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CREDIT NOTE PROCESS

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1 Introduction

This document describes the EIPP Credit Note Process where an ocean carrier (applying always to both VOCC and NVOCC) submits an electronic credit note to a shipper¹. It is intended to support different scenarios of the ocean freight industry in general and between ocean carriers and shippers as their customers in particular.

A **credit note** or **credit memorandum (memo)** is a commercial document issued by a seller to a buyer. The seller usually issues a credit memo for the same or lower amount than the invoice and then repays the money to the buyer or sets it off against a balance due from other transactions.²

This specification covers the following two credit note scenarios:

1. Credit Note relating to and correcting an invoice

- a) To cancel an invoice in full – Full Credit Note
- b) To correct part of an invoice – Partial Credit Note

Standard Operating Procedures (SOP) between carrier and shipper regulate the issuance of Full Credit Notes and Partial Credit Notes. Invoice Message Model defined in [IMM]³ must support both processes.

The full credit note or partial credit note exchanged in this process is a self-contained document and refers to the original invoice that is being corrected. It can also mention other documents in addition such as agreements, rates, bookings or bills of lading to facilitate the verification process on the receiver side.

2. Other Credit Note

When the credit note does not relate to nor correct an invoice, e.g.. Forwarding Agent's Commission (FAC), bonus, reward, incentive, disbursements.

These credit notes (referred to as 'other credit notes') can relate to a shipment or shipments whereby an agreed amount or agreed amounts are credited such as FAC, agreed volume and other incentives, bonus, rewards (referred to as 'incentive' or 'incentives'), disbursements collected by the ocean carrier on behalf of the shipper and alike.

In this document the 'invoice issuer' or 'biller' refers always to the ocean carrier. Invoice issuer and biller are the same parties issuing other credit notes referring to a shipment or shipments without referring to an invoice.

¹ From now on, shipper can also be a consignee, a 3rd party, a freight forwarder, BCO, exporter or another shipping line.

² Source: [http://en.wikipedia.org/wiki/Credit_\(finance\)](http://en.wikipedia.org/wiki/Credit_(finance))

³ <http://www.eippsab.com/documents>



The handling of credit notes – full or partial credit notes and other credit notes respectively – is described in the SOP agreed between ocean carrier and shipper⁴.

This specification does not cover upstream processes – also referred to as Pre-Invoicing Process – such as the settlement of agreements, booking or submission of shipping / B/L Instructions. Invoice processes, invoice dispute processes and payment advice processes are also out of scope for this document.

All these processes are covered by other Process Specifications.

1.1 Terminology

The keywords MUST, MUST NOT, REQUIRED, SHALL, SHALL NOT, SHOULD, SHOULD NOT, RECOMMENDED, MAY and OPTIONAL, when they appear in this document, are to be interpreted as described in RFC2119.

1.2 General Terms and Definitions

All general Terms and Definitions (Glossary) are included in the separate Master Process Document [MPD].

⁴ Shipper defined as in the Master Process Document. It is clear that FAC is only credited to freight forwarders.

2 Business context

2.1 Objectives

Organizations implementing this EIPP Process should be aware of the following objectives:

1. EIPP trading partners should use this EIPP Process specification to establish a common understanding on how the messages that are exchanged have to be prepared, transmitted, received, and used.
2. Electronic credit notes can support the automation of:
 - Credit note acknowledgement.
 - Credit note routing.
 - Credit note verification.
 - Credit note accounting.
 - Tax reporting.
 - Auditing process.

2.2 Scope

This EIPP Credit Note Process covers the issuing and sending of electronic credit notes relating to a previously issued invoice (full or partial credit note) or to a shipment or shipments (other credit note) respectively from an ocean carrier to a shipper.

The structure and data constraints of electronic credit notes exchanged are defined in the Invoice Message Model [IMM]⁵.

In order to enable further processing both on the Invoice Issuer and payer side, this Credit Note Process identifies requirements and business rules to support the Credit Note Message Model.

The scope for the Credit Note Process includes:

- B2B credit notes between ocean carriers and shippers
- Credit Note Process guidelines expected to be promoted worldwide

The intended users of this Credit Note Process specification are the business managers, IT designers and developers of the invoicing and credit note application systems used by billers and payers of electronic invoices and credit notes.

⁵ <http://www.eippsab.com/documents>

3 General requirements

3.1 Definitions

See Glossary in the EIPP SAB Master Document [MPROC].

3.2 Process Requirements

The Credit Note Process defines the processes and procedures for sending credit note information from an ocean carrier to a shipper by electronic means.

Relationships between these two parties or with other related parties when booking or providing shipping instructions are considered out-of-scope.

The Credit Note Process supports a set of internal business activities at both ends of the electronic communication.

3.2.1 Supported Business Activities

The Credit Note Process takes place when

- a. An issued invoice is wrong and needs to be corrected. The reason for a wrongly issued invoice is an 'overcharge' or 'undercharge' which can be caused e.g. by wrong rates and charges, wrong rate(s) of exchange, invoicing the wrong party or a combination thereof. By issuing a credit note - in full, cancelling the invoice in total or partial for an overcharged amount - the overcharged and wrongly invoiced amount respectively is credited.
- b. A credit note may be issued covering e.g. FAC, agreed incentives, disbursements and the likes. Such a credit note is not a correction to a previously issued invoice. Instead of receiving such other credit note the shipper may issue an invoice to the carrier. SOP regulate respective arrangements.

The handling of the dispute resulting in a credit note is part of the Review, Approve and Dispute Process, which is part of a separate EIPP SAB process specification.

3.2.1.1 Credit Note Issuing, Content and Information

As a rule, the following two procedures for issuing credit notes to correct a previously issued invoice can apply:

- Full credit

The originally invoiced amount is credited in full. A new invoice will be issued with the correct rates, charges, rate of exchange and new total (as per EIPP SAB Invoice Process).

- Partial credit



The overcharged amount is credited in the agreed amount and against the respective charge code(s). The original invoice remains as is.

Invoice issuer and shipper have to agree which crediting procedure will apply in general (part of SOP).

Summary Credit Notes and Credit Notes not covering a previously issued invoice are dealt with in section 4.4 Special Scenarios.

An electronic Credit Note contains the following data that is based on the original invoice against which the Credit Note is issued:

New data (mandatory)

- Credit Note number
- Credit Note date
- The currency and the amount credited

Original invoice data (already part of the IMM)

- Invoice number
- Invoice addressed to (shipper)
- Shipper's reference number
- Invoice issuer's name / address details
- Carrier's SCAC code (to identify the carrier)
- Rate Agreement Details (e.g. Quotation Number, Contract Number, Tariff Number or Identification, Rate Note Number, Unique Rate Identification)
- BCO's name when shipped under the BCO's Service Contract or Rate Agreement
- Breakdown of charges with charge code for each invoiced item, charge and rate description and details including subtotals, currency, rates of exchange and amount per charge item
- Invoice total amount and currency
- Booking number when invoice is related to a booking
- Vessel information e.g. Feeder Vessel(s)', Mother Vessel's name and voyage number
- Bill of Lading number when issued and invoice covers a shipment with a B/L
- Port of Loading and country (Place of Receipt and country when intermodal movement at origin is handled by carrier)
- Sailing date and/or Arrival date

- Port of Trans-shipment and country with Feeder Vessels' names when impact on charges
- Port of Discharge and country (Place of Delivery and country when intermodal movement at destination is handled by carrier)
- Shipment details – such as size, number of containers and commodity, weight or volume when impact on charges.
- Invoice issuer's name, registration, tax and other official numbers when required (country specific)

To correct an overcharge (if applicable, i.e. only relevant for partial credit note)

- Amount agreed during the dispute process will be informed and credited under the respective charge code(s).

When a credit note is issued for the full originally invoiced amount to cancel the invoice, a new invoice is to be issued with the correct rates, charges and rate of exchange.

For such a case the Invoice Process specification [INVPROC] applies for issuing a new invoice.

3.2.1.2 *Credit Note Transmission*

There are two cases for the transmission of electronic credit note:

- The credit note is sent directly from the invoice issuer to the payer.
- The credit note is sent through a portal or third party clearing house service.

When using a portal or third party clearing house service, the payer may ask the invoice issuer to send the credit note to the portal only or to both the portal and the clearinghouse service.

The credit note transmission follows the invoice transmission.

3.2.1.3 *Credit Note Acknowledgement*

Upon receipt of the electronic credit note, the payer sends an acknowledgment back to the credit note issuer with the following data:

- The credit note number

Optionally, the date and time of receipt of the credit note, the currency and total amount.

This acknowledgment only confirms the receipt of the electronic credit note not its correctness or its acceptance by the payer.



3.2.1.4 *Credit Note Routing*

The receiver of the credit note must be able to route the credit note to a specific person, department and/or location familiar with the transaction and / or the party to handle the incoming credit notes using information contained in the credit note. The content and data of the credit note as described in 3.2.1.1 Credit Note Issuing Content and Information will be used for a correct routing.

The credit note receiver should set up a proper routing routine of the credit note using the above data.

3.2.1.5 *Credit Note Accounting*

Automatically loading of credit note data into the receiver's system/accounting system (e.g. accounts payable) is one of the major benefits of using electronic credit notes.

An electronic credit note must provide enough information both at header level and at line item level to enable automatic loading.

Required data is part of item 3.2.1.1 Credit Note Issuing Content and Information and the [IMM] respectively.

3.2.1.6 *Credit Note Verification*

Single Credit Note per original invoice

When payers receive a credit note, they start a verification process for the corrected charges.

The verification of the credited amount is based on the previously agreed dispute resolution procedures (manual process) where the amount credited has been bilaterally fixed.

In order to support the verification activity, the credit note should have the contents and information about the shipment or shipments as described in item 3.2.1.1 Credit Note Issuing, Content and Information.

Summary Credit Note

A summary credit note must not to be used for crediting multiple invoices. For each invoice to be corrected a separate credit note is to be issued.

A summary credit note only applies to other credit notes.

3.2.1.7 *Tax Reporting and Tax Reporting Information*

Within this document, tax and taxes refer only to indirect taxes such as value added tax (VAT), sales tax, turnover tax, goods or service tax, surtax or any other such indirect taxes applicable in the invoicing process and invoiced by invoice issuer to payer.



Taxes, tax requirements, rules and regulations by internal revenue and tax authorities and the legal framework for tax information on the invoices and credit notes and tax reporting in every country where the invoices are issued and received can be different. Depending on these specific scenarios, there will be different tax information requirements for each country.

Invoices and credit notes should provide detailed information regarding tax related information allowing tax calculation including tax exemption indication. This information is to be used by the invoice issuer and the payer respectively for proper tax reporting to their tax authorities.

The actual tax reporting to the internal revenue / tax authorities is out of scope of this invoicing process and is the full responsibility of the invoice and credit note issuer and payer respectively. The EIPP SAB processes, procedures and documents are only guidelines and each party using these must make sure to follow local tax regulations and directives. The EIPP SAB processes are only focusing in facilitating e-invoicing meaning the exchange of data between biller and payer and vice-versa.

When an indirect tax or indirect taxes apply, the credit note will include with regard to tax information:

- The currency, foreign exchange rate (for tax amounts in foreign currency) and total amount of tax to be paid for a given kind of tax.
- The currency and individual amount of tax to be paid for each applied tax such as
 - National tax code
 - National tax name
 - Tax amount
 - Base amount of tax
 - Tax currency
 - Tax percentage
 - All other information as locally mandatory

Biller and payer will bilaterally agree on the required information to be exchanged. Such information will be included in the SOP.

Detailed invoice data information, definition and application (mandatory, optional and / conditional) are described in [IMM] and [DIC].

3.2.1.8 *Auditing Process by external Auditors (e.g. Third Party Clearing Houses)*

The auditing process means the verification of the correctness of the credit note.

To support auditing process both on the payer and the biller side of the process, the credit note must contain sufficient and additional information. E.g.:

- Identifying all involved parties.
- Identifying the services provided, including description, value and quantity.
- All relevant B/L information for each shipment
- Relating the payment to an invoice after issuing a credit note.
- Relating a credit note with upstream documents and information, e.g. rate agreements, service, booking information, shipping instructions and bill of lading details.

3.2.2 Consolidated Information Requirements

Based on the business processes that have to be supported when sending an electronic credit note as described in the previous sections, the following information requirements are summarized as follows:

<i>Information Requirement ID</i>	<i>Description</i>	<i>Support for process</i>
CNRqID-001	Every credit note must be uniquely identifiable.	General
CNRqID-002	Every credit note must specify its issue date.	General
CNRqID-003	Every credit note has to refer to the original invoice. (Exception: other credit notes refer to a shipment or shipments)	General
CNRqID-004	A credit note must provide information about the full name and address of the taxable party (biller /carrier).	General
CNRqID-005	A credit note must provide information about the full name and address of the customer (freight forwarder or shipper)	General
CNRqID-006	A credit note must provide information about total credited amount.	General
CNRqID-007	A credit note must provide information about the extent and nature of the services, rates and charges incl. rates of exchange being corrected.	General
CNRqID-008	It has to be possible to relate a credit note with a previous invoice	Credit Note verification
CNRqID-009	When an indirect tax or indirect taxes apply, the	Tax

	<p>credit note will include:</p> <ul style="list-style-type: none"> • The currency and total amount of tax to be paid for a given kind of tax. Required when the credit note contains taxable items • The currency and individual amount of tax to be paid for each applied tax such as <ul style="list-style-type: none"> ○ National tax code ○ National tax name ○ Tax amount ○ Base amount of tax ○ Tax currency ○ Tax percentage <p>All other information as locally mandatory</p>	reporting
CNRqID-010	A credit note shows the name of the credit note receiver.	Credit Note verification
CNRqID-011	Each credit note can contain information about the mode of transport, the voyage details, the place of receipt, the port of loading, the port of discharge and the place of delivery at line level	Credit Note verification
CNRqID-012	The credit note can provide information about consignment details	Credit Note verification
CNRqID-013	The credit note can provide information about the equipment details	Credit Note verification

4 Detailed Description

4.1 Business Process in Scope

The Credit Note Process is part of the general Reference Model. The following diagram describes how it fits into the overall Reference Model.

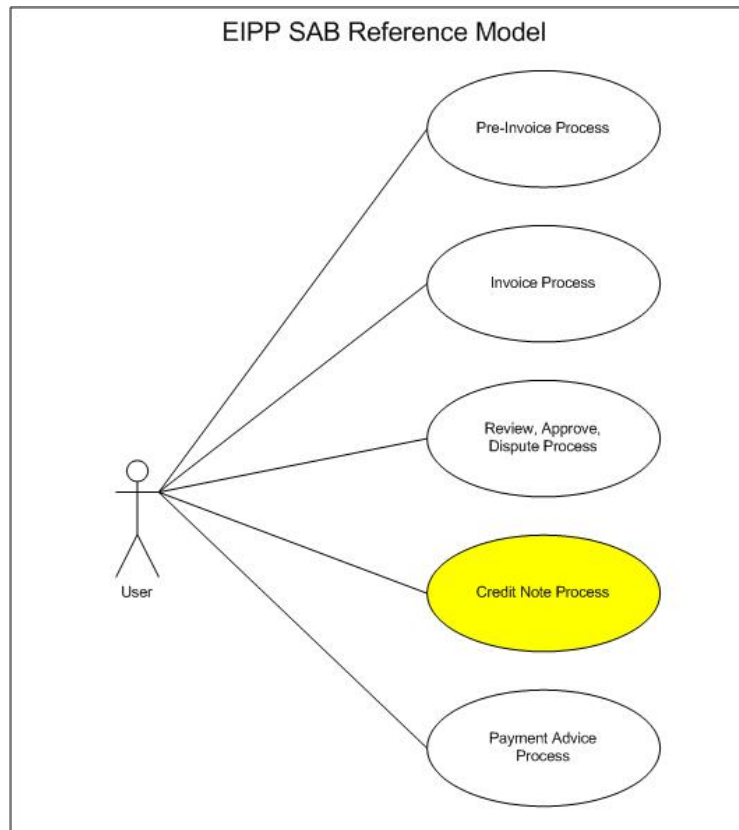


Figure 1 EIPP Reference Model

4.2 Actors and Roles involved

Main actors involved in this process are:

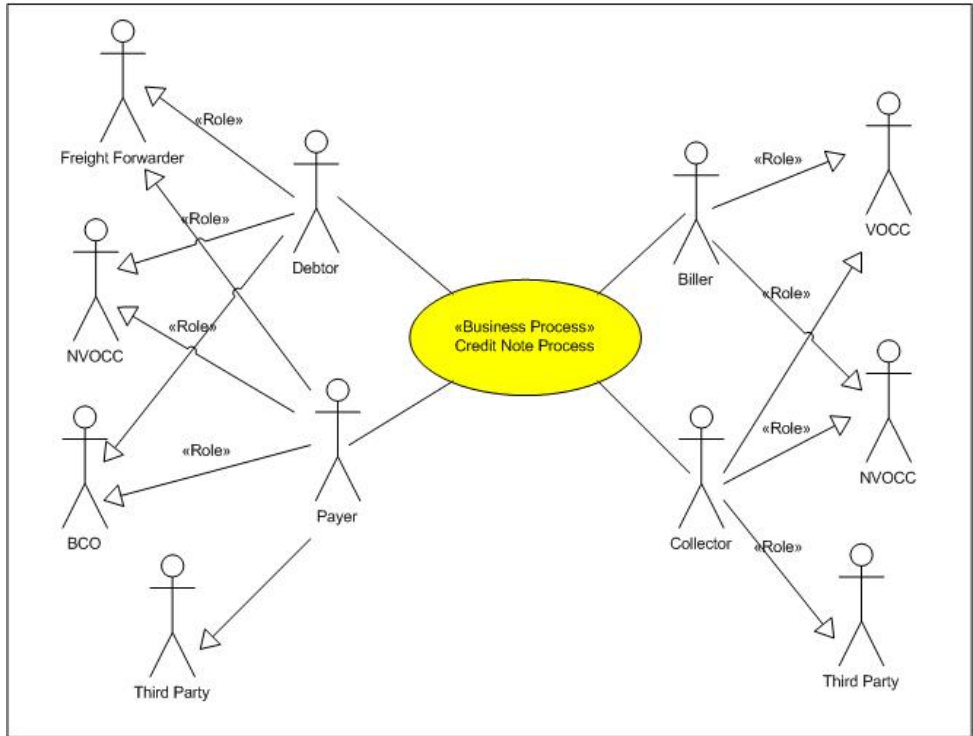


Figure 2 Actors and roles

4.3 Credit Note Process Detail

Figure below depicts the Credit Note Process.

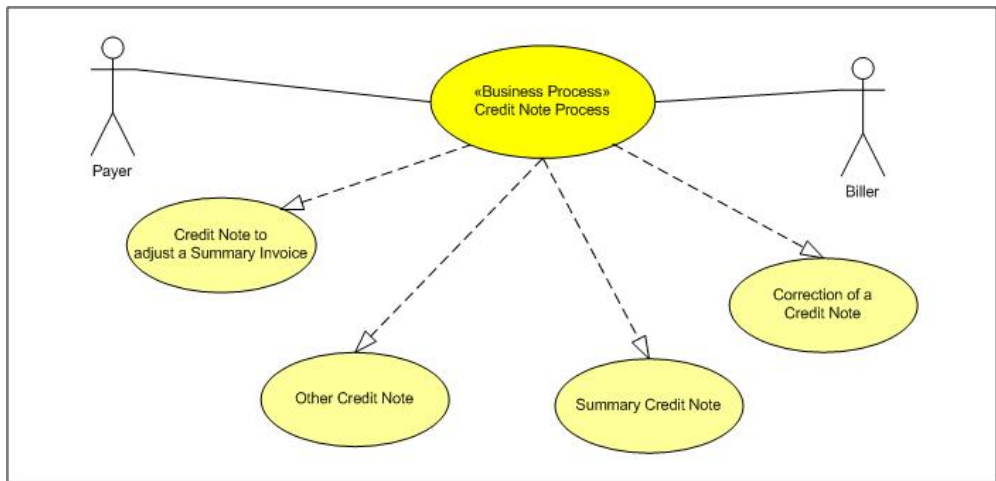


Figure 3 EIPP Credit Note Process detail

<i>Credit Note Process</i>	
Pre-conditions	<p>Invoice issuer has issued his invoice covering a transaction.</p> <p>The invoice has been disputed and both parties have agreed there was an overcharge.</p> <p>When there was an undercharge, the biller shall issue an additional invoice covering the undercharged amount, or a full credit note to cancel the wrong invoice and issue a new and correct invoice.</p> <p>Invoice issuer has noticed he has issued a wrong invoice and corrects the wrong invoice with a credit note.</p> <p>A shipper has instructed the carrier to collect a disbursement from the consignee at destination.</p> <p>A payer is entitled to receive incentives.</p>
Starts when	<p>Invoice issuer accepts an invoice dispute of the payer.</p> <p>Invoice Issuer notices having issued a wrong invoice and is correcting this wrongly issued invoice by issuing a credit note.</p>
Definition	<p>The invoice issuer assembles all credit note data in a structured electronic file for the payer.</p> <p>The invoice issuer sends the electronic credit note file to reach the payer (directly, indirectly through an intermediary or with a copy to an intermediary).</p> <p>The payer's system receives the electronic credit note.</p> <p>The payer sends an electronic acknowledgement back to the biller.</p>
Ends	<p>When the invoice issuer receives the acknowledgement of receipt.</p> <p>Whether the payer processes, checks, books or disputes the credit note is not part of the Credit Note Process.</p>
Special Scenarios	<p>A summary invoice (bulk or consolidated invoice covering multiple B/L, shipments or voyages) is corrected by one credit note against one summary invoice – in full or partial.</p> <p>An Other Credit Note covers e.g. an agreed incentive or incentives, disbursement and the likes from an ocean carrier to a shipper.</p> <p>Summary 'Other' Credit Notes may be issued for incentives only and cover multiple shipments instead of issuing</p>

Post-conditions	<p>individual other credit notes per shipment.</p> <p>The payer has acknowledged receipt of the credit note and is processing the credit note for deduction from his payment (see Payment Advice Process).</p> <p>The invoice issuer having issued the credit note knows the payer has received the credit note and is aware of the deduction of the credit note amount from payer’s payment.</p>
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Regardless of the type of credit note, they all share the same activity diagram as depicted below:

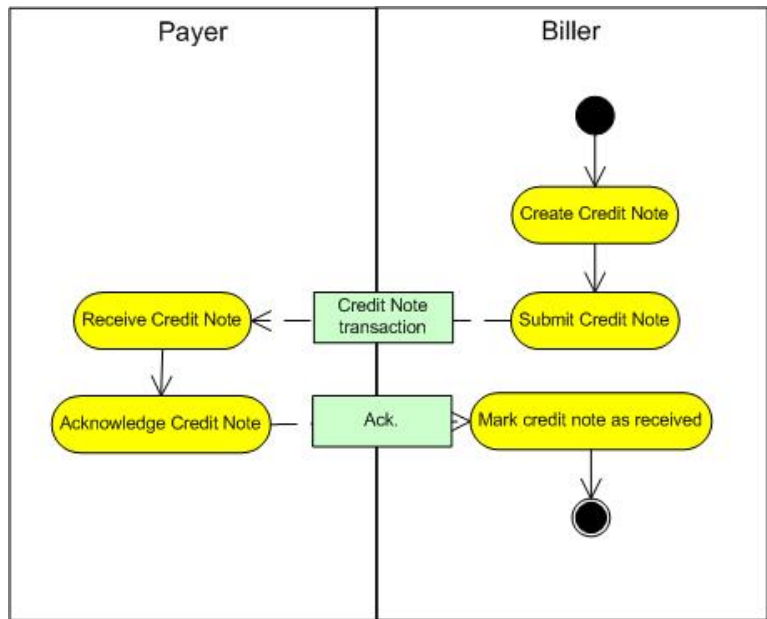


Figure 4 EIPP Credit Note Process Activity Diagram

4.4 Special Scenarios

This section further describes the crediting in special scenarios where this Credit Note Process can be applied, adding specifics to the general process description.

4.4.1 Credit Note to adjust a Summary Invoice

<i>Credit Note for Summary Invoice</i>	
Definition	A summary invoice has been issued covering various transactions / shipments / Bills of Lading / voyage.
Pre-conditions	One or more of the invoice / charge details included in the summary invoice specification have been wrongly invoiced and require an adjustment.

Starts when	Payer advises the invoice issuer of a wrong summary invoice and wrong charge details respectively as per Review, Approve and Dispute Process and an adjustment for an overcharge has been agreed. Invoice issuer issues one credit note for each summary invoice containing wrong charge details.
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4.4.2 Other Credit Note

<i>Other Credit Note</i>	
Definition	<p>Other credit notes are not covering adjustment of wrong invoices. They can cover, e.g.</p> <ul style="list-style-type: none"> • FAC due to the freight forwarder by the ocean carrier • Volume and other incentives, rewards and bonuses • A disbursement collected at by the ocean carrier on behalf of the shipper.
Pre-conditions	<p>FAC is payable and volume and other incentives have been previously agreed</p> <p>For disbursements shipper has instructed ocean carrier to collect charges from consignee</p>
Starts when	<p>FAC and incentives are due to be paid.</p> <p>Ocean carrier has collected the disbursements from the consignee.</p>

4.4.3 Summary Credit Note

<i>Summary Credit Note</i>	
Definition	A summary credit note includes multiple shipments (not correction of invoices) for which incentives apply.
Pre-conditions	Ocean carrier and shipper have an agreement covering incentive(s) and summary credit notes may be issued for such shipments instead of other credit notes for each shipment.
Starts when	When the incentives are due to be paid.

4.4.4 Correction of a wrongly issued Credit Note

When credit notes have been wrongly issued they are cancelled by an invoice with the exact same amount.



After dispute settlement a new credit note is issued in the agreed amount.

The cancellation of the credit note by an invoice is covered by the Invoice Process specification – with a new invoice number and date with the same amount and referring to the credit note number, date and amount.

When re-issuing a new credit note this is covered by the Credit Note Process – with a new credit note number, date and amount and referring to the originally issued invoice and date.

5 Best Practices and Recommendations

Below the best practices and recommendations are quoted for adoption.

Rec#	Short Form	Best Practice	Rationale
1	Full credit or partial credit	A full credit note is the recommended and preferred way of crediting a wrongly issued invoice	SOP to state whether invoice issuer issues full or partial credit notes to payer.
2	Information on credit note for invoice correction	A credit note must refer to the original invoice and should in addition have the same level of information as the invoice	The credit note receiver has to be able to verify the information stated in the credit note. By using the invoice number, he can gather the information and charges, which are being corrected.
3	Information on credit note for an other credit note	An other credit note must show the relevant shipment details for each shipment unless a lump sum has previously been agreed upon	To identify the transaction (shipment) for which the incentive and disbursement respectively is credited the receiver of the other credit note must receive all relevant shipment details. Not applicable when an agreed lump sum is credited.
4	Positive or negative amounts	Only positive amounts to be used for credit notes.	For standardization purposes.
5	Acknowledgement of a credit note	A credit note should be acknowledged.	As with the invoice, the credit note receiver should acknowledge reception of a credit note. This is a technical acknowledgement and does not imply acceptance of the correctness of the information in the document.
6	Use of Summary Credit Notes	Summary credit notes must not be used for crediting multiple invoices. Only to be used to credit incentives	There is no need to exchange summary credit notes to cover multiple invoices. It is always simpler to submit a credit note per each wrong invoice. Summary credit notes only to be issued for agreed incentives. .
7	Credit Note in PDF version	Upon bilateral agreement biller will provide a readable PDF credit note version at the time of providing an EDI credit note version.	Details of the PDF credit note version sending are agreed in the SOP. Payer and biller ascertain that they are in line with country specific legal/accounting/financial requirements re hard copy credit note and e-credit note

8	Data matching between PDF credit note version and EDI credit note version	To assist the receiver in a manual check of the EDI credit-note version the information shown on the PDF credit note version can be used.	The EDI credit note must contain as a minimum the same data that is shown on the PDF Credit Note version. Other data may be added in the EDI version to facilitate easier automated processing at payer's side.
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6 References

- [MPD] Master Process Document
<http://eippstandardsadvisoryboard.ning.com/group/invoicingprocessworkgroup/page/master-document-process>
- [IMM] Invoice Message Model
http://api.ning.com/files/NhITvPCKeBvB9ibxh7QrJQWuuza32IBFNkd1Yx4KHW3*qUkMbVJyim5iGS91Te4iDtIFN8jXwqSVh63Jv*wKM0UK7EZDLNA/OFIEIPPSAB2InvoiceMessageModelMODDraft1.xlsx
<http://api.ning.com/files/UgQtYMTkIIZfnH6-0a4rrnQTrcrxZsc8Sm7epjOCIPnG8KTCB7AMdqIRJ6hBBOIo4u49VvC6sgdtsHUSM-TTFSK8NJAQn9B/OFIEIPPSAB2InvoiceMessageModelMODDraft1.docx>
- [DIC] Data Element Dictionary Standard 2
http://api.ning.com/files/-dZVCcd7oOGKyf7DeAI8LGLg*iffJ5bm9rnx*3wPMD7LxuhQ1F2whX3eO5kU-uSAH-nY9IlwG-CQ13fIJSt1IEGO4Za1yXe/OFIEIPPSAB1DataElementDictionaryDICStandard2.xlsx
- [RFC2119] <http://www.ietf.org/rfc/rfc2119.txt>