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E-invoicing consultation
HM Customs and Excise
100 Parliament Street,
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7 May 2025
Direct Dial: 07791 245228
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Ref: CR/IB

Dear Madam

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

We welcome the opportunity to take part in this consultation.

We have answered the specific questions overleaf, but I would like to reiterate a couple of key issues here.

Firstly, we see clear benefits to all parties from implementing e-invoicing, but the set-up costs and administrative burden on businesses should not be underestimated. HMRC should learn the lessons from the implementation of MTD for VAT – in particular, the implementation timetable should be realistic and fixed well in advance (even it is phased for different business groups/sectors).

Secondly, all standards adopted should be harmonised as far as possible with the current e-invoicing rules prevalent across the UK major trading partners with a decentralised model used – albeit there is a potential need for extra support to be offered to small businesses through a centralised model.

If you would like to discuss our comments, please get in touch.

Yours faithfully

Chris Rowe
Partner
For and on behalf of BDO

**Question 1: Are you responding to this survey as:**

- **a business**
- **a representative body**
- **an organisation**
- **an individual**
- **other (please provide details)**

A business

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

Internationally, with operations in countries listed in Q4.

**Question 3: Are the views offered in your responses:**

- **your own views**
- **your organisation's views**
- **your members' views**

Organisation's and with responses informed from conversations with clients

**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**

England, Scotland, Wales, Northern Ireland and the wider network that the UK is part of operates across 166 + other countries across EMEA, The Americas and Asia Pacific.

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

Professional services with clients that operate across various sectors.

**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)**

Our global network has over 119,000 employees, revenues of $15billion and the vast majority of supplies are B2B. Our clients vary in size from private clients to FTSE 100 businesses.

**Question 7: How long has your business been operating?**

Over 60 years ago and for clients this will vary from start-ups to long established businesses.

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

No, we have in-house finance teams. Our clients will vary but in the main will utilise an accountant/ external advice.

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

N/A

**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)**

All of the above. We provide advice to clients in relation to how to deal e-invoicing and haven't taken a full position on what our response will be.

**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**

We are aware of e-invoicing and a current user. We help clients comply with the European requirements. We also offer advice around technology solutions that could be used.

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

The first implementation identified amongst our client base was in 2012 out of Peru/Chile. We have worked with all the European requirements thus far.

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

In short - the main drawbacks are the initial admin and costs associated with setting up and then, if you have bought software, license costs associated with the e-invoicing requirements. The fact that there are differences in requirements across countries is also a drawback.

*Drawbacks identified from client conversations:*

The most profound drawback stated is the financial and time burden of implementing e-invoicing software. Especially for businesses that have bespoke ERP systems or a unique system architecture, required for their business needs, as it can be difficult to find appropriate software to integrate into unique architecture.

For clients without a dedicated I.T. team that are used to working with API's etc, implementing any kind of e-invoicing software itself can be a challenge. This is especially prevalent in small businesses.

Cash flow issues, e.g., some countries are unable to process credit notes at all via e-invoicing, although in the UK, VAT guidance states a credit note would need to be issued. Finally, there are cut off dates for raising invoices via e-invoicing which can also impact cash flow.

*Benefits identified during client conversations:*

VAT return compliance can be simplified as tax authorities are able to capture data in real time. In some countries they can pre-populate the VAT return. The main benefits to note are once implemented and fully tested/validated, e-invoicing reduces manual input and, as a consequence, enhances the accuracy of invoicing.

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

This was not covered in our client conversations.

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

This varies, widely from client to client. This could be anywhere from 10 invoices issued and received per month to 100k invoices issued and received per month.

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

This varies widely between clients.

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**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?**

We identified that some clients were utilising bridging software to connect to HMRC's MTD platform.

In the UK, more of the larger organisations are considering or currently utilising an enterprise grade solution, which contains its own submission facility.

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

Our conversations with clients identified the following suggestions:

In line with the theme of increasing adoption, the government should focus on harmonisation across jurisdictions, e.g., aligning requirements for the e-invoicing regulations as closely as possible with other jurisdictions that have already mandated e-invoicing. Currently a large portion of implementation times is spent aligning requirements from different jurisdictions and it places reliance on expensive software providers, which for smaller companies is not feasible.

This is the key point here – the admin cost of adapting different approaches in different countries is significant. Anything implemented in the UK needs to follow the existing approaches as closely as possible.

Increased support for new adopters of e-invoicing, this could be by way of a specialised phoneline, with dedicated advisors, specifically assisting with e-invoicing queries.

Better consultation with software vendors and advisors, so they have time to create different options for the market. If we take the example of Pillar Two, the pre information has been significant, giving vendors a chance to deliver solutions to the market. With the bridging software we ended up with too many options, and clients not knowing which was right for them. Perhaps consider a validation you could provide to software providers, like a kite mark or similar, which shows it is approved.

Consideration needs to be given to how this can most positively impact VAT compliance and Customs declarations compliance etc. For example, with VAT compliance, if it is possible to pre-populate VAT returns based on invoices received by the government, this would take VAT compliance for businesses from a preparer to a reviewer position. Hence, provided companies can overwrite pre-populated VAT returns (in an MTD compliant manner), this presents a great opportunity to streamline VAT compliance in the UK.

**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?**

From conversations with clients, the following data fields are identified as considered important as standard, but there should be flexibility in the design to cater to different industries and individual business requirements:

- Invoice number
- Supplier/buyer info (including VRN)
- Contact details
- Net, gross, VAT

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- Payment terms and due dates
- Payment instructions
- Descriptions of goods/services
- Client reference

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

From conversations with clients, it has been requested that, yes, it would be preferrable if the UK adopts a standardised format (e.g., Peppol) as they do with invoices sent to the NHS.

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

Clients have fed back to us that, if the UK adopts a shared standard (e.g. Peppol), this will reduce complexity and cost, whilst simultaneously reducing uncertainty.

From the perspective of multi-national businesses, if the UK adopts a harmonised approach with other jurisdictions that have already mandated B2B and B2G e-invoicing, this would greatly encourage adoption as it will reduce the burden of requirement gathering, creating bespoke integrations and, therefore, the overall cost of implementations.

For all businesses, to encourage adoption, the following are considered required:

- a clear vision for implementation deadlines,
- the support available to them (from the government), etc. For some businesses, unique I.T. development time will be required and so the sooner a deadline is set the sooner they can begin.

A key feature to encourage adoption is to phase the implementation times (perhaps based on company size/turnover) to enable the smaller businesses with less budget to have more time to create a more cost effective solution for themselves. It will also all time for the market to provide low cost solutions, rather than forcing businesses to rely solely on the current tax technology market offerings (that are often too pricey for smaller businesses as it currently stands).

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

When the MTD pilots were launched, the most common deterrent to joining was that once you join a pilot you cannot go back. Clients were reluctant to put themselves through that, as it created admin work for them earlier than was needed. Clients will adopt the requirements but, unless you incentivise early adopters, they will wait until the last possible moment.

Clients have informed us that the following options could serve to increase voluntary adoption:

- Tax incentives – i.e., faster VAT refunds or reduced filing requirements.
- Clear communication – government needs to be clear on the purpose of e-invoicing and how it can benefit companies that voluntarily adopt.

**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?**

*For larger businesses:*

There are concerns around integrating completely new e-invoicing formats, hence, a standardised format, utilised in other jurisdictions is preferred.

The e-invoice mandates need to be achievable by most companies without the need to upgrade or purchase completely new systems.

The government should ensure there is sufficient resource to enable businesses to upskill their staff on the e-invoicing process once mandates are live.

The government should consider a sandbox environment to ensure companies that create bespoke solutions (rather than purchasing e-invoicing software) are able to sufficiently test/validate the solution before using live invoice data.

The government should consider how credit notes would be issued under the e-invoicing mandates, as currently HMRC guidance is to raise credit notes.

The largest concern would be around Cyber security. Businesses would need explicit confirmation of exactly how sensitive client/employee data is handled by the government and what security is in place to protect this, as well as what regulations are in place to limit what can be done with this data.

For VAT groups in a reclaim position, how would this be handled in real time reporting?

*For smaller businesses:*

Will there be any exemptions from the mandates, e.g., for smaller owner managed businesses?

In a lot of cases, small businesses would not be able to justify the cost of the e-invoicing software but, without this, their customers may look to other businesses. There will need to be a cost effective solution (perhaps a centralised approach to e-invoicing) but specifically for smaller businesses that sit below a certain threshold.

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

This will be dependent on responses given to points made above, e.g., who is exempt, what format the e-invoices would be required in etc. In many cases, mandates might require full scale system architecture changes and the purchase of new systems.

What companies don't need is MTD style implementation deadlines which keep moving back. If a two year window is deemed appropriate, that should be adhered to where possible. Even if it starts with a phased approach.

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

How quickly software vendors can adapt their solutions to meet the UK requirements, and whether there is enough choice.

System readiness is the main barrier; would need significant time to assess requirements.

If current system architecture couldn't meet the requirements, businesses would require time to implement new software. This is time consuming and costly and, to some businesses, challenging at this time.

The main barrier especially for small to medium sized businesses will be the initial outlay cost.


**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?**

For most businesses, a decentralised model would be more efficient. The concern over a centralised model is the knock-on effect on cash flow of businesses having to wait for government authorisation before being able to issue invoices to customers.

For a centralised model, how would different invoice types be treated? E.g., for foreign invoices or purchase invoices? Would these also need to be uploaded before they could be processed?

For smaller businesses that are only UK established where they will not implement specific e-invoicing software, a centralised model may be more appropriate. Hence, for a centralised model, perhaps there are exemptions for businesses over c£1m turnover, or based on number of jurisdictions operated in, or number of invoices to process etc.


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

For most businesses, this approach would be much cleaner as it gives businesses the power to decide on service providers that fit their requirements from a business perspective.

It also ensures businesses maintain control over their own data and privacy, reducing concerns around cybersecurity.

Strong governance and guidance will be required.


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

Overall, it is expected to improve the quality of VAT compliance, although there is a potential issue around timing/cash flow depending on validation requirements for invoices.

For multi-national businesses, it is essential to adopt/comply with real time reporting as this should reduce manual input and human error once fully implemented/validated.

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

All nudges, prompts, reminders are beneficial. Finance and tax teams are busy; therefore, all reminders are welcomed. These reminders would need to be specific to the organisation and not generic. Generic nudges create more work where an action may not be required.

**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?**

A decentralised model would work best for the majority of businesses, especially given bridging software can check the e-invoicing regulations are met, and this removes the wait time from using a government portal.

Using a standardised e-invoicing format, similar to other jurisdictions/NHS (Peppol), will also assist with the implementation.

We can see a potential need to use a centralised approach for smaller businesses that meet certain requirements, where implementing e-invoicing software wouldn't be feasible.

**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?**

There should be some lessons learnt from the MTD implementation. Stick to deadlines, large businesses should have access to design teams and there should be a helpline/email address where questions can be asked and answered and published.

A centralised model reduces choice for businesses and places more pressure on government resources. It isn't aligned with HMRC's digitisation vision and offers no flexibility for businesses in terms of their approach.

Should a centralised model be adopted, it is highly likely that support would be required, especially given this would significantly impact businesses from a cash flow perspective associated with delays to invoicing etc. As there would be no flexibility over service providers, the government would need to ensure that the centralised approach was flexible enough to cater to all industries and unique requirements of businesses.

Equally, the government would need to provide explicit assurance over how sensitive data will be used and invest heavily in cyber security.

A decentralised model would work better for the majority of businesses as such a model would enable businesses to pick a provider for their own specific business needs (e.g., flexibility, integrations available, etc). This will also be more suitable for businesses that have specific cash flow requirements, where waiting for government authority before issuing invoices could significantly impact the business.

However, for smaller businesses, the additional cost of implementing an e-invoicing software may not be feasible unless there are really low cost options like MTD bridging.

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

Yes

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

Handling of credit notes – see above.

Businesses need to understand how all sensitive data is being handled and need assurance over the governance.

Do non-VAT invoices still need to be e-invoicing compliant? e.g., employee expense claims.

The size of organisations this would apply to.

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

We believe the following questions need to be considered and clear guidance given well before implementation:

    a) How/will e-invoicing link to Customs, PVA, C79 etc?

    b) Will all software used for e-invoicing have to be registered with and approved by HMRC before implementation?

    c) For other jurisdictions, e-invoices are required to be sequential, will this be the case in UK e-invoicing?

    d) Some jurisdictions include QR code requirements, will this be required in the UK?

    e) Credit notes can't be raised in some countries but are required in the UK per HMRC guidance. Is this process likely to change if e-invoicing is mandated?