

E-invoicing consultation response

This submission is a joint response from Enterprise Nation and The Entrepreneurs Network. We thank HM Revenue and Customs and the Department for Business and Trade for consulting on the next steps in the move towards e-invoicing, which we believe could have a positive impact on the productivity and growth of Britain's small businesses if implemented successfully. Our response draws on existing research our respective organisations have carried out on this topic, and a focus group we organised with small business owners and entrepreneurs in our networks to canvas their opinions specifically for this consultation.

[Enterprise Nation](#) is a business support platform and membership community delivering support to more than 850,000 small businesses every year. Its aim is to help people turn their good ideas into great businesses – through expert advice, events, acceleration support and networking.

[The Entrepreneurs Network](#) is a think tank and membership group for Britain's most ambitious entrepreneurs. Since being founded in 2014, we've conducted original research, campaigned for policy change, hosted events for Britain's entrepreneurial community and acted as a bridge between policymakers and entrepreneurs to ensure their voices are heard. We are also the Secretariat for the All-Party Parliamentary Group for Entrepreneurship, which exists to ensure that Parliament is kept up-to-date on what is needed to create and sustain the most favourable conditions for entrepreneurship.

Our response to this consultation is structured as follows:

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We look forward to seeing the consultation move forward, and would be more than happy to discuss anything within our response in more detail should you wish.

General sentiment around the direction of travel for e-invoicing

We agree with the broad thrust of the government's stance towards e-invoicing, and believe that momentum towards greater adoption of e-invoicing must be maintained to prevent the UK from falling further behind its European and other international competitors when it comes to economic digitalisation.

We recognise that e-invoicing can offer numerous and substantial benefits to businesses, such as allowing them to spend less time on administrative tasks, ensuring bureaucracy is completed more accurately and allowing payments to be made and received faster, among others. According to a report by Sage, a partner of Enterprise Nation's Tech Hub, e-invoicing can lead to annual savings of over £11,000 for small businesses by almost halving the time spent processing invoices.¹

We also note the potential knock on effects for businesses adopting e-invoicing in terms of increasing the likelihood that they will also adopt other digital tools – such as customer relationship management software and cloud computing – that studies suggest can have a positive impact on productivity.²

Beyond this, the potential benefits of e-invoicing are not limited only to the private sector. Where businesses are engaging with central and local government and other public bodies, further gains stand to be made from improved efficiency. Mention must also be made of the fact that HMRC may well see the overall tax take increase if e-invoicing leads to fewer errors being made.

During our conversations with business owners while preparing this submission, virtually everyone was in agreement that these benefits should materialise from the move towards comprehensive e-invoicing.

However, there were also areas of concern raised by the business owners we spoke to. Perhaps the most important was the sheer lack of awareness and understanding that many had of e-invoicing. It was not uncommon for business owners to confuse e-invoicing with digital invoicing, and we believe clearly communicating the differences between these should be a key area of focus for the government as it progresses its thinking around e-invoicing.

There was also far from unanimous understanding of where e-invoicing currently stands as a technology, in the sense of whether it even exists yet or not. Some thought that it had not yet been rolled out anywhere, others knew that it was being used in – but thought it was limited to

¹ Sage (2024). [E-Invoicing: Paving the Way to a Connected, Real-time Economy](#).

² Dumitriu, S. (2020). [Upgrade: Closing the digital gap and lifting productivity for SMEs](#). *The Entrepreneurs Network*.

– certain applications (e.g. for business-to-government invoicing), while others knew that it was available for those wanting to make use of it.

Overall, there was very little knowledge of the government's current plans for the future of e-invoicing. As such, there were concerns about how a move towards greater adoption of e-invoicing would be implemented, and in particular the costs and time this would involve. Some business owners told us that they would not want to purchase software they would not immediately feel confident using, especially those who had negative experiences of using new technologies in their work previously.

There was interest among the business owners we spoke to about the implications e-invoicing could have for taxation. All could see how it presents an opportunity to reduce the tax gap by minimising errors, and we believe this is of course a good thing. Some recognised how tax revenues could also increase from an economy-wide shift to e-invoicing if it boosts productivity and growth. As such, and not surprisingly, many business owners saw a potential benefit of e-invoicing being the possibility for a longer-term reduction in corporate tax rates. Alternatively, some suggested that if the government is confident of the productivity uplift from e-invoicing, this could justify grants or another sort of financial incentive for businesses to embrace e-invoicing.³

Approaches to ensuring the widespread adoption of e-invoicing

As noted in the consultation, different approaches towards increasing the adoption of e-invoicing have been tried around the world. During our research, business owners understood the pros and cons of both more voluntary and more mandated approaches, as well as what might be seen as a 'hybrid' or 'phased' approach to implementation.

Mandated approach – There was some sympathy towards pursuing a mandated approach to e-invoicing. Ultimately, it is the role of the government to set rules, and provided they are not overly burdensome, they can in this instance serve as a useful coordination tool between businesses, and between government and business. We heard from some business owners that a benefit of a more mandated approach would be that it makes it easier to understand the change, as there would hopefully be little room for ambiguity, and an effective awareness campaign could likely be built around this. Having all businesses move in lock-step together could also have benefits in terms of not favouring one type or size of business over another, again leaving little room for uncertainty for business owners.

³ Businesses in Singapore are eligible to apply for public funding up to 50% or S\$30,000 (around £17,000) to use towards the cost of productivity enhancing IT solutions and equipment, including that which facilitates e-invoicing; Inland Revenue Authority of Singapore (2025). [GST InvoiceNow Requirement](#).

Voluntary approach – Overall, there was more sympathy towards pursuing a voluntary approach to e-invoicing. Clearly, a voluntary approach would enable those businesses who are best positioned to adopt it to do so, while giving businesses who do not wish to the freedom to continue with their pre-existing systems. A voluntary approach could also allow for learnings to be made and reported back to the government, from which a better understanding of the challenges (and indeed benefits) of e-invoicing could arise.

Hybrid – Many business owners noted that the move towards e-invoicing needn't rely on a binary approach, but rather a hybrid approach that could capture the best of both worlds. For example, mandatory e-invoicing could be limited to business-to-government transactions, or done on the basis of a business' size (perhaps headcount or turnover, or whether it is above the statutory audit threshold). Another way to implement it would be to phase it in, for instance for newly registered businesses only. That being said, a hybrid approach would not be without its own challenges – for instance, if a business was operating near a qualifying threshold, there may be uncertainty as to whether it needs to comply with e-invoicing or not.

On the balance of the evidence we heard, we believe a hybrid approach seems to be the most appropriate way to proceed. We believe that the government is justified in expecting businesses to adhere to certain processes when dealing with it, so at a minimum this could be a way to drive up adoption. Moreover, given the potential for e-invoicing to reduce the tax gap, clearly this is another reason why the government can reasonably expect businesses to modernise. Yet, these benefits must be balanced against drawbacks. Phasing in mandatory e-invoicing standards on the basis of business size or age or registration date could have unintended consequences that would need to be thoroughly thought through first.

Potential barriers that could limit adoption of e-invoicing

As noted earlier in our response, we heard concerns from business owners about the potential move towards e-invoicing as default practice. The principal worry was understanding what e-invoicing is and how it would work in practice. Many business owners have developed their own systems for invoicing and are reluctant to move away from these. Of course, attitudes here may shift if business owners experience an uplift in productivity after adopting e-invoicing, but it nonetheless stood out during our research as the most commonly cited reason for not shifting to e-invoicing. As far as is practicably possible, if things like real-time invoice reporting are implemented, they must be integrated into the software entrepreneurs already use (accounting or invoicing apps) so that data can flow to HMRC automatically.

Closely related to this was the cost that e-invoicing could pose for businesses. At a time where the costs of doing business have spiked for many businesses, coupled with recent tax increases and the prospect of new employment legislation to adhere to, many small businesses are looking harder than ever to minimise expenses. Being required to invest in new software to manage e-invoicing is therefore something we heard many negative comments towards.

Beyond this, business owners who had low confidence in their ability to manage e-invoicing noted that they would, at least initially, have to allot more time in their working day to handle this.

Some respondents told us that they worried about how a shift to e-invoicing could create additional challenges when things go wrong – because they might not necessarily be able to ‘talk to a real person’ to resolve errors. Moreover, many business owners registered their opinion that while e-invoicing could theoretically increase accuracy, there is still a large human element to filling in information initially, which could limit the potential advantages of shifting towards e-invoicing.

One business owner told us they were interested to learn more about what e-invoicing would entail for businesses like theirs which import and export. They noted how they would want to know that they could still trade with partners who do not use e-invoicing, or with partners who may use different standards to whichever the UK ultimately settles on. (We appreciate this is beyond the remit of this specific consultation, however think it could merit more thinking, not least if the government believes e-invoicing could in fact assist more businesses to begin exporting.)

Final comments about future UK policy towards e-invoicing

Increasing adoption of e-invoicing among Britain’s businesses could have positive implications for productivity and growth, and we believe that most business owners intuitively understand the benefits of doing so. On the government side, it can also have benefits for tax collection and streamlining bureaucracy.

Evidence from around the world shows that where countries commit to a policy and proactively work with businesses to drive uptake, high rates of e-invoicing adoption are eminently attainable. The question therefore is not whether implementing e-invoicing is possible, but how to make a success of it and how to build support for it among the business community.

On both of these fronts, we believe that clear and consistent communication is imperative. Without doubt, an awareness campaign will be required so that business owners know what is coming and how to prepare for it. A coalition of trade groups, professional bodies and prominent individuals in the business community should be convened to spread awareness and educate business owners about what, practically speaking, e-invoicing will mean for their business and how they can gain confidence using it. (On this point, one of our focus group attendees mentioned how e-invoicing could be built into Help to Grow: Management courses, while several others noted the parallels with Making Tax Digital – noting that it has required a huge effort to inform business owners of the direction of travel.)

Then, building support may require ensuring that the benefits of e-invoicing are frontloaded while any costs – real or perceived – follow afterwards. Perhaps the biggest sticking point will be around tax implications. It is not unthinkable that business owners may be suspicious that e-invoicing is simply a way for the government to extract more tax revenue from them, which could stymie compliance. To circumvent this, one possible solution would be to separate out any tax reporting from the data exchanged in e-invoicing for a period of time – allowing businesses to gain familiarity with e-invoicing and hopefully feel the administrative and cashflow benefits of using it. Beyond this, when framing communications around how e-invoicing could change business-to-government relationships, perhaps the best narrative to adopt would be around how it would enable government bodies to pay suppliers more quickly.

To conclude, we support the intention to move towards greater e-invoicing among Britain's businesses. We believe the government is justified to proceed, and that most business owners appreciate the benefits to them that stand to be made. However, it would be wrong to assume implementing widespread e-invoicing will be easy. It will require the government to work closely with the business community to ensure its smooth rollout, and we recommend that the government keeps in close dialogue with organisations like Enterprise Nation, The Entrepreneurs Network and others to facilitate this.