

5 May 2025



Electronic invoicing: promoting e-invoicing across UK businesses and the public sector

Response from ICAS

Electronic invoicing: promoting e-invoicing across UK businesses and the public sector

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 11,500 of our members are based in Scotland and 10,000 in England and Wales.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.
3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

General comments

4. We welcome the opportunity to respond to the HMRC and Department for Business and Trade consultation – [Electronic invoicing: promoting e-invoicing across UK businesses and the public sector](#). We were pleased to have the opportunity to discuss the consultation with the HMRC consultation lead at a meeting on 24 March.

Specific Questions

Question 1: Are you responding to this survey as:

- a business
 - a representative body
 - an organisation
 - an individual
 - other (please provide details)
5. We are responding as a representative body.

Question 2: Are you UK or internationally based? Please provide details.

6. ICAS is based in the UK. However, our members work across the UK and internationally. We currently represent over 24,000 members working in the public and not for profit sectors, business and private practice. Approximately 11,500 of our members are based in Scotland and 10,000 in England and Wales.

Question 3: Are the views offered in your responses:

- your own views
 - your organisation's views
 - your members' views
7. See the introduction, above.

Question 4: Where does your business operate? (please select all that apply)

- England
- Scotland
- Wales
- Northern Ireland
- Isle of Man
- EU – please state which country
- Non-EU – please state which country

8. See the introduction above. ICAS is a representative body.

Question 5: What is your industry sector (such as accounting, finance, software, retail, construction, other)?

9. ICAS is the world's oldest professional body of accountants.

Question 6: To help us determine business size, please provide details on:

- number of employees in your business
- annual turnover
- a rough summary of how your sales are split (Business-to-Customer, Business-to-Business, Business-to-Government)

10. We have no comments on this question – as explained above, we are a representative body.

Question 7: How long has your business been operating?

11. We have no comments on this question – as explained above, we are a representative body.

Question 8: Do you use an accountant for your business?

12. We have no comments on this question – as explained above, we are a representative body.

Question 9: Please provide any further information about your organisation or business activities that you think might help us put your answers in context.

13. We have no comments on this question – as explained above, we are a representative body.

Question 10: What is your interest in e-invoicing? Are you a:

- potential or current user of e-invoicing
- an e-invoicing service provider
- a tax/accountancy provider
- other (please provide details)

14. Many of our members advise (or work for) businesses that would be affected by the introduction of e-invoicing.

Question 11: Prior to this consultation, were you:

- **aware of e-invoicing and a current user**
- **aware of e-invoicing and a previous user who has since ceased using e-invoicing**
- **aware of e-invoicing, but chose not to adopt**
- **unaware of e-invoicing**

15. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 12: If your business currently uses e-invoicing, when did you implement it?

16. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 13: If you are a current, or former user of e-invoicing, could you comment on any benefits or drawbacks you have experienced?

17. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 14: If you were previously aware of e-invoicing but have chosen not to adopt, could you explain why?

18. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 15: How many invoices (whether paper, PDF, e-invoice or other) do you send and receive each month?

19. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 16: What is your average processing time and cost per invoice?

20. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 17: Bridging software allows businesses to connect non-compatible software (like spreadsheets) to HMRC's Making Tax Digital system. Do you currently use bridging software?

21. We have no comments on this question – as explained above, we are responding to this consultation as a representative body.

Question 18: Do you think there are any other benefits and priorities on e-invoicing that government should focus on?

22. No, we consider that the consultation has highlighted the correct areas. However, feedback we have received from members indicates that some of the suggested benefits may not be fully achievable. For example, we have been told that many late payment issues are unlikely to be addressed by e-invoicing, as late payment is frequently related to difficulties funding payments, rather than slow processing of invoices.

23. Some of the stated priorities may conflict with others. For example, systems that are simple to implement would clearly be desirable. However, e-invoicing systems will need to be able to accommodate a wide range of different requirements for invoices. Businesses may need to provide different information to different clients, incorporating varying levels of analysis or breakdowns of charges. Accommodating all these different requirements may require more complex systems. If the e-invoicing system does not meet business requirements, so the business has to issue an e-invoice for payment but then has to supply the additional information required by customers through a separate system, the suggested business facilitation benefits will not be achieved. We discuss this in more detail in our response to Question 19.

Question 19: What data do you think is important for a standard to include, and do you have any preference over the structure of information?

24. We agree that interoperability is essential and will require a common standard for e-invoicing systems. As noted in the consultation, standards that support interoperability with international trade partners will be important for multinational enterprises and any UK businesses with overseas customers or suppliers.
25. It will be essential that e-invoicing systems can accommodate many different requirements. As noted in our response to Question 18, businesses often need to provide different information to different clients, incorporating varying levels of analysis or breakdowns of charges. We are aware of businesses issuing lengthy invoices (40 or 50 pages). We also understand that many businesses require a Purchase Order Number to allow the purchasing entity to identify the invoice and make payment based on the Purchase Order (once approved). A Purchase Order Number is not a mandated field on a current UK VAT invoice but has been introduced as a non-mandatory field in other countries.
26. If e-invoicing systems cannot deal with a range of requirements, businesses will need to use a second system to provide all the information and breakdowns required by customers. This would be burdensome, increase costs and remove many of the suggested benefits of e-invoicing.
27. Similarly, if e-invoices can only be generated in a machine-readable format that cannot be read by humans, businesses with both business and non-business customers will again need to maintain two systems.
28. The consultation notes that an increasing number of software providers now include e-invoicing a part of their accounting packages. It is very important that e-invoicing systems are available that are part of existing accounting and MTD software, so that smaller businesses do not have to buy new systems. Leaving aside the cost of buying new software, switching to new systems would also involve staff training costs and transfer of data. However, we are concerned that introducing mandatory e-invoicing could result in disproportionate increases in the cost of existing software packages because this was the experience of many businesses when MTD was introduced.
29. More generally, e-invoicing systems will also need to work with existing accounting systems for all businesses.

Question 20: Are you familiar with any e-invoicing standards? If yes, what is your preference on what works well and why?

30. We have no comments on this question.

Question 21: Would the UK adopting a single shared standard encourage you to take up e-invoicing?

31. We do not believe that adoption of a single standard would be the only consideration (or even the main consideration for many businesses), although it might help to address some concerns about whether business customers would be able to receive electronic invoices. However, if e-invoicing remains voluntary, or is only mandated for businesses above a certain size threshold, the adoption of a single standard would not ensure that all customers would be able to accept e-invoices because some customers would not have any e-invoicing capacity.

32. For businesses that have non-business customers, as well as business (or government) customers, the adoption of e-invoicing may also remain unattractive, particularly if the number, or percentage, of non-business customers is high. The business would still need to have a system for issuing invoices to non-business customers, so costs would increase, but the potential benefits of adopting e-invoicing would be limited. As noted in our response to Question 19, if e-invoicing systems only issue machine-readable invoices, businesses with both non-business and business customers will need two systems.

Question 22: Do you have any suggestions on how the government could support increased adoption under a voluntary system.

33. The consultation highlights the risk for businesses currently adopting e-invoicing that suppliers will not provide e-invoices or customers will not accept them, so the business may end up running dual systems.
34. It is difficult to see how adoption can be greatly increased in a voluntary system, at least in the short term, because this significant risk will remain. The introduction of a single standard for e-invoicing combined with increased availability as part of existing accounting and MTD packages might boost confidence about compatibility with supplier/customer systems and make it easier to obtain the software at a reasonable cost but would not address suppliers/customers which chose not to use e-invoicing at all. Over time, more businesses might take it up, but running dual systems for an indefinite period is unlikely to be attractive.
35. As set out in our response to Question 21 businesses with non-business customers as well as business ones will have an ongoing issue, regardless of whether e-invoicing becomes mandatory for businesses.

Question 23: Do you have any observations, concerns, or recommendations on a move to mandatory e-invoicing for Business-to-Business or Business-to-Government domestic transactions?

36. We have not received any specific feedback on Business-to-Government transactions, but subject to an appropriate definition of 'Government' being in place (for this purpose), it would appear to make sense to treat them in the same way as Business-to-Business transactions. Our comments focus on Business-to-Business transactions.
37. As set out in our response to Question 22 above, making e-invoicing mandatory for all businesses is likely to be the only way to significantly increase adoption because if there are exceptions, or a size threshold, businesses adopting e-invoicing are likely to need to continue to run dual systems for an indefinite period. However, if it is introduced on a mandatory basis we have a number of concerns, some of which we have already referred to in our responses to earlier questions. We have also identified additional issues with mandatory adoption above a size threshold.

Mandatory adoption for all businesses

38. One key concern is the cost for smaller businesses. As set out in our response to Question 19 above, it is important that smaller businesses do not have to incur expenditure purchasing additional software products or replacing existing systems. Even if existing accounting and MTD packages already include e-invoicing (or it can be added), based on experience with MTD, we are also concerned that prices will increase disproportionately.
39. Businesses with B2C transactions, as well as B2B, for example, providers of hotel accommodation, or some types of hospitality/events, will always need to maintain dual systems, which is likely to be costly and administratively burdensome, although the precise impact may vary according to the relative numbers of B2C customers. It isn't clear whether this problem could be mitigated, for example, if e-invoicing systems could be designed to allow the issue of invoices for non-business customers that were 'human-readable' and did not need to be received via an e-invoicing system. We believe this is an area that needs further consideration – and discussion with software providers.

40. As discussed at our meeting with HMRC, a concern would be whether there would be a requirement to issue an e-invoice where there is currently no legal requirement to issue a VAT invoice, for example, VAT exempt transactions, or transactions that are disregarded as they are between VAT Group members. If the government introduced a requirement to issue e-invoices for such transactions this would significantly increase the complexity of implementing an e-invoicing system, because many of the systems that record these transactions are not currently configured to generate VAT invoices at all. For services purchased from a supplier outside the UK for which the recipient is responsible for accounting for a reverse charge, we are aware from members that some jurisdictions have introduced a requirement for the recipient to generate self-billed e-invoices. Again, such an approach has the potential to increase complexity of implementation and would not in itself be something that would simplify or make payments between customer and supplier easier.

Mandatory adoption for all businesses above a size threshold

41. If there is a size threshold for mandatory introduction of e-invoicing, one obvious possibility would be to use the VAT threshold for this purpose. Many businesses already need to monitor taxable turnover to check whether they need to register for VAT. Our comments below concentrate on a threshold linked to the VAT threshold, but some of the issues would be similar regardless of where the threshold is set.
42. As with VAT registration, determining whether the threshold has been crossed will be challenging for some businesses whose turnover is close to the threshold. Businesses may not realise that they should have registered for VAT (or e-invoicing) until they talk to their accountant at the end of the year.
43. It might also increase the problem of 'bunching' noted by the Office for Tax Simplification in its [2017 Report \(Value added tax: routes to simplification\)](#) and the Office for Budget Responsibility in its [March 2023 report on the economic and fiscal outlook](#). Some businesses already take steps to keep their turnover below the threshold, for example, closing for several weeks in the year, or not employing an extra member of staff. If crossing the threshold not only involved registering for VAT but also adopting e-invoicing, it might be an additional incentive not to expand the business, in order to remain below the threshold.
44. One advantage of introducing a size threshold, particularly one based on the VAT threshold, would be that small businesses would not need to incur additional costs buying software (or adding to existing software). However, from 6 April 2026 and 6 April 2027 the introduction of MTD for ITSA will mean that businesses with qualifying income of £50,000 and then £30,000 will need to have MTD software anyway. If many lower-cost MTD software packages include e-invoicing, adoption of e-invoicing may become easier.
45. One disadvantage of having a size threshold could be that the development of e-invoicing software that complies with the general standard will be tailored to the needs of those above the threshold. It might be more difficult to ensure that the requirements of smaller businesses are considered, if they do not have to adopt e-invoicing at the same time as larger businesses.
46. If mandatory e-invoicing did apply for businesses above the VAT threshold, businesses would not know whether their customers are above the threshold and able to accept e-invoices or not. It would obviously be possible to find out, but this would add another administrative burden, whereas currently it isn't something businesses need to consider (the same invoices can be issued to VAT registered customers and non-VAT registered customers).

Question 24: If the UK were to introduce a mandate, how long would you need to implement e-invoicing in your operations?

47. This will vary from business to business. Some businesses will already be using existing e-invoicing software, but this may need to be upgraded, amended or replaced to comply with any new general standard for e-invoicing and ensure interoperability.

48. Availability of suitable software will be a critical factor, both for existing users of e-invoicing packages or businesses starting from scratch. We have received feedback, in other contexts, that businesses may wish to be early adopters, for example, of MTD, but are unable to sign up because the necessary version of their software package is not yet available.
49. Feedback we have received indicates that some large businesses which needed to implement new systems for e-invoicing would need at least two years to do so.
50. We have also been told that in some rural and remote areas high-speed broadband remains unavailable. Expansion of access to broadband should be factored into any plans for rolling out e-invoicing.
51. If the government decides to proceed with a mandatory approach, we suggest that the best approach would be to announce that e-invoicing will become mandatory from a future date, but with a realistic timetable, probably at least five years. This would be preferable to setting a short deadline but then having to defer it repeatedly when it becomes clear that it is unworkable. As noted above, at least two years would be necessary for implementation for some businesses.
52. Having a longer timescale for mandatory introduction – but one that is implemented as announced (ie no deferrals) - might help to address the issues noted in our response to Question 23 around software development because a mix of smaller and larger businesses would be involved in development of systems.
53. It is also essential that the requirements should be established at an early stage and do not change; it is particularly important that changes are not made close to the deadline for mandatory adoption (as happened with the introduction of MTD for VAT).

Question 25: What would present a significant barrier to you complying with a mandate?

54. We have mentioned various factors that might hinder compliance in our responses to earlier questions. The key ones would be (note that it might be possible to mitigate some of these issues, as outlined in our earlier responses):
- Lack of availability of suitable software packages.
 - Cost of e-invoicing software and implementation costs (for example, staff training and transferring data).
 - E-invoicing software being incompatible with accounting systems.
 - E-invoicing software being unable to accommodate customer requirements for breakdown/analysis of costs on invoices.
 - Mixture of business and non-business clients, so that dual systems would need to be maintained. For a business dealing only/almost entirely with non-business clients (for example, hairdressers), this would also be an issue because an e-invoicing system would be required for dealing with suppliers.
 - No high-speed broadband in some rural and remote areas.
 - E-invoices that are only machine-readable. It is important that e-invoices have the facility to be human readable and accessible (compatible with assistive technology).

Question 26: Given the information provided and your own knowledge, do you think it is correct for the government to focus on a decentralised model over a centralised model?

55. Yes, we agree that the government should focus on a decentralised model. As the consultation notes centralised models do not always improve business efficiency and are costly for tax authorities to implement.
56. We do not believe that it would be practicable for the UK to implement a centralised system. HMRC has increasingly pushed taxpayers towards using third party software, for example for RTI, MTD, corporate tax returns etc.
57. Implementing and maintaining a centralised system would require a considerable expansion of HMRC resources. HMRC service levels have been an increasing concern in recent years. Without

adequate resources to run a centralised system, HMRC delays in processing invoices, and any service outages (which could affect the entire system), would cause serious problems.

Question 27: How would a decentralised 4-corner model impact your business operations?

58. We have no comments on this question.

Question 28: What are your views on an e-invoicing system with real-time reporting for Business-to-Business and Business-to-Government transactions?

59. Any real-time reporting to HMRC would need to be automated to avoid imposing additional burdens on business. HMRC will also need to ensure that data (which will include commercially sensitive information) is securely transmitted and stored.

60. We can see that having a data feed to HMRC would be helpful in the areas outlined in the consultation, particularly for targeting compliance activity and facilitating nudges and prompts.

61. Given the volume of data that HMRC will receive, we are concerned that it will be unable to make the most effective use of the information. It is unclear that it will have the resources or capability to carry out the necessary analysis, undermining the value of real-time reporting. However, more selective reporting might be difficult to automate – as noted above, additional burdens should not be placed on businesses.

62. Any move to require real time reporting should not happen at the same time as the implementation of e-invoicing but should be considered as part of a subsequent phase because the implementation of e-invoicing itself will be complex for many businesses.

Question 29: Would any additional services support your businesses activity (such as nudges and prompts or potential future use to pre-populate VAT returns)?

63. We understand that HMRC has evidence that the use of prompts and nudges in software can help taxpayers to avoid mistakes, so, subject to our comments above about HMRC's ability to deal with the volume of data, the use of prompts and nudges could be helpful to businesses.

64. Prepopulation of VAT returns might present more difficulties. Businesses, particularly smaller ones, would be likely to assume that the prepopulated information is correct. However, other than in very straightforward cases this is unlikely to be the case, for the reasons outlined earlier. As noted in our response to Question 23, if certain transactions such as VAT exempt or reverse charge transactions are excluded, as we recommend, pre-population of VAT returns would not be possible for such businesses

65. As set out in our response to Question 19, it will be important to ensure that e-invoicing software is part of the MTD compliant accounting software (and more generally compatible with accounting software), so it is unlikely that there would be any benefit in pre-populating VAT returns from the e-invoicing system itself. This information would already be a feature of the accounting software.

Question 30: Thinking about all the models and approaches discussed, which best meets the policy objectives listed at the beginning of the document and any others you may have identified?

66. As set out in our response to Question 26, we do not believe that a centralised model should be introduced. This would be unlikely to meet the objectives set out in the consultation.

67. See our responses to Questions 22 to 25 above for our comments on approaches to e-invoicing.

Question 31: If the government was to move towards one of the discussed options, what support would be needed and how would that change between the different approaches?

68. We have no additional comments on this question.

Question 32: Are you content for us to contact you if we have any questions about your response?

69. Yes.

Question 33: Are there other technical issues which you think we should look at further?

70. As set out in our responses to Questions 23 and 29, we believe further consideration needs to be given to various VAT issues.

71. We have also been asked about processes for dealing with invoices that require minor amendments, for example, due to a typo needing to be corrected. Currently, it is a simple matter to correct and reissue an invoice. In an e-invoicing system, would this be more difficult? For example, would a credit need to be given for the original invoice followed by issue of a new invoice?

72. We would want to understand how the proposals would work in the context of self-billing.

Question 34: Is there anything else you would like us to be aware of relating to a potential future UK policy on e-invoicing?

73. We have no comments on this question.



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