Electronic invoicing: a consultation

General Features | Indirect Tax



19 May 2025

In February, the government launched a consultation on ‘Electronic invoicing: promoting e-invoicing across UK businesses and the public sector’. This aimed to gather views on standardising electronic invoicing and how to increase the adoption of electronic invoicing across UK businesses and the public sector.

CIOT, ATT and LITRG took part in roundtable meetings to discuss the consultation on electronic invoicing (e-invoicing) and submitted written responses. A summary of the main points in our responses are given below. The full list of consultation questions can be found at: tinyurl.com/3wxdtrrn.

CIOT response

The CIOT supports the move to e-invoicing, as part of the UK government and HMRC’s commitment to a ‘digital first’ tax system. The response (www.tax.org.uk/ref1470) recognises that the digital landscape is going to continue to change and the UK should not get left behind digitally. The CIOT’s preference is a

decentralised model, with consideration given to phased implementation depending on business size.

E-invoicing is currently available to UK businesses on a voluntary basis with HMRC taking a passive role in its uptake. If the decision is taken that businesses can remain on a voluntary uptake basis, we suggest that HMRC could take an active role in encouraging uptake, such as education and training, and evidencing improved business experiences that could instill confidence to move along the digital journey. If there is to be a mandate which requires e-invoicing, there need to be:

- real benefits of mandating for HMRC and UK businesses;
- a sensible, realistic and agreed timeline for implementation;
- clear and honest communications and guidance; and
- alignment with wider UK tax policy.

The CIOT would also like to see a single UK standard for e-invoicing, which aligns with international standards and has enough flexibility to deal with the complexities of the UK tax system. The response highlights several VAT specific issues in Part III of the VAT Regulations 1995 that must be considered, including:

- the contents of a VAT invoice;
- variations of VAT invoicing documents, such as authenticated receipts or self-billing;
- the obligation to add specific legends for VAT schemes or agreements with trade associations, such as the input VAT recovery position for leased cars; and
- transactions that do not require a VAT invoice, for example, exempt or zero-rated supplies.

In addition, Regulation 13A(2) allows a customer the right to refuse electronic invoicing, so amendments to the VAT legislation may be required if mandation takes place.

ATT’s response

The ATT’s response (www.att.org.uk/ref478)supports the UK’s continued voluntary adoption of e-invoicing, stating that this should be followed by a phased mandatory rollout. To drive voluntary adoption, the government must reduce barriers, support SMEs with low-cost solutions and collaborate with software providers and

businesses. The ATT suggests that any mandation should include an exemption for businesses below the VAT registration threshold, as well as a de minimis threshold for businesses that have limited business-to-business and business-to-government transactions.

The ATT supports the government's focus on a decentralised model. However, the ATT does not support the introduction of real-time reporting at this stage. The current priority should be on building the core e-invoicing infrastructure, drawing on the lessons from other countries and the UK's experience with Making Tax Digital (MTD) for VAT.

If real-time reporting is to be introduced in the future, it must reduce administrative burdens and be underpinned by infrastructure capable of supporting high-volume data exchange which is interoperable with the existing MTD infrastructure. Clear communication will be essential. An e-invoicing roadmap setting out a long-term vision, realistic implementation timelines and a firm commitment to delivery would help businesses to prepare and plan.

LITRG's reponse

In their response (www.litrg.org.uk/11050), LITRG recognise that many businesses could benefit from e-invoicing. However, for some smaller businesses, such as sole-traders, these benefits could be diminished by the cost of software and how easy it is to use.

LITRG acknowledges that to achieve the full benefits which the consultation document says e-invoicing can offer, mandatory standardised e-invoicing would be the preferable approach. However, they have concerns that some small and micro businesses may struggle to comply with mandatory e-invoicing due to factors including the cost of software (unless free software is made available) and in some cases limited digital and IT skills. There is also likely to be a time cost in learning new software.

There are also certain sectors where 'self-billing' is common, or invoices are generated not by the business directly (for example, via an online platform instead). These issues will need to be addressed.

If mandatory e-invoicing is the appropriate path to take, then LITRG consider it to be very important to have an entry threshold (perhaps using the VAT registration threshold as a starting point), as well as exemptions for the digitally excluded available. If e-invoicing is to be mandated without a threshold then it is important that HMRC understand the low-income self-employment landscape with respect to IT and numerical skills, and existing compliance issues so they can help these sole traders through targeted approaches.

Next steps

After the government has considered the responses to the consultation, a decision will be made on whether mandation will be introduced and if so, what that may look like. Further consultation will follow.

Lindsay Scott *lscott@ciot.org.uk*
Jayne Simpson *jsimpson@ciot.org.uk*
Autumn Murphy amurphy@att.org.uk
Claire Thackaberry *cthackaberry@litrg.org.uk*