



Q&A: HMRC SPEAKS TO ITFA ABOUT PLANS TO ENCOURAGE WIDER ADOPTION OF E-INVOICING, May 2025

By **Rebecca Song**, Editorial Consultant

The UK's tax authority HMRC is keen to work with industry bodies such as ITFA as it seeks to develop standardised e-invoicing and encourage wider up-take of e-invoicing by businesses across the country. ITFA board member **NLN Swaroop** spoke to **Rachel Stirrat**, HMRC's e-invoicing policy and external stakeholder lead to get the latest on the current consultation process and the next steps for policy makers.

Earlier this year the UK's tax authority HMRC opened a consultation on standardised electronic invoicing, calling for industry experts and businesses to contribute their views on how they currently use e-invoicing and what could be done to encourage them to increase their use of e-invoicing.

The consultation closed 7 May, and the responses are being analysed to present findings to government ministers before further detailed discussions begin.

ITFA is following the consultation process closely, given the organisation's interest in topics related to the digitisation of business and trade, the creation of valuable digital payment data, and improved access to trade finance.

E-invoicing is far from a new concept, and the UK is behind many other countries that have already implemented standardised e-invoice regimes – some of which are mandatory and government-run.

However, HMRC is hoping that by being a 'late adopter', the UK will be able to benefit and learn from the successes and mistakes of existing models. ITFA and its members are well-positioned to help provide feedback and guidance as HMRC continues to develop its policies.

As head of ITFA's Trade Finance Investment Ecosystem (ITFIE) and keen interest in digitisation, NLN Swaroop wanted to find out more on the consultation and the role ITFA could play.

Swaroop: As a starting point, could you explain what e-invoicing actually is? I think often the average person might confuse it with just sending an invoice in a pdf by email.

Stirrat: We are definitely not talking about sending a pdf invoice by email. When we talk about e-invoicing – it is a form of structured machine-readable data that can be sent from one company's system to another company's system and doesn't require any manual processing to input the data into the receiver's system.

It is of course still an invoice, meaning it won't trigger any payments, and all the required checks will still need to be done. It is also important to note that this is not a new technology and has been in use by many companies for a number of years. Other countries have already established their own standardised e-invoicing systems – some of which are mandatory for businesses to adhere to.

Swaroop: Why is e-invoicing important to HMRC?

Stirrat: E-invoicing is to a certain extent already used in the UK. For instance, NHS England asks for electronic invoices from suppliers. But we are seeing increased e-invoicing around the world, so it is increasingly important for us to look at the different ways it is being used as it will start to affect UK companies' ability to trade.



We have two policy objectives regarding this consultation. One, we want to understand how e-invoicing can close the tax gap. By automating the process, you may reduce that error and help people pay the right tax at the right time. The other objective is slightly broader in that we are looking at how e-invoicing can improve productivity. Indeed, this consultation is being run as a joint initiative between the HMRC and the Department for Business and Trade to see how e-invoicing could improve payment cycles and drive economic growth.

Swaroop: How does this global increase in e-invoicing affect UK businesses? Why should they be concerned?

Stirrat: To be clear, we are at the early stages of policy development and testing out all our hypotheses. We are looking at whether e-invoicing speeds up payment cycles – and there are some suggestions from other countries that it does.

Also, we are expecting an impact on UK companies trading in Europe, given new EU legislation for cross-border trade which will require many European businesses to ask all their trading partners to provide e-invoices.

Our consultation will look at what kind of e-invoicing regime should the UK have. Should it be mandatory – as it is for certain sectors in number of Latin American countries? How could this effect businesses? We want to understand both the opportunities and challenges so we can provide the best information to ministers to ensure they can make informed decisions.

Swaroop: Why is the UK behind so many countries in developing an e-invoicing system?

Stirrat: Yes, e-invoicing has been around for a while. We've seen it used frequently in Europe for public procurement as well as here in the UK. We have seen countries in Latin America become early adopters of e-invoicing as a way to tackle the challenges of fraud and tax avoidance.

We are now at a tipping point where more and more countries are moving to mandatory models, and we are seeing a fragmentation in approaches. With the current government keen to help drive growth, we are eager to look at e-invoicing from a productivity standpoint as well as a means of improving tax efficiency.

Swaroop: How have the experiences in other countries shaped HMRC's thinking? What lessons have been learnt?

Stirrat: We are very much in the process of trying to work out what model would work best. There are different models around the world depending on their policy objectives. Those in Latin America tend to be more centralised and rely on government-owned platforms, whereas those in New Zealand and Singapore are more decentralised. We are currently leaning towards decentralised models, which is the same direction Europe seems to be moving to. Creating a centralised system that caters for all sectors could be challenging – and may not be needed given there is a competitive private market developing which can provide platforms for e-invoicing that may be better suited to each industry. We are hopeful that by being a late adopter – we can get a lot more information to help us get to where we want to be.

Swaroop: How could e-invoicing accelerate access to finance, including trade finance?

Stirrat: We are interested in improving access to finance – whether that be working capital or trade finance. Our working hypothesis is that e-invoicing will create valuable data and visibility over a company's cashflow, which finance providers can use to make better informed lending decisions. Our consultation will hopefully test if this assumption is correct.

Swaroop: How will you tackle the issue of data security when companies use e-invoicing?



Stirrat: We understand that invoice data is very sensitive and there will be a need for proper data security. As we improve our understanding of how e-invoicing is being used, we hope to develop a set of data security standards. This will provide businesses with a greater degree of reassurance when choosing which e-invoice provider to use.

Swaroop: You say you are leaning towards a ‘decentralised’ model – what are your reasons behind that?

Stirrat: There has been no final decision made on this. This is something ministers will need to make a decision on. We think a decentralised model may be more business friendly. But this doesn’t mean this is something we can’t rethink if consultation responses indicate otherwise.

Swaroop: Looking to the future, what does success look like? What would be a good outcome from this consultation process?

Stirrat: Our goal is to achieve the objectives our ministers have already set out for us. In order to support business growth, we will need to get an overview of e-invoicing uptake and how businesses can use tech to help them spend less time on data entry of invoices, less time chasing invoices and improve payment cycles. And then on the tax compliance side, we hope to see how we can reduce errors in recording VAT in tax returns.

Swaroop: How could ITFA members continue to support the development of an e-invoicing policy and what are the next steps for HMRC?

Stirrat: What is useful for us to understand from organisations such as yours, is what are the things that worry you and you need an answer to? What are the niggly things – problems that can probably be overcome but you still need an answer to.

We are not an expert on every aspect of e-invoicing which is why we need organisations like ITFA to inform us on things we need to know. What I find in my job, is that the things that are obvious to people in one sector, are not necessarily obvious to those in other places such as the policy makers.

The consultation is now closed, and our team will go through our responses and put the information forward to ministers. It is then in the ministers’ hands on what happens next. Ultimately, we hope to publish a summary of responses document alongside a plan for next steps.

Once ministers have decided on what direction the policy development process will take, we still need to get into the ‘nitty gritty’ of what would make a successful e-invoicing regime in the UK. We will continue to be keen to work with industry experts as we try to understand different sectorial needs.

For more information on HMRC’s consultation, [click here](#).

To contact NLN Swaroop, please click [here](#)