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21 October 2025

Peter Kyle MP
Secretary of State for Business and Trade
Old Admiralty Building
Admiralty Place
London
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Dear Secretary of State for Business and Trade,

As you continue to consider action to support economic growth, we are writing to you to request that the UK Government seize this moment and unlock the benefit that e-invoicing can bring to the UK's digital economy.

The UK has a thriving digital economy and many of the building blocks are in place to support businesses to digitise their processes. As part of this, e-invoicing is a vital tool for the UK Government's ambitions to boost productivity, improve access to working capital, and also support in tackling late and other poor payment practices, which government estimates currently cost the UK economy £11bn each year.[1]

E-invoicing is the replacement of paper and other unstructured data formats with a structured invoice capable of being delivered and processed automatically.

However, the UK is a relatively late adopter of e-invoicing and further delaying the shift could risk undermining our future competitiveness. Certainty and a map for the road ahead will unlock investment from the tech companies that will build the relevant functionality for compliance in the UK. Without a clear commitment to e-invoicing, their product development, innovation and roadmap will be hindered.

We propose that the government provide a clear signal on the phased introduction of e-invoicing, building on the foundations of Making Tax Digital (MTD) and starting with Business-to-Business transactions for VAT-registered businesses. The MTD programme means that all UK VAT registered businesses are already using software within their business. However, improving the productivity requires digitising the connections between businesses. Globally, e-invoicing is recognised as an effective way to achieve this.

[1] Department for Business & Trade (2025) 'Backing your Business: Our Plan for Small and Medium Sized Businesses' https://assets.publishing.service.gov.uk/media/688b1f6f1affbf4bedb7b11d/our-plan-for-small-and-medium-sized-businesses.pdf

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Phasing the roll-out in this way will provide long-term certainty to businesses over the government's direction of travel, whilst ensuring that small businesses that are not VAT registered have the time to build, deploy and adopt e-invoicing.

As you are already aware, the adoption of e-invoicing leads to well-documented benefits including:

- Reduced fraud and administrative costs.
- Increased productivity and financial transparency.
- Enhanced tax compliance.
- Improved cashflow and access to working capital.
- Near real-time economic insights for government policymaking along with more usable data for an AI-powered and integrated digital economy.

Alongside this, other states are realising the benefits that e-invoicing can bring. For example, Italy, who mandate e-invoicing, experienced over a 10% reduction in its VAT gap. Other governments, including France and Belgium, are moving ahead on a phased approach to mandate e-invoicing, recognising the productivity benefits that this can bring. In Australia and New Zealand, all central government agencies are required to accept e-invoices via the Peppol network, demonstrating signals to support the adoption of e-invoicing.

We were pleased to see the UK Government's Small Business Plan include measures to tackle key small business challenges, including late payments and other poor payment practices. E-invoicing could reduce incidents of late payment by 20%,[2] and support UK small businesses in getting paid faster and in accessing external finance. Previous examples in the UK such as Auto-Enrolment and Real-Time Information (RTI) show that while mandatory changes can face initial resistance, they ultimately deliver substantial long-term benefits.

UK SMEs are resourceful and resilient, yet they continue to operate in a difficult economic environment. The right digital infrastructure and industry-led support can ensure they are not left behind. We recognise that SMEs often face barriers to technology adoption and reiterate the need for standards, clear guidance, the right support infrastructure and sources of information to be in place to ensure wide success of e-invoicing in the UK.

Signatories of this letter are committed to building, and supporting, the solutions that make e-invoicing work for the UK economy. We stand ready to partner with this government to ensure that this transition works for the whole economy.

Yours sincerely,

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[2] Sage (2025) 'Sage finds small European companies can unlock 13,500 in annual savings with e-Invoicing' https://www.sage.com/en-gb/company/digital-newsroom/2024/06/06/sage-finds-small-european-companies-can-unlock-in-annual-savings-video/

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CC: Parliamentary Under-Secretary of State (Minister for Small Business and Economic Transformation), Blair McDougall MP and Exchequer Secretary to the Treasury, Daniel Tomlinson MP.