E-invoicing announcement is big news for VAT registered businesses

Briefings



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The announcement on Budget day that e-invoicing will be mandatory for VAT registered businesses selling to UK business customers from April 2029 is a big step in the digitalisation of the tax system comparable to the introduction of Making Tax Digital, says CIOT.

The Institute is cautioning the government against rushing into mandatory e-invoicing, calling for the use of thresholds and staged implementation to try to mitigate the impact of such significant digital change.

E-invoicing is a digital exchange of invoice information directly between the supplier and customer’s accounting systems; invoices sent electronically by email with a PDF or JPEG format attachment will no longer suffice.

‘This is a fundamental change for businesses,’ said Alison Kerrey, chair of the joint CIOT/ATT Digitalisation and Agent Services Committee. ‘Invoices will likely need to

be sent via digital software. The days of sending invoices as attachments to emails are coming to an end.

‘This goes further than Making Tax Digital because it is not just digital record keeping; it is communicating digitally with customers and suppliers,’ explained Kerrey. ‘We are particularly concerned that those businesses that only issue and receive a handful of invoices per year will face disproportionate costs.’

Both bodies welcomed the significant amount of lead-in time for the change. Jon Stride, chair of ATT’s Technical Steering Group, said: ‘The 2029 start date gives businesses valuable time to adapt, while the commitment to a clear roadmap at Budget 2026 is essential for building confidence and working towards a smooth transition.’

ATT welcomed the decision to focus on a decentralised e-invoicing model and not to introduce real-time reporting at this stage. ‘The priority should be getting the right infrastructure in place,’ said Stride. ‘With more than 130 countries already implementing or planning to implement e-invoicing standards, the roadmap must set out clear, realistic timelines and practical support measures to help businesses prepare.'

Alison Kerrey warned that past government digital projects ‘have suffered from poor design and a lack of clear direction’. As well as having lead time, businesses need systems to work effectively to build confidence, she suggested, especially small businesses that may be experiencing e-invoicing for the first time. She stressed the importance of HMRC engaging in clear and collaborative engagement with stakeholders, particularly in the early planning stages.

‘To take account of the breadth of UK businesses, the government should consider using thresholds and phased implementation to cascade such significant digital change over a sensible timeframe,’ Kerrey continued. ‘Some voluntary VAT registered businesses, which face MTD in the next three years, will then also face e-invoicing from April 2029. Clarity on the detail is needed urgently, to avoid these businesses picking software to comply with MTD, then having to change again for April 2029.’