

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

Comments from Saffery LLP

1. Executive summary

1.1 We welcome the chance to comment on the proposals to promote electronic invoicing across UK businesses and the public sector.

1.2 In summary, our key points are as follows:

- Technology will continue to play a pivotal role in accounting and finance functions, as well as tax reporting and administration. Electronic invoicing is recognised to be an important part of technological advances with respect to how businesses operate on a day-to-day basis.
- The VAT gap is an issue which should be addressed, with technology a key tool in closing the gap, which for 2022/23 was £8.1 billion based on government published numbers.
- Electronic invoicing has been adopted positively in a number of jurisdictions with the aim of reducing the VAT gap, combating VAT fraud, and allowing businesses to trade more efficiently and effectively with respect to raising invoices and getting paid by their customers.
- Experience from other countries suggests a variety of possibilities are available in terms of model and underlying standards, but the consistent message being allow a sensible timeframe for implementation to allow businesses to be ready for any mandated requirements. A landscape of changing implementation dates is unsettling for business at best and disruptive and costly at worst.
- We encourage any positive steps taken by government which make tax reporting more efficient, enabling accuracy, and minimising risk of error.
- Whilst several countries have successfully implemented a model which incorporates government intervention in the invoicing process, or the collection by the tax authority of real-time transactional data, it is doubtful whether such an approach would work in the UK for a number of reasons including available resource within HMRC to be able to analyse the data with the aim of positive outcomes being realised.
- Standardisation of electronic invoicing protocols is key when seeking to promote non-mandated adoption by business.
- We would expect HMRC to work closely with software developers to ensure standardisation is achieved and the cost to business in implementing a standardised model is not prohibitive.

1.3 Section 2 below makes some general comments on the proposals, and section 3 covers our responses to the specific questions raised in the consultation document.

1.4 We would be happy to discuss the points raised here in further detail. If you have any questions, or would like any further information, please contact: Sean McGinness, National Tax Partner, on 0131 221 3217 or email sean.mcginness@saffery.com or Nick Hart, VAT Partner, on 0330 094 2093 or email nick.hart@saffery.com.

2. General points

- 2.1 Electronic invoicing has become prevalent across the globe as governments seek to introduce methods which will both tackle VAT fraud, and leverage technology to improve tax reporting and collection. The UK as a major global economy should not fall behind in the way technology can be used in assuring these outcomes.
- 2.2 The UK's major trading partner, the European Union (EU), has taken steps to mandate electronic invoicing with respect to cross-border supplies, by 2030. This has prompted Member States to begin implementing electronic invoicing processes for domestic transactions as well. Other major economies have or are in the process of implementing some form of mandated electronic invoicing.
- 2.3 Encouraging UK business to adopt electronic invoicing in a non-mandated model will be challenging, if business is not appropriately incentivised.
- 2.4 It is acknowledged electronic invoicing is a natural extension to government's Making Tax Digital, tax administration strategy.

3. Specific consultation questions

3.1 Question 1: About Saffery LLP

- 3.1.1 Saffery LLP (Saffery) is responding to this survey as a both a business which issues invoices to its clients, and also as an accountancy, audit and tax practice which advises its clients on a broad range of matters including compliant invoicing and the implementation of new technologies into their accounting and finance functions.
- 3.1.2 Please refer to section 4 for further details.

3.2 Question 2: Are you UK or internationally based?

- 3.2.1 Saffery is based in the UK.
- 3.2.2 Overseas, Saffery is represented in Cayman, Guernsey, Geneva, Zurich, Dublin and Dubai.

3.3 Question 3: our views

- 3.3.1 The views offered in this response of the views of Saffery.

3.4 Question 4: Where does the business operate?

- 3.4.1 See 3.2.
- 3.4.2 Saffery has clients which are based all across the UK, but also Saffery has international clients based across the EU and outside the EU.

3.5 Question 5: What is your industry sector?

3.5.1 Accounting, audit and taxation services.

3.6 *Question 6: Business size*

3.6.1 Saffery has in excess of 100 partners and 1,000 employees.

3.6.2 The annual turnover is £125 million.

3.6.3 Saffery clients are a mix of corporates and private individuals. For the purposes of this consultation, we have not sought to estimate a split.

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

3.7.1 Since 1855.

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

3.8.1 No. Saffery has an internal accounting and finance function.

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

3.9.1 Not answered.

3.10 *Question 10: What is your interest in e-invoicing?*

3.10.1 Saffery is both a tax/accountancy provider and a potential user of e-invoicing.

3.11 *Question 11: Prior knowledge of e-invoicing*

3.11.1 As an accountancy and taxation adviser to its clients, Saffery is fully aware of the concept of e-invoicing including its adoption in a number of other countries.

3.11.2 For our own business we have previously chosen not to adopt it.

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

3.12.1 Saffery does not currently use e-invoicing.

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

3.13.1 Not answered.

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

3.14.1 Our billing model is such that e-invoicing has not been something that would have benefitted our business.

- 3.14.2 Saffery has both private and corporate clients, both domestic and international.
- 3.15 *Question 15: How many invoices do you send and receive each month?*
 - 3.15.1 This would be in the thousands.
- 3.16 *Question 16: What is your average processing time and cost per invoice?*
 - 3.16.1 Not answered
- 3.17 *Question 17: Do you currently use bridging software for Making Tax Digital purposes?*
 - 3.17.1 Saffery does not use bridging software. Many of our clients do use it.
- 3.18 *Question 18: Do you think there are any other benefits and priorities on e-invoicing that government should focus on?*
 - 3.18.1 Not answered.
- 3.19 *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?*
 - 3.19.1 Saffery has no preference regarding the structure of information. We would expect government to consider standards which incorporate data which businesses typically rely on, and recognise, for issuing and receiving invoices.
 - 3.19.2 Saffery would also encourage government to consider standards and structures which are widely compatible, and which do not place undue commercial or financial burdens on business.
- 3.20 *Question 20: Are you familiar with any e-invoicing standards? If yes what is your preference on what works well and why?*
 - 3.20.1 We are familiar with several e-invoicing standards adopted by other countries.
 - 3.20.2 We do not have first-hand experience of which standards work well, and which would be more challenging to adopt. We do not have a preference.
 - 3.20.3 Anecdotally, we understand adoption of e-invoicing in Mexico for example has been largely successful. The method used in Mexico is CFDI (Comprobantes fiscales digitales por internet). Under CFDI businesses are required to establish a web-based connection to a digital signature service provider, who verifies and certifies e-invoices created. Communication between the business and the digital signature service provider is through XML messages. Once invoices have been validated and digitally stamped, the business is then able to issue in XML or PDF format.
- 3.21 *Question 21: Would the UK adopting a single shared standard encourage you to take up e-invoicing?*

- 3.21.1 Our adoption of e-invoicing in the future would be based on several factors including the firm's digital strategy as well as its net-zero strategy.
- 3.21.2 Any considerations to adopt e-invoicing will necessarily include proposed standards by the government but many other financial, commercial and operational factors will also need to be considered.
- 3.22 *Question 22: Do you have any suggestions on how the government could support increased adoption under a voluntary system?*
- 3.22.1 Businesses would need to be incentivised for voluntary adoption to increase. Incentives in this context would likely include support from government in the form of a robust, well-supported, well-resourced model, which business could implement, which is not cost prohibitive and without undue disruption. Business would welcome a co-ordinated and structured implementation, with appropriate lead times, access to qualify training and support, and full engagement from HMRC.
- 3.22.2 A phased sector specific approach may provide sufficient positive data as to the overall benefits realised by electronic invoicing, in terms of efficiency and accuracy, which would encourage wider non-mandated adoption through appropriate messaging. Mandating certain sectors to adopt electronic invoicing as part of an initial phase may provide the opportunity for such positive data to become available.
- 3.23 *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?*
- 3.23.1 There are a number of considerations for mandatory e-invoicing:
 - a. The type of e-invoicing process to be mandated.
 - i. Would this include real-time or near real-time transactional reporting to HMRC or would implementation be limited to raising invoices in an electronic format?
 - b. The timeline for implementation – we see significant challenges arising in countries attempting to mandate e-invoicing, including in the EU.
 - i. Regular postponed go-live dates have been witnessed in several EU Member States over recent months and years, and this can result in additional costs for business in terms of preparation and training, as well as the frustration and inconvenience factor.
 - c. The readiness and cost of technology.
 - i. To what extent would new systems integrate with existing accounting and finance software

- ii. What would the cost to business be of implementing new software into existing processes, and the associated training that would be required
 - iii. A realistic timeline is important for full testing in an offline environment.
 - d. A realistic go-live date allowing at least 24 months preparation time.
 - e. If additional data was to become available to HMRC as a result of e-invoicing, what would HMRC do with that data and would it have the resource to make interrogation of data a meaningful and effective process, with the aim being to reduce fraud and narrow the VAT tax gap?
 - f. Network capacity would need to be sufficient to handle large volumes of transmissions.
 - g. Electronic invoicing is not just a finance or accounting function. Larger, more complex organisations will need sufficient time to prepare to ensure all relevant departments and teams are aware of the requirements.
 - h. Risk of data security, loss of data and outages.
- 3.24 *Question 24: If the UK was to introduce a mandate, how long would you need to implement e-invoicing in your operations?*
- 3.24.1 A minimum of three years.
- 3.25 *Question 25: What would present a significant barrier to you complying with a mandate?*
- 3.25.1 Cost, integration with existing systems, time to implement
- 3.26 *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?*
- 3.26.1 Implementing a centralised model would be a major upheaval for current business processes, and would require government to invest significant resource into the model. This level of change has been necessary in a number of countries to combat alleged high levels of fraud.
- 3.26.2 Whilst the UK VAT tax gap is a concern, a centralised model is not necessarily required to reduce that VAT tax gap. A decentralised model would seem the logical choice.
- 3.27 *Question 27: How would a decentralised 4-corner model impact your business operations?*
- 3.27.1 Not answered.
- 3.28 *Question 28: What are your views on an e-invoicing system with real-time reporting for Business-to-Business and Business-to-Government transactions?*

3.28.1 Not answered.

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

3.29.1 Not answered.

3.30 *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?*

3.30.1 Not answered.

3.31 *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?*

3.31.1 Mandated approach.

- a. Business would expect a sensible time frame to implement the necessary processes ready for a go-live date.
- b. The technology necessary to meet the requirements set by a mandated approach should be readily available and not cost prohibitive.
- c. Published guidance from HMRC, on all details with respect to the mandated system to be available well in advance of the go-live date and to be fully proof-read and tested by third parties (including select businesses) prior to wider publication. The guidance should be easy to find through HMRC's website, and all in one place.
- d. HMRC to consider dedicated phoneline for enquiries.

3.31.2 Voluntary approach

- a. The technology necessary to meet the requirements set by a mandated approach should be readily available and not cost prohibitive.
- b. Published guidance from HMRC, on all details with respect to the mandated system to be available well in advance of the go-live date and to be fully proof-read and tested by third parties (including select businesses) prior to wider publication. The guidance should be easy to find through HMRC's website, and all in one place.

3.31.3 Centralised model

- a. In addition to the above the following would be expected within a centralised model.
- b. HMRC to invest in the appropriate technology to build a robust, fit-for-purpose, and future proof (to a reasonable degree), central system.

- c. Planned downtime to the central system to be notified to businesses, well in advance.
- d. HMRC to safeguard against unplanned outages through availability of an alternative process, or a dedicated service level in terms of time frames to resolve technical issues without business being unduly impacted.
- e. HMRC would have direct access to a significant amount of real-time transactional data. That being the case and assuming HMRC would use such data for assurance activities with respect to VAT accounting, it is expected that HMRC invest the appropriate level of resource into data analytics, so the outcome of any analysis is positive and benefits both business and HMRC in the reporting and administration of the tax.

3.31.4 Decentralised model

- a. Standardisation in a decentralised model is vital to ensure software being issued is capable of receiving electronic invoices in a required format, regardless of the software through the invoice was issued – ie an invoice issued through Software A would need to contain standardised information to be able to be read and posted as a purchase invoice in Software B, C or D alike.
- b. Software platforms would need to be certified by HMRC as being approved for electronic invoicing purposes. HMRC would need to invest sufficient resource into testing and approving software and provide clear public information as to which software had been certified for use with a decentralised model of electronic invoicing.
- c. Sufficient time would need to be allowed for software developers to create the necessary platforms for requirements specific by HMRC, to be met within the model.
- d. Whether or not a decentralised model incorporates an element of real-time transactional data sharing with HMRC, would need to be considered. If that were the case it is expected that HMRC invest the appropriate level of resource into data analytics, so the outcome of any analysis is positive and benefits both business and HMRC in the reporting and administration of the tax.
- e. Sufficient lead time, including time for training and testing, would be expected as insufficient time to prepare would likely have a significant impact on businesses ability to trade effectively and the economy in general.

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

3.32.1 Yes – please refer to 1.1 for contact details.

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

3.33.1 Not answered.

4. About Saffery LLP

- 4.1 At Saffery, we're more than just chartered accountants and tax and business advisers. We're a partner-led and people-focused firm, committed to our clients and honouring our heritage.
- 4.2 Since 1855, we've evolved in size and scope, but our unwavering dedication to exceptional client service remains the same.
- 4.3 As a proud member of Nexia, a worldwide network of trusted member firms, we've got access to local insight on a global scale.
- 4.4 In the UK, Saffery LLP is the 15th largest accountancy firm by fee income, with 90+ partners and 1,200+ staff across nine offices. Overseas, Saffery is represented in Cayman, Guernsey, Geneva, Zurich, Dublin and Dubai.