ELECTRONIC INVOICING: PROMOTING E-INVOICING ACROSS UK BUSINESSES AND THE PUBLIC SECTOR

Issued 7 May 2025

ICAEW welcomes the opportunity to comment on the consultation on 'electronic invoicing: promoting e-invoicing across UK businesses and the public sector' published by HMRC and Department for Business and Trade on 13 February 2025, a copy of which is available from this link.

This response of 7 May 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

ICAEW
Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

1.   ICAEW strongly supports the adoption of e-invoicing as a key enabler of long-term economic growth, through its proven ability to reduce frictions and inefficiencies in the system, thereby boosting business productivity. The exchange of structured invoice data offers enhanced compliance, and lays the groundwork for broader digital transformation.

2.   International evidence clearly supports its benefits:

   a.   **Productivity and cost savings**: the Australian Treasury highlighted in 2021 a study by Deloitte Access Economics that estimated that businesses could save up to AU$20 (c. £9.50) per e-invoice raised compared to paper or PDF invoicing. While outcomes in the UK may differ, various international studies have found long-run cost savings from e-invoicing. A Sage report found that labour productivity in the UK could increase by up to 3% as a result of e-invoicing.

   b.   **Improved cash flow and faster payment**: According to a recent report by Billentis, e-invoices tend to be settled five to seven days earlier than paper invoices.

   c.   **Enhanced tax compliance and revenue generation**: Though we would not expect the same increase in the UK, the IMF found in 2019 that e-invoicing adoption in Peru increased reported taxable sales and purchases by over 5%. We also note reports that Italy's e-invoicing mandate resulted in €3.5bn to €4.5bn of additional tax revenue in its first year alone.

3.   Many countries – including EU Member States, Australia, Singapore, and New Zealand – have already introduced e-invoicing mandates or national frameworks, often aligned with international standards such as EN 16931, or frameworks such as PEPPOL.

4.   The UK's current lack of a co-ordinated e-invoicing policy places its businesses at a growing disadvantage in terms of efficiency, trade interoperability, and digital competitiveness. E-invoicing can also improve corporate transparency and governance, helping to build investor confidence and support more effective capital allocation. While not a primary driver of investment decisions, modern digital infrastructure is increasingly expected by global investors. Its absence could deter capital investment if the UK falls behind international peers.

5.   This consultation provides a timely opportunity to close this gap and lay the foundations for future digital transformation. ICAEW therefore welcomes the UK government's exploration of encouraging the uptake of e-invoicing in the UK.

6.   However, successful implementation of e-invoicing standards, and particularly of a mandate, will require careful planning, targeted support, and alignment with existing international standards.

7.   Our key recommendations are to:

   a.   **Adopt a decentralised model using established international standards**: ICAEW recommends the adoption of a decentralised e-invoicing model underpinned by a single, clearly defined semantic standard, specifically EN 16931. Implementing this standard via the PEPPOL framework - already successfully used by the NHS and extensively adopted internationally - will ensure interoperability, minimise implementation complexity, and support seamless cross-border transactions.

   b.   **Ensure clarity, consistency, and flexibility in standards**: Any adopted standard must clearly define essential data elements, including core transactional data, business identifiers, audit and verification data, and payment instructions. It should also permit optional inclusion of ESG-related data, such as CO_2 emissions, to support

sustainability reporting and ensure future adaptability, particularly in anticipation of UK CBAM.

c. **Prioritise voluntary adoption initially, with mandatory rollout only after careful evaluation**: Members expressed concerns about mandation due to current economic pressures, inflationary burdens, and the resource implications (particularly for SMEs). ICAEW recommends beginning with a voluntary phase focused on clearly demonstrating the tangible benefits of e-invoicing. A move to mandation should only be considered following successful voluntary adoption, clear evidence of benefits, and adequate transitional support.

d. **Introduce a clear, realistic timetable for any mandate**: Should the government decide to proceed with a mandate, ICAEW recommends a start date of 1 January 2030. This provides two years for the software market to prepare following an autumn 2025 announcement, and two years for businesses to adopt and implement compliant solutions. This timeline also aligns with the EU's ViDA reforms - supporting cross-border consistency, particularly for Northern Irish businesses - and avoids clashes with other major tax reform deadlines. Stability, credibility, and sufficient lead time will be essential to successful delivery.

e. **Approach real-time reporting and additional services cautiously**: While ICAEW sees long-term potential in real-time reporting and related services, these should be treated as future aspirations. Immediate focus should remain firmly on establishing a robust, widely adopted e-invoicing infrastructure. Attempting real-time reporting prematurely risks undermining confidence due to complexity and resource demands.

f. **Commit to further consultation on detailed implementation issues**: As e-invoicing policy develops, ICAEW strongly recommends ongoing consultation with businesses, representative bodies, and the software sector on the detailed design and operational aspects of any future system. Specific areas requiring further engagement include the interaction with VAT rules, thresholds for mandatory adoption, penalty frameworks, data security standards, and the management of transitional periods. Early, open dialogue will be critical to ensuring that the system is workable, proportionate, and delivers genuine benefits across the economy.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Are you responding to this survey as:

8.   A representative body.

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

9.   ICAEW is an international organisation with members working and operating in 147 countries. We are headquartered in London.

Question 3: Are the views offered in your responses:

10.   The views offered in our response are primarily based on our members' views, but these are supplemented where appropriate by the knowledge of our organisation.

11.   Please note that as we are responding as a representative body, we have not responded to Questions 4 to 17, as we consider these questions to be aimed primarily at individual businesses.

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

12. **Integration with broader economic data:** E-invoicing can serve as a valuable data source for macroeconomic analysis and forecasting. Aggregating structured invoice data could help government agencies better understand economic trends, supply chain dynamics, and sector-specific financial health, thereby improving economic policymaking and responsiveness.

13. **Enhanced financial reporting and corporate governance:** E-invoicing can enable more detailed and standardised financial data reporting, strengthening corporate governance by providing greater transparency for investors, regulators and other stakeholders. High-quality, structured data from e-invoicing could support more effective decision-making, risk management and stakeholder confidence.

14. **Increased investment attractiveness and economic competitiveness:** By fostering better financial reporting and transparency, widespread use of e-invoicing can help build investor confidence and improve the UK's appeal as a place to do business. While e-invoicing alone may not be a deciding factor for investment, if other countries adopt it more effectively, its absence could be seen as a disadvantage. Improved corporate governance, capital allocation, and data quality all contribute to a stronger business environment - supporting inward investment and long-term economic growth.

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?

15. The following data elements are essential for inclusion in an e-invoicing standard**:**

    a. **Core transactional data:** Invoice number, invoice date, payment due date, invoice total, currency, VAT breakdown (including rates, amounts, and exemptions), and detailed line-item descriptions (quantity, unit price, product/service descriptions).

    b. **Business identification and verification data:** Inclusion of recognised business identifiers such as VAT registration numbers and company registration numbers to enhance identity verification, streamline compliance checks, and reduce fraud.

    c. **Payment and settlement data:** Clearly structured payment instructions, including bank account details, payment terms, and payment methods, facilitating efficient processing, reconciliation, and cash flow management.

    d. **Audit and traceability Information:** Digital timestamps, transaction IDs, and digital signatures or verification metadata, providing robust audit trails for transparency, regulatory compliance, dispute resolution, and fraud prevention.

    e. **Interoperability and alignment with international best practice:** The standard should align closely with established international frameworks, such as EN 16931 and PEPPOL BIS formats, to simplify cross-border transactions and promote seamless integration across business and public-sector accounting systems.

16. While the core objective of e-invoicing standards is to ensure consistency, interoperability, and automation, ICAEW supports the inclusion of optional, controlled extensions to accommodate sector-specific and emerging needs. This approach reflects best practice in international frameworks such as EN 16931 and the PEPPOL BIS Billing 3.0 specification, both of which provide mechanisms for standardised extensions that preserve the integrity of the core invoice structure.

17. Optional extensions should be:

    a. Strictly governed and interoperable, with clear documentation and validation rules;

    b. Modular, so they do not impose additional complexity on users who do not require them;

    c. Targeted, supporting legitimate needs in areas such as the Construction Industry Scheme (CIS) or Plastic Packaging Tax, customs and public procurement metadata, or ESG-related data including CO_2 emissions.

18.   In particular, the inclusion of optional ESG fields – linked to emissions data – would position the UK as a forward-thinking digital economy. This functionality could support Scope 3 emissions reporting and ensure UK firms are prepared for emerging international regulations such as the Carbon Border Adjustment Mechanism, which will require emissions data linked to traded goods.

19.   ICAEW recommends a modular e-invoicing taxonomy that maintains a clearly defined semantic core while offering a framework for optional, standards-based extensions. This would strike an appropriate balance between consistency and adaptability, maximising adoption across diverse sectors while supporting innovation and regulatory readiness.

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

20.   Yes. ICAEW is familiar with EN 16931, the semantic standard mandated across the EU. Developed by CEN (the European Committee for Standardisation) with input from Member States (including the UK prior to Brexit), EN 16931 provides a robust, standardised model for the content and structure of electronic invoices. It ensures consistent interpretation of key invoice data across systems. However, it does not mandate a single syntax or define how invoices are transmitted.

21.   In contrast, PEPPOL offers a full framework for e-invoicing, including technical specifications (such as PEPPOL BIS Billing 3.0) that are compliant with EN 16931, as well as a secure and scalable network infrastructure for exchanging documents. PEPPOL has achieved extensive operational adoption internationally, including in Australia, New Zealand, Singapore, Japan, and others. Its use by NHS England demonstrates its practical value and interoperability within the UK context.

22.   ICAEW recommends that the UK adopt the PEPPOL framework, underpinned by the EN 16931 semantic standard. This approach offers a well-tested combination of semantic clarity, network interoperability, and future-proofing, ensuring alignment with major international partners and supporting seamless cross-border trade.

23.   We would also stress that, from 1 January 2030, businesses in Northern Ireland will be required to comply with this standard (EN 16931) for cross-border transactions within the EU under the VAT in the Digital Age reforms, so alignment here is likely to be crucial. We note that EN 16931 is currently being updated, and the revised version is expected in September 2025.

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

24.   Yes. Feedback from ICAEW members consistently emphasised that adopting a single shared e-invoicing standard in the UK is essential for widespread adoption.

25.   Members highlighted that a unified standard would significantly reduce complexity, lower implementation costs, and ensure interoperability between businesses and government bodies.

26.   Conversely, the absence of a single standard risks fragmentation, confusion, increased administrative burdens, and potentially slower adoption, especially among SMEs.

27.   A clearly defined national standard would provide certainty, encourage rapid uptake, and maximise the economic and administrative benefits of e-invoicing across the UK.

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

28.   ICAEW members identified several practical ways the government could support increased adoption under a voluntary e-invoicing system.

29.   A widely supported suggestion was to offer targeted financial support, such as a grant of around £1,000 per business (perhaps under a certain size), to help cover initial

implementation costs, whether for software, advisory support, or integration work. This kind of upfront support would be particularly effective in encouraging uptake among SMEs.

30. Members also emphasised the value of free, government-backed training and clear technical guidance, to help businesses, especially smaller ones, navigate the transition confidently.

31. A useful precedent here may be the HMRC grant scheme launched in 2018 to support customs declarations training and IT improvements. That programme was well-received by businesses and demonstrates the positive impact that timely, targeted public support can have. We also note similar previous schemes have included: PAYE44020 - Incentive payments for electronic employer returns and the Help to Grow: Digital scheme.

32. One member noted that the government should frame any introduction of e-invoicing as "moving to a better equilibrium, and here's some financial support to help you get there."

33. It is crucial to ensure that all businesses, regardless of size or digital maturity, can access and benefit from e-invoicing. This could include more detailed proposals for digital inclusion initiatives to support businesses with limited digital capabilities. Providing resources and training to digitally underserved businesses will help bridge the gap and ensure a more equitable transition to e-invoicing.

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?

34. ICAEW recognises the potential long-term benefits of mandatory e-invoicing for both business-to-business (B2B) and business-to-government (B2G) transactions, particularly in terms of efficiency, data accuracy, and compliance. However, feedback from our members is clear: any move towards mandation must be approached with caution and care.

35. A significant portion of our membership – especially SMEs and smaller practitioners – expressed concerns about the timing and cost burden of a mandatory rollout. These concerns reflect the broader economic pressures currently facing UK businesses, including inflationary costs, trade frictions, and rising employment taxes (eg, employers' NIC). While some of these pressures may be temporary, introducing another regulatory requirement in this climate, without adequate support, risks disproportionate impacts on smaller firms.

36. As we expand on in our response to question 33, any mandate would raise further policy design questions, including scope thresholds and the design of proportionate enforcement mechanisms.

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

37. ICAEW members represent businesses that vary significantly in size, sector, and digital readiness, so there is no 'one size fits all' implementation timeline. However, members consistently report that any material software or systems change requires a minimum of 24 months to implement, especially when integration with finance systems, workflows, and/or client processes is involved.

38. We therefore recommend that if the government decides to mandate e-invoicing, the implementation date should be 1 January 2030.

39. If announced in the 2025 Autumn Budget, this would provide a clear, achievable four-year roadmap, allowing:

    a. two years for government to consult further on, finalise and publish technical specifications, working with software developers to ensure products comply with the chosen standard; and

    b. two years for businesses to then implement those solutions, supported by training and education.

40. Once the standard has been set, some businesses may adopt e-invoicing voluntarily (prior to mandation), allowing for some further evaluation before the mandate is introduced.

41. Importantly, this timeline aligns with the EU's VAT in the Digital Age reforms, providing consistency for businesses operating cross-border, particularly in Northern Ireland where alignment with EU VAT rules is required under the Windsor Framework. It also avoids potential clashes with other digital tax reform deadlines, such as MTD for income tax and payrolling of benefits.

42. This date is ambitious but realistic and, crucially, credible. Members stressed that the most important feature of any reform timeline is consistency. Shifting deadlines, as we have seen with MTD VAT, MTD for income tax, and the Customs Declarations Service, among other digital reforms, causes costly disruption and damages confidence. Businesses and software developers make significant investments based on official timelines, and late-stage changes can have serious ripple effects across planning and procurement cycles.

43. A phased approach, perhaps including longer adjustment periods for SMEs and businesses with more limited digital capacity, may help to ensure an orderly transition. Clear communication, robust implementation support, and strong engagement with the accounting profession will be critical to success.

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

44. ICAEW members identified several significant barriers to complying with a potential e-invoicing mandate, particularly for SMEs and smaller accountancy practices:

45. **Upfront cost of implementation:** The most frequently cited concern was the cost of upgrading systems or purchasing new software, especially for businesses that currently rely on manual or paper-based processes. This is particularly burdensome in the current economic environment.

    a. **Disruption to workflows and client relationships:** Many smaller practices support clients with varied digital capabilities. Mandating e-invoicing could cause friction in client engagement and require time-consuming changes to well-established workflows.

    b. **Lack of technical capacity and support:** Not all businesses or advisers have in-house expertise to interpret and implement new standards. Without clear, accessible guidance and affordable, user-friendly tools, compliance could be delayed or patchy.

    c. **Uncertainty around standards and interoperability:** Members stressed that the absence of a single, clearly endorsed standard would cause confusion and risk fragmented adoption, increasing the complexity of compliance.

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?

46. ICAEW recognises that centralised models have worked effectively in some jurisdictions, such as Italy, which has seen measurable compliance benefits. One ICAEW member with direct experience implementing e-invoicing in Italy spoke very positively about the centralised model offered there.

47. However, ICAEW supports the government's focus on a decentralised model. This is because of several key factors:

    a. **International convergence toward decentralised models**: Even countries with established centralised systems are evolving. Under the EU's upcoming VAT in the Digital Age reforms, Italy and others will need to decentralise aspects of their models to meet new interoperability and real-time reporting standards by 2035. Many newer adopters, including those using the PEPPOL framework, are also decentralised by design.

    b. **Practical constraints in the UK context**: HMRC does not currently have the capacity or resources to develop and maintain a centralised invoicing infrastructure. A decentralised model would enable market-driven innovation, reduce the burden on government infrastructure, and allow businesses to choose interoperable tools that fit their needs.

 c.   **Support for flexibility and resilience**: A decentralised model avoids single points of failure and encourages a competitive ecosystem of software providers and access points. This enhances system resilience and helps avoid the risk of bottlenecks or outages associated with centralised control.

 d.   **Alignment with existing digital initiatives**: The UK's approach to Making Tax Digital, which relies on third-party software providers and API-based reporting, is conceptually aligned with a decentralised model. Building on this familiar structure may improve adoption and reduce implementation risks.

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

48.   We consider that most businesses are not currently in a position to provide a detailed assessment of how a decentralised 4-corner model would impact their day-to-day operations. Many members are still early in their e-invoicing journey, and familiarity with specific technical models is limited outside of software and systems providers.

49.   That said, we understand the 4-corner model to be broadly consistent with approaches already adopted under frameworks like PEPPOL. If implemented well, with clear standards, robust interoperability, and affordable access, it could offer businesses flexibility in choosing providers, reduce reliance on a single central system, and align with the UK's existing digital tax infrastructure.

50.   However, without strong coordination and oversight, the 4-corner model also risks fragmented service quality or confusion among users. Government and regulators will need to work closely with providers to ensure reliability, accountability, and ease of access across the ecosystem.

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

51.   ICAEW sees real-time reporting as a logical and potentially very valuable long-term goal once e-invoicing is more widely established. It would seem a missed opportunity not to eventually make use of the rich, structured data generated through e-invoicing to support better compliance, faster intervention, and improved policymaking. Over time, real-time or near-real-time access to transaction data could be transformational for HMRC and the government.

52.   However, we have serious concerns about the complexity, readiness, and capacity required to implement real-time reporting effectively, particularly given HMRC's current resourcing challenges and the lack of digital maturity in parts of the economy. Introducing real-time reporting too early could distract from the core priority: implementing a consistent, widely adopted e-invoicing system.

53.   In our view, e-invoicing should be designed with real-time reporting in mind, ensuring that data structures and systems are future-proof. But real-time reporting itself should be treated as a longer-term objective, pursued only once the foundational infrastructure is in place and functioning reliably.

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

54.   ICAEW members recognise the potential for additional services arising from e-invoicing and, eventually, real-time reporting. Nudges and prompts – such as reminders for overdue invoices or alerts about common errors – could offer practical benefits. However, these would require HMRC to develop robust APIs and infrastructure, and on software developers incorporating these features within their software.

55.   Similarly, while the pre-population of VAT returns might be an attractive long-term goal, we would caution against overselling it as a benefit of e-invoicing. Given the complexity of the UK's VAT system – including partial exemption, disallowable inputs, and various sector-

specific adjustments – meaningful automation is likely to be many years away and may not even be possible without serious reform of UK VAT. Presenting pre-population as an incentive risks undermining trust in the programme.

56. In the long run, e-invoicing and real-time reporting could unlock a range of valuable services. These include automated reconciliation, streamlined access to finance, and more dynamic tax and policy tools. Combined with open banking, e-invoicing could provide businesses with powerful tools for cashflow forecasting, tax integration, and business planning. The government should also consider how this consultation aligns with the aims of the HMRC's *Better Use of New and Improved Third-Party Data* consultation.

57. However, the overriding priority must be to ensure the successful, inclusive implementation of a standardised e-invoicing system. These additional services should be seen as future opportunities – not immediate deliverables – and should not distract from getting the foundations right.

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?

58. ICAEW considers that a decentralised model with a defined standard, underpinned by a single shared semantic standard such as EN 16931 and implemented through a proven interoperability framework like PEPPOL, best meets the government's stated policy objectives for e-invoicing.

59. This approach would most effectively deliver against the key policy goals:

    a. **Increased adoption and barrier reduction**: A decentralised model allows businesses to choose from a competitive market of providers, reducing costs and promoting flexibility. A shared standard ensures interoperability and lowers complexity, both of which are essential to uptake.

    b. **Business facilitation**: Structured data flows in a decentralised system would reduce admin burdens, speed up invoice processing, improve visibility of payment status, and reduce late payments, supporting better business cash flow and operational efficiency.

    c. **Error reduction and tax simplification**: Adoption of a clear standard enables automated data capture and validation, which directly reduces human error. Over time, it also creates a foundation for streamlined VAT reporting and modernisation of HMRC systems without requiring immediate, complex changes.

    d. **Fraud prevention and data security**: A decentralised but standards-driven system can include secure protocols such as sender verification, encryption, and audit logs, particularly when implemented through an established and trusted framework like PEPPOL.

    e. **Environmental impact**: A digital-first, machine-readable approach directly reduces the need for paper invoicing, postage, and physical archiving, supporting broader sustainability goals.

    f. **Future-proofing for long-term benefits**: This model lays stable groundwork for future enhancements, including potential incremental implementation of real-time reporting, targeted compliance improvements, and integration with wider business-support schemes, without immediately overburdening HMRC or businesses.

60. In short, this approach balances immediate deliverability with long-term strategic value, and supports both business growth and tax system modernisation.

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?

61. ICAEW welcomes the government's commitment to ongoing engagement with the business and accounting community. The support required will vary significantly depending on whether e-invoicing is pursued as a voluntary or mandatory model.

62. Under a voluntary model, the priority should be building confidence and demonstrating the benefits of e-invoicing. Support should focus on:

    a. Clear, consistent guidance on standards and best practice.

    b. Case studies and evidence of time and cost savings from early adopters.

    c. Collaboration with the software industry to ensure affordable, accessible tools, particularly for SMEs.

    d. Trusted voices, such as accountants and professional bodies, to act as informed intermediaries.

63. Under a mandatory model, additional support would be essential, including:

    a. A minimum 24-month lead-in period.

    b. Early release of technical specifications and standards.

    c. Grant funding for small businesses to help with implementation costs.

    d. A proactive communication campaign and comprehensive training resources.

    e. Strong coordination with the software sector to ensure readiness and choice in the market.

64. In all scenarios, early engagement and a clear roadmap will be critical. ICAEW is ready to support this process and help shape a model that is both effective and workable across the economy.

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

65. Yes, we would welcome further engagement on this.

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

66. Reiterating some points made already, several technical issues warrant further consideration as policy is developed:

    a. **Standard extensibility and flexibility:** The chosen data model (eg, EN 16931) should allow for optional extensions – such as ESG data or sector-specific fields –while maintaining core interoperability. This ensures the system is future-proof and adaptable to evolving business needs.

    b. **Interoperability across platforms and providers:** It's essential that all systems can exchange invoices seamlessly, regardless of software provider. Government should work with industry to define clear technical and governance requirements to support reliable interoperability, particularly in a decentralised model.

    c. **API development and integration with existing systems:** Many businesses will need to integrate e-invoicing with their finance, ERP, or bookkeeping software. Clear specifications and strong collaboration with software vendors will be critical, and HMRC's capacity to support this (especially if a data feed *is* included) should be carefully assessed.

    d. **Data security and retention:** Robust standards around encryption, identity validation, audit trails, and long-term data storage will be essential. These must be proportionate and clearly communicated.

    e. **Digital identity management:** If sender and receiver validation becomes a requirement (as in many models), a clear and accessible approach to digital identity and registration will need to be developed, ideally aligned with international best practices (eg, those used in PEPPOL Access Points).

    f. **Interaction with existing VAT regulations:** Consideration must be given to how an e-invoicing mandate would interact with current VAT invoicing rules. There may be situations where a business is not currently required under VAT rules to issue an

invoice but would become obligated to issue an e-invoice. Clarifying this interaction early will prevent confusion and unintended compliance burdens.

g. **Mandation would lead to further policy questions** that would need to be carefully considered, including: which businesses should be in scope (eg, whether mandation should be tied to VAT registration) and how compliance would be enforced. This includes potential penalties for non-compliance and ensuring a proportionate and practical enforcement regime. These issues must be addressed transparently and collaboratively to ensure any mandatory framework is both fair and workable.

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

67. ICAEW would emphasise the importance of designing any future e-invoicing policy around clarity, proportionality, and long-term value for businesses. The government should be cautious not to frame e-invoicing as a quick fix for tax compliance or efficiency challenges. Its true value lies in improving data quality, streamlining operations, and laying the foundations for future digital transformation.

68. We also urge the government to recognise that the accounting profession will be central to the success of any e-invoicing rollout. Accountants and advisers will often be the ones helping businesses to navigate implementation, interpret requirements, and manage change. Engaging early and often with professional bodies like ICAEW will be critical to getting this right.

69. Finally, while the UK may not be legally bound to EU frameworks post-Brexit, our members strongly support aligning with international standards – for example, EN 16931 and the PEPPOL framework – to ensure interoperability, reduce barriers to trade, and avoid unnecessary divergence. Adopting an isolated or bespoke UK model would likely increase cost, confusion, and complexity.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.

2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.

3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.

4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.

5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.

6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.

7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.

8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.

9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.

10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see https://goo.gl/x6UjJ5).