

Self-Billing: Invoice Creation by the Customer Instead of the Supplier

Self-billing refers to a process in which the customer creates the invoice for delivered goods and services themselves and submits it to the supplier for confirmation. The process is widespread in series production, external manufacturing, and framework contract business. It significantly reduces the invoice run on both sides, but requires a clean data basis and clear contractual arrangements.

Key facts

- In self-billing, the buyer creates the invoice based on services received or release data and sends it to the supplier.
- The supplier invoice run is largely eliminated; payment is made on the basis of the self-billing statement generated by the customer.
- The process is typically linked to framework agreements, call-off orders, and shipping advices.
- Legally, self-billing is usually structured as full invoicing in the name and on behalf of the supplier and requires a clear contractual agreement.
- Key control fields are prices, quantities, unit and currency master data, and a robust exception management process.
- In practice, self-billing combined with invoice automation enables a high share of invoice volume to be settled automatically.

Definition: Self-Billing

Self-billing is a settlement process in which the recipient of goods or services creates the invoice themselves – formally in the name and on behalf of their supplier. The supplier does not issue their own invoice but checks and confirms the statement generated by the customer. The basis is contractually agreed prices, terms, and documented service delivery.

Distinction from classic invoicing

In the classic process chain, the supplier delivers, creates an invoice from the delivery note and order, and the customer checks it against the purchase order and goods receipt. In self-billing, the direction of creation is reversed: the customer generates the statement from their own data such as goods receipts, release notifications, or call-off data. The supplier is merely asked to confirm or comment within an agreed deadline. This largely eliminates invoice checking, but shifts data responsibility to the buyer.

- Classic: supplier creates the invoice, customer checks it against the purchase order and goods receipt.
- Self-billing: customer creates the statement from goods receipt and contract data.
- The supplier confirms or objects within defined deadlines.

Typical areas of application

Self-billing has become established primarily where high volumes, recurring services, and stable terms

prevail. Typical applications include series assembly, external manufacturing of contract-manufactured parts, framework agreements with call-off principles, freight and forwarding settlements, and services with uniform billing units. Self-billing is also common in contract logistics, as services can be invoiced at fixed quantities and rates.

- Contract manufacturing and job-order production with call-off orders
- C-parts and standard parts business via framework agreements
- Transport, freight, and logistics services
- Maintenance and service contracts with fixed charge rates

Methods and approach: how self-billing works in practice

A functional self-billing process follows a clear pattern from the contractual basis through to payment. What is decisive is that both parties access the same master data and quantity basis.

Contractual and procedural foundations

First, the purchasing terms and the framework agreement or framework purchase order must expressly stipulate that the customer settles in the name and on behalf of the supplier. The settlement basis (goods receipt, service acceptance, call-off), price source, tax display, confirmation deadlines, and handling of discrepancies must be defined. Unit and currency master data must be maintained consistently on both sides, otherwise discrepancies arise in day-to-day operations that must be resolved laboriously by hand.

Data basis and settlement run

The settlement run is based on documented events: confirmed goods receipts, accepted services, shipping advices, or reported finished quantities in external manufacturing. From these, the system periodically generates – often weekly or monthly – consolidated statements per supplier and service. These contain item, quantity, unit, price, tax, and total amount and are transmitted to the supplier electronically.

- Event basis: goods receipt, release, acceptance, or call-off
- Periodic consolidated statement per supplier and contract
- Electronic transmission including confirmation and objection options

Interfaces to other processes

Self-billing interacts closely with shipping advices, goods receipt inspection, and complaint assessment: only documented and released services are settled. It also complements invoice automation by eliminating manual invoice receipt for settled service types and focusing exception management on genuine discrepancies. In transport settlement, self-billing can also interact with supplier factoring arrangements if the supplier wishes to sell their self-billing receivable immediately.

Key KPIs for steering self-billing

As with any settlement process, only measurable figures show whether the process is working robustly. Key KPIs concern the automation ratio, the discrepancy rate, and supplier confirmation discipline.

Automation and throughput KPIs

The self-billing ratio indicates what share of invoice or settlement volume runs through the process. The

automation ratio describes what share of these statements passes through without manual correction. The throughput time from service delivery to payment trigger shows whether the promised speed advantage actually materialises. In practice, the automation ratio in stable, established relationships is often well above 90 per cent, while lower values are normal during the ramp-up phase.

Discrepancy and quality KPIs

Central is the discrepancy rate: the share of self-billing statements that the supplier does not confirm without objection. High rates indicate faulty master data, inconsistent quantity documentation, or unclear terms. Also useful are the clarification lead time in exception management and the confirmation rate within the agreed deadline. These KPIs are also suitable for procurement cost centre reporting, as discrepancy costs can be attributed to the responsible area.

- Self-billing ratio of total volume
- Automation ratio without manual correction
- Discrepancy and confirmation rates per supplier
- Clarification lead time in exception management

Risks and controls: what can go wrong with self-billing

Self-billing shifts calculation and data responsibility to the buyer. Without effective controls, financial, tax, and supplier relationship risks arise that quickly negate the process benefits.

Price, quantity, and master data risks

The most common source of error is inconsistent master data: deviating units, outdated prices, unclear currency conversions, or incorrectly assigned material classes. Quantity basis conflicts are also widespread, for example when the goods receipt confirms quantities but quality is released only later. Mandatory system checks, the four-eyes principle for price changes, and a clear link between complaint assessment and release for settlement help here.

Legal and tax aspects

Since the customer issues an invoice in the supplier's name, the formalities of VAT and invoicing rules must be observed; requirements differ by country and may change. The specific design – in particular representation arrangements, tax display, and retention – should be reviewed with tax and legal advice on a case-by-case basis. In addition, contractual foundations such as purchasing terms, any escalation clause in the event of disputes, and the delivery terms, e.g. under FCA, must be kept consistent.

- Formal review of invoice details by country
- Clear representation and liability agreement with the supplier
- Traceable documentation of basis data and confirmations

Control and exception culture

Self-billing lives and dies by exception management: only a small share of transactions should require manual handling. This requires defined escalation paths, clear deadlines, and fair handling of supplier objections. With suppliers in a monopoly position or in critical single-sourcing relationships, particular delicacy is required so that the process does not appear to be a one-sided exercise of power.

Current developments: self-billing in the context of digitalisation and compliance

Self-billing is gaining importance through the progressive digitalisation of accounting. At the same time, e-invoicing mandates, real-time tax models, and increased compliance requirements are changing the framework conditions.

E-invoicing and invoice automation

With the phased mandate for structured electronic invoices in B2B transactions in several European countries, self-billing must also be mapped in a format-compliant manner. Modern invoice automation links self-billing directly to goods receipt, framework agreement, and payment run. Classic PDF or email dispatch is therefore increasingly being replaced; structured formats and clear confirmation feedback channels are the state of the art.

Supplier integration and data transparency

With broader supplier integration – for example via supplier portals and standardised product data models such as ECLASS – quantities, units, and prices can be synchronised with fewer errors. This reduces exceptions and lowers clarification costs. Classifications such as material classes and uniform unit and currency master data also become more important as more settlement volume is automated.

Strategic classification

In procurement, self-billing is increasingly part of a holistic supply chain finance strategy: it influences payment terms, working capital, and the relationship with strategic suppliers. Procurement guidelines and supplier release processes increasingly specify which supplier groups are included in self-billing – typically based on criteria such as volume, standardisability, and the system maturity of both sides.

Typical metrics

Self-billing ratio: typically 30–80 % of volume

Share of invoice volume settled via self-billing

Automation ratio: > 90 % in established relationships

Share of statements processed without manual correction

Discrepancy rate: < 5 %

Share of statements not confirmed without objection

Confirmation rate within deadline: > 95 %

Share of suppliers confirming on time

Clarification lead time: < 5 working days

Throughput time for exceptions in exception management

Practical example

A mid-sized mechanical engineering company with around 400 suppliers previously settled contract-manufactured parts via classic supplier invoices. Inspection costs were high because quantities from shipping advices, goods receipts, and invoices frequently diverged. The company initially introduced self-billing for five strategic contract manufacturers and strictly linked settlement to confirmed goods receipts and production-accompanying batch number documentation.

- Contractual adjustment of the purchasing terms and the framework agreement with a one-month transition period
- Linking settlement to goods receipt, batch number, and reported finished quantities
- Establishment of an exception management process with a 48-hour clarification service for supplier queries
- Gradual roll-out after achieving a discrepancy rate below five per cent per supplier

Conclusion

Self-billing is an established process that significantly streamlines the invoice run between customer and supplier, provided the foundations are right. Prerequisites are clean master data, documented proof of service, and a legally sound, mutually accepted agreement. The savings arise less from eliminating control than from shifting inspection to systemic exceptions. Buyers should introduce the process selectively by supplier group and standardisability. Those who consistently manage discrepancy rates and clarification lead times gain a robust process with tangible efficiency on both sides.

Frequently asked questions

What does self-billing mean in simple terms?

In self-billing, the customer creates the invoice for the delivered goods or services themselves and sends it to the supplier. The supplier does not issue their own invoice but confirms the statement or raises objections. The basis is agreed prices and documented quantities.

Is self-billing legally and tax-permissible in Germany?

In principle, yes: a customer may issue an invoice in the name and on behalf of their supplier, provided this is properly agreed and documented. However, the formal tax requirements for invoice details must be observed and may change. The specific design should be reviewed with tax advice on a case-by-case basis.

What are the benefits of self-billing for procurement and suppliers?

For the buyer, invoice receipt and matching are eliminated, which reduces inspection costs and processing time and supports invoice automation. The supplier benefits from predictable, on-schedule payments and reduced administrative effort. The prerequisite is high data quality on both sides.

Which suppliers and services is self-billing suitable for?

It is suitable for relationships with high, recurring volumes and stable terms, such as external manufacturing, C-parts under call-off agreements, or logistics and transport services. It is often unsuitable for complex project work, frequent price changes, or very small suppliers without system connectivity.

How is self-billing implemented with a framework agreement?

The framework agreement fixes terms and units; call-offs or shipping advices document the specific performance. From confirmed goods receipts or acceptances, the system generates periodic self-billing statements. The supplier confirms these within a defined deadline, after which the payment run is triggered.

How can discrepancies in self-billing be avoided?

Key factors are consistent unit and currency master data, up-to-date price maintenance, and a clear link between complaint assessment and release for settlement. A structured exception management process with defined deadlines and escalation paths does the rest. Regular master data reconciliation with the supplier prevents systematic errors.