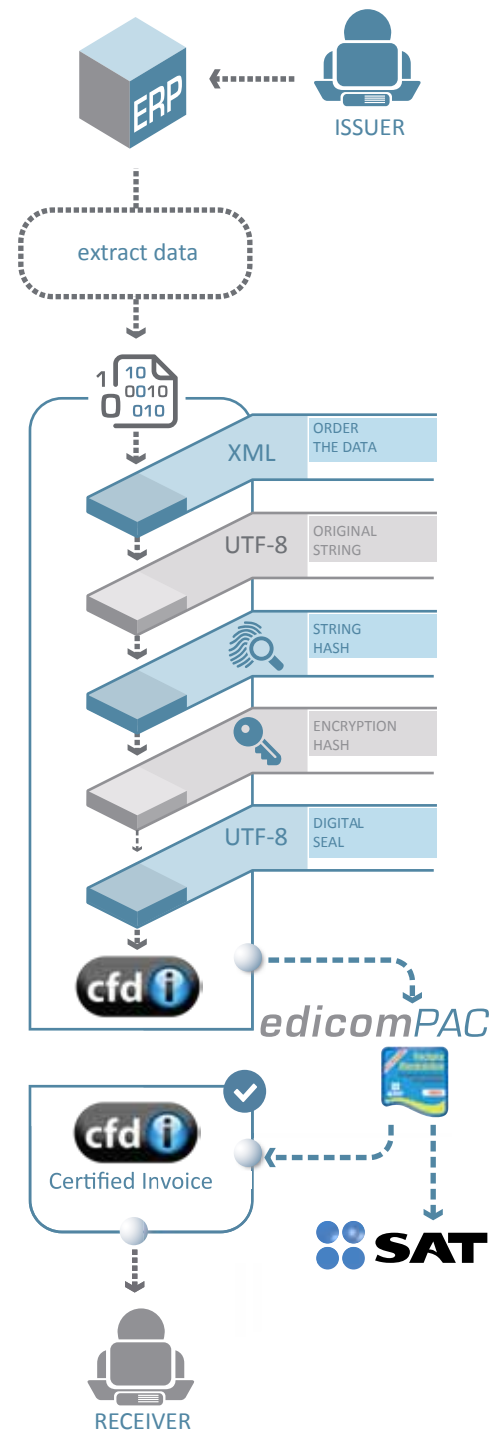
# 3

**Digital Stamp Certificate:** Digital Stamp Certificates are issued by the SAT via the Web, by identifying the applicant through their Advanced Signature Certificate. They are used exclusively to sign Digital Tax Receipts, and at least one must be requested for each tax domicile. Further information is available on the SAT website ([http://www.sat.gob.mx/sitio\\_internet/asistencia\\_contribuyente/principiantes/comprobantes\\_fiscales/66\\_24569.html](http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/comprobantes_fiscales/66_24569.html)).

# 4

**CFDI Electronic Invoice Creation:**

- Obtaining the Digital Tax Invoice requires construction of an XML file based on the data contained in the electronic system of the issuer
- With part of the information from the XML the **Original String** will be generated.
- An algorithm will be applied To the Original String, with which we obtain the **“FINGERPRINT”** or **HASH** of the string. This HASH consists of a sequence of characters of set length which will vary if any of the Original String data are modified. Original String.
- The issuer **encrypts** the HASH applying to it the private key from their Digital Seal Certificate.
- The encrypted HASH forms the **Digital Seal**, which is added to the CFDI. This Seal is what enables the receiver to confirm the **integrity and authenticity** of the Electronic Invoice or CFDI.



# 5

## Electronic CFDI stamping and Statement to the SAT:

- A PAC authorized by the SAT **checks** that the electronic file created meets all the stipulated requirements, **certifies** it and includes the **folio number** assigned and the CFDI's **Digital Seal**.
- This means the invoice is now **fully legal for tax purposes**.
- fully legal for tax purposes **declares the invoice to the SAT** by electronic means.
- The certified CFDI is **returned to its issuer**, who will forward it to the invoice receiver by electronic means, by publication in secure portals or printing it out and forwarding by postal mail.

## 7. How to optimize the CFDI solution

Almost all businesses and physical people in Mexico are receivers of electronic invoices. This figure is due to increase as of 1 January 2014, due to the obligation to migrate to CFDI for taxpayers subject to the previous schema (CFD), and the incorporation of physical and legal persons unaffected to date by said obligation.

Despite the situation, sending and reception are currently still managed of the invoices as file copies printed out on paper electronic originals. Changing this way of working could mean the **optimization of many of the processes** involved in managing billing customers and suppliers, as the availability of a standardized digital document provides several options to this end.

Beyond compliance with current legislation, the fact is that the Electronic Invoice constitutes a real opportunity to **promote e-commerce** in Mexico, providing several advantages for the senders and receivers of Electronic Invoices (CFDIs).

Here are some ideas to make your business a **more efficient organization**, taking advantage of the new fiscal obligations:





## Automating invoice issuing at point of sale

Until now, those who had one or more businesses, had to engage in a rather lengthy process every time a customer asked them for an invoice. First, it was necessary to compile the receiver's details, save them and create a CFDI which, once certified by the PAC, was delivered to the customer by hand as a printed copy or by e-mail.

However, there are currently **CFDI solutions available that automate the entire process**. Customers access a web portal from their computer, record their data on a simple screen and identify their purchase on the basis of the sales receipt generated by the POS of the store or shop. Next, a CFDI invoice is generated automatically and may be downloaded or printed.



## Send all CFDIs by electronic means securely and with receipt acknowledgement

Many companies today still send their CFDI by **conventional methods**, which means they have to print out the receipts, or by e-mail. This requires working time and **provides no delivery guarantees**.

Today it is possible to implement electronic dissemination services that connect to the billing system automatically, collect the invoices issued and publish them on a **secure web portal with full guarantees**. The receiver of these invoices gets regular e-mail notifications including links to enter the portal and download the invoice. When this happens, the CFDI issuer is informed. In addition, they are also notified if this does not happen for some time, so that they can take the necessary steps.







## Receiving and recording all invoices from suppliers automatically

There are different options to ensure receipt of the CFDIs by electronic means much safer than e-mail. These options, in combination with the appropriate technological developments, allow **integration of 100% of the CFDIs** received, so that they are automatically **recorded in the management system of the Accounts Payable department**.

- Using specific applications, a company can **publish the purchase orders** recorded in its management system in a secure web portal with access exclusively restricted to the suppliers by means of username and password.
- The **supplier** enters to check the order and, once the transaction is done, **generates the invoice in the same portal** on the basis of the order data. Likewise, the order screen displays the XML corresponding to the invoice generated by the accounting system. Before being integrated automatically into the management system, the CFDI entered by the supplier is subjected to the pertinent validations defined by the customer.

Using specific communication systems such as Value Added Private Networks, specially designed for B2B e-commerce, it is also possible to use secure Internet communication protocols (AS2, HTTPS, OFTP2, etc.), which provides similar guarantees of delivery and receipt of the document and simplify their integration into the client's ERP.



## 8. Glossary

### **Addenda**

Additional information of commercial value that is included in the Electronic Invoice.

### **CFD**

Digital Tax Receipt (CFD) This billing model is due to expire on 1 January 2014, in accordance with that set forth in the 2nd Resolution of Amendments to the Omnibus Tax Ruling for 2013.

### **CFDI**

Digital Invoice via Internet. This is an electronic billing schema that simplifies the process of issuing and receiving invoices and involves engaging an Authorized Certification Provider.

### **CSD**

A digital seal certificate used to verify the origin of electronic invoices.

### **FIEL**

An electronic signature certificate that identifies the issuer in the same way as a handwritten signature.

### **PAC**

The acronym stands for Authorized Certification Provider. The PAC is responsible for validating CFDI invoices and stamping them before forwarding them to the client. In addition, it declares them to the Tax Administration Service.

### **RMF**

Stands for Resolución Miscelánea Fiscal (Omnibus Tax Ruling). The regulation on mandatory migration to CFDI before 1st January 2014 is set forth in the 2nd Resolution of Amendments to the Omnibus Tax Ruling for 2013.

### **UUID**

The letters stand for Universally Unique Identifier. In the CFDI area, it is equivalent to the Folio number assigned to invoices by the PAC, with no need for the taxpayer to request it from the SAT, as used to be the case with the CFD.

### **XML**

The letters stand for Extensible Markup Language. It is the language used in electronic billing with CFDIs, because it enables compatibility between systems, so that it is possible to share the information in a much more secure and reliable way.

