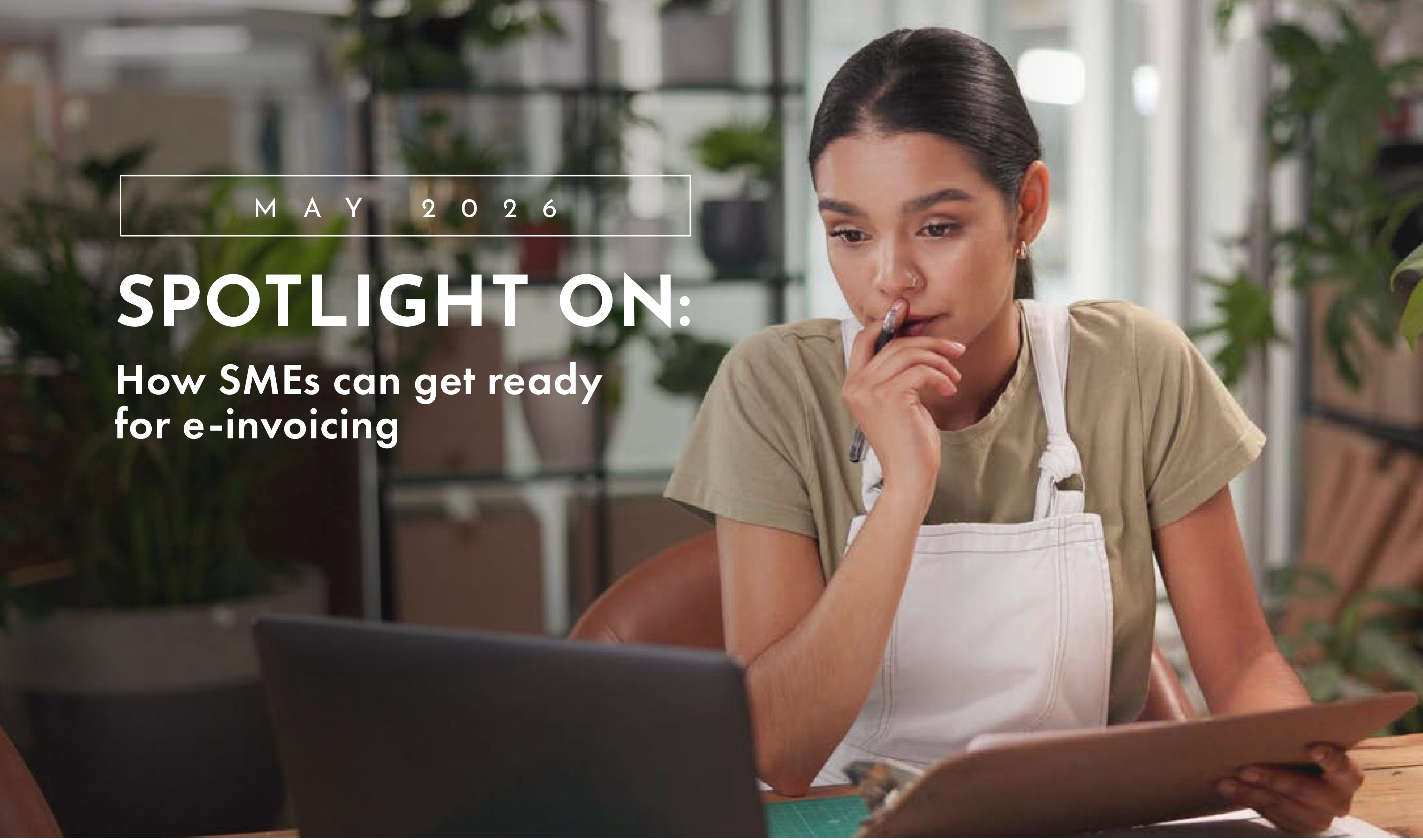

MAY 2026

SPOTLIGHT ON:

How SMEs can get ready for e-invoicing

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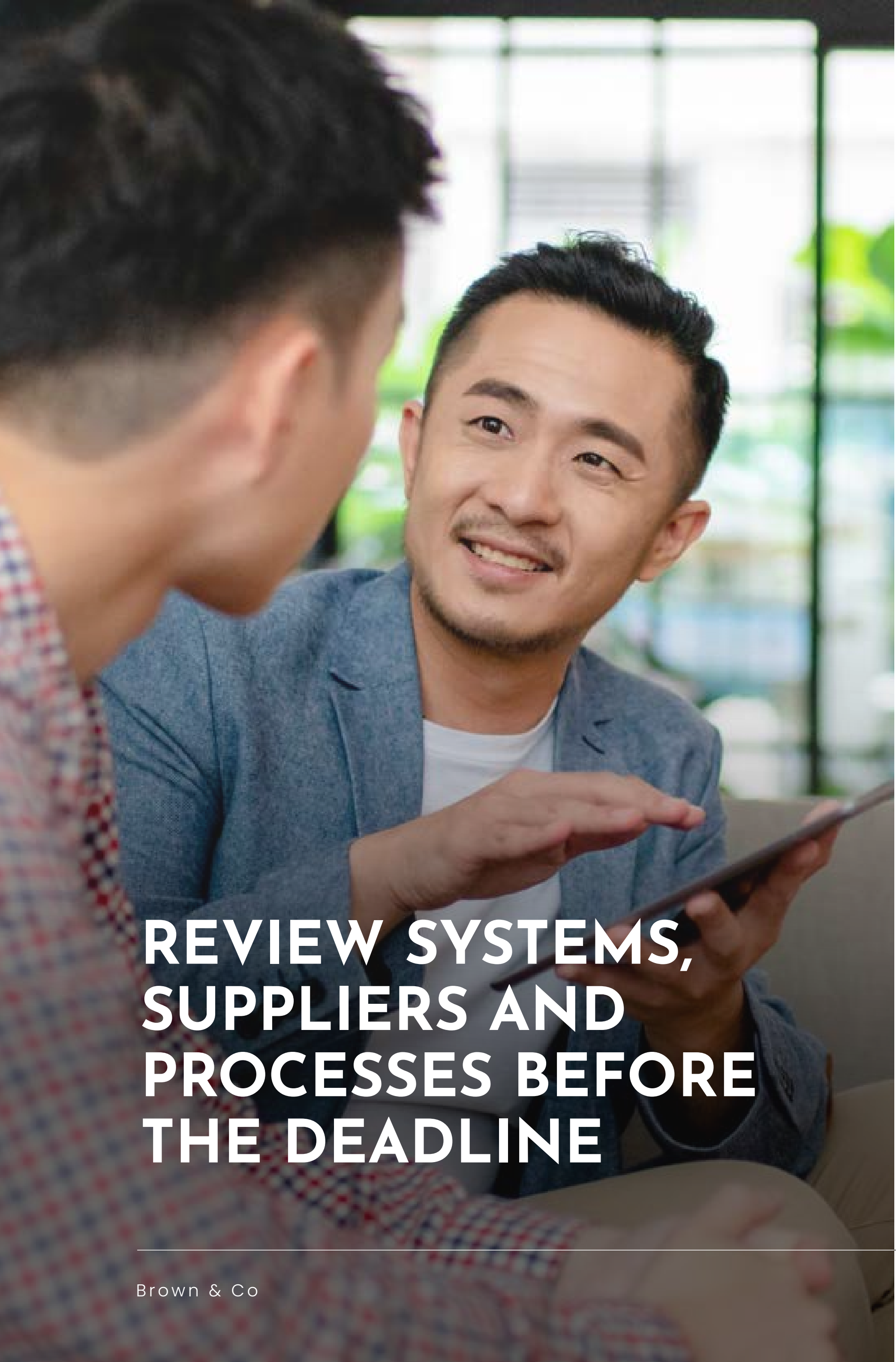


REVIEW SYSTEMS, SUPPLIERS AND PROCESSES BEFORE THE DEADLINE

E-invoicing has moved from a back-office improvement to a planning issue for UK businesses. The government has said that all VAT invoices will need to be issued as e-invoices from April 2029. In practice, that mainly affects business-to-business and business-to-government VAT invoices, rather than ordinary business-to-consumer sales. The detailed UK roadmap and standards are still being developed, which means there is time to prepare, but it also means businesses should start with the basics rather than wait for the final rulebook.

For many SMEs, the sensible response is not to rush into a full system change. It is to get the foundations right now: invoice data, VAT treatment, software capability, customer and supplier records, approval steps, and payment controls. A business that tidies those areas early will be in a much stronger position when the UK regime is finalised.

That matters because e-invoicing is often misunderstood. In HMRC research published in March 2026, 59% of VAT-registered SMEs said they were familiar with e-invoicing, but only 29% said they actually used it. The same research found that the most common invoicing method was still PDF or email, followed by paper or physical mail. That gap matters because sending a PDF by email is not the same as structured e-invoicing.

WHAT E-INVOICING ACTUALLY MEANS

The government's definition is clear. E-invoicing is the digital exchange of invoice information directly between buyers' and suppliers' financial systems, even where those systems are different. The result is an invoice that can be written into the buyer's finance system automatically, without manual rekeying. HMRC's research also describes an e-invoice as one that is issued, transmitted and received in a structured format, which allows automatic electronic processing.

That distinction is the starting point for readiness. If your team creates an invoice in one system, saves it as a PDF, emails it over, and the customer then re-enters the data manually, you may have a digital document, but you do not have end-to-end e-invoicing. That process still creates room for manual error, delay, disputes over missing information, and extra work at both ends.

For SMEs, that means the question is not just whether invoices are digital. It is whether the invoice data can move cleanly from one system to another in a usable format. Businesses that understand this early will make better software and process decisions.

WHY SMES SHOULD CARE BEFORE 2029

It is easy to treat 2029 as distant. For most businesses, that would be a mistake. E-invoicing affects more than tax compliance. It touches order processing, billing accuracy, approvals, credit control, supplier relationships, purchase ledger workflows, and cash collection.

Government documents published over the past year have repeatedly linked e-invoicing with lower admin, faster processing, fewer errors and better cashflow. In the official consultation response, respondents highlighted efficiency gains, automation, faster payment processing, improved compliance and fewer errors. The government has also said that stronger standards should make it possible for businesses using different providers to issue and receive e-invoices automatically when trading with other UK VAT-registered businesses.

The cashflow point is worth pausing on. Late payment remains a serious UK business issue. In the government's March 2026 response on late payments, businesses were estimated to be owed £26 billion in late payments at any given time, with an average of £17,000 per affected business. More than 1.5 million businesses are affected each year, and affected firms spend an average of 86 hours a year chasing overdue payments.

E-invoicing will not solve late payment on its own. A customer who pays slowly can still pay slowly. But a cleaner invoicing process can remove some of the avoidable friction that holds payment up: incorrect fields, missing purchase order numbers, mismatched VAT treatment, duplicate entry, disputed invoice dates, or delays in routing an invoice to the right person for approval.

There is also a fraud angle. The government's Fraud Strategy 2026-2029 warns that criminals impersonate legitimate organisations in supply chains by intercepting emails and sending fake invoices. It says mandatory e-invoicing is intended in part to reduce interception risks by moving invoices through secure digital systems.

So the business case is broader than "getting ready for HMRC". It is about building a billing process that is faster, cleaner and harder to interfere with.

THE UK POSITION IN THE 2026/27 TAX YEAR

For the current 2026/27 tax year, the VAT standard rate remains 20%. The VAT registration threshold remains £90,000 and the deregistration threshold remains £88,000. Businesses above the registration threshold must register for VAT, while businesses below it may still choose to register voluntarily.

This is important because the planned e-invoicing mandate is tied to VAT invoices. The consultation response says the smallest businesses that are not required to register for VAT, and do not choose to register, will not be obliged to adopt e-invoicing because the mandate is for VAT invoices. Even so, some businesses below the threshold may still need to adapt in practice if larger customers or suppliers expect structured invoicing as part of their own systems.

There is also a wider digital direction in UK tax administration. From 6 April 2026, Making Tax Digital for Income Tax applies to sole traders and landlords with qualifying income over £50,000, with lower thresholds following in later years. That is separate from e-invoicing, but it points in the same direction: more structured digital records, more software-led processes, and less tolerance for patchy manual systems.

WHERE MANY SMES ARE STARTING FROM

The good news is that many SMEs already have part of the infrastructure they need. The Longitudinal Small Business Survey 2024 found that 80% of SME employers used accountancy software and 62% used electronic invoicing or related tools. Usage was higher in larger SMEs than in micro businesses.

At first glance, that seems to sit awkwardly with HMRC's finding that only 29% of VAT-registered SMEs use e-invoicing. The most likely explanation is that businesses use the phrase "electronic invoicing" in different ways. Some mean structured system-to-system invoicing.

Others mean generating invoices digitally and sending them by email. That is exactly why SMEs need to get specific when they review their current process.

For many businesses, the real starting point is not technology. It is clarity. You need to know what your current invoicing process does, what data it produces, where errors creep in, and whether your software can exchange invoice data in a structured way with the systems your customers and suppliers actually use.

PRACTICAL STEPS SMES CAN TAKE NOW

1. MAP YOUR CURRENT INVOICING PROCESS PROPERLY

Start with a simple process review. Look at how sales invoices are raised, approved, sent, chased and matched to payment. Then do the same for purchase invoices coming in.

Ask basic questions:

- Where is invoice data first created?
- Who checks VAT treatment?
- How often are invoices held up because a field is missing?
- Do customers reject invoices because of format or purchase order issues?
- How many steps still depend on a person retyping data?

This exercise usually shows where the real work sits. In many SMEs, the bottleneck is not the accounting package itself. It is the quality of source data and the number of manual handoffs around it.

2. SEPARATE DOCUMENT FORMAT FROM DATA FORMAT

Many businesses think they are further along than they are because invoices are already created digitally. That is useful, but it is not the same as structured exchange.

A PDF is designed for a person to read. A structured e-invoice is designed for systems to read and process automatically. When you speak to software providers, make sure the discussion stays at data level. Ask how invoice information is created, transmitted, received and validated, not just how it looks on screen.

3. REVIEW YOUR CUSTOMER AND SUPPLIER MASTER DATA

E-invoicing only works well when the underlying records are clean. This is one of the least glamorous parts of the project, but it has a direct impact on billing success.

Check:

- legal entity names
- trading names
- VAT numbers
- billing addresses
- delivery addresses
- purchase order requirements
- contact details
- payment terms
- reference fields used by key customers

If those records are inconsistent, e-invoicing will quickly expose the weakness. A structured system is less forgiving than a manual one.

4. CHECK YOUR VAT LOGIC AND INVOICE CONTENT

A business does not need to wait for 2029 to improve VAT accuracy. Review whether your invoicing process consistently applies the correct VAT rates, exemption treatment, reverse charge rules, and invoice wording where needed.

The government has linked e-invoicing with better tax accuracy and fewer VAT errors. That benefit will only appear if the tax logic in the source system is correct in the first place.

For SMEs with mixed supplies, partial exemption issues, international customers, or sector-specific VAT treatments, this review is especially useful. It is better to fix tax coding now than try to correct it after new processes are embedded.

5. TALK TO YOUR SOFTWARE PROVIDERS EARLY

Your accounting or ERP provider should be able to explain where its e-invoicing roadmap sits today. The UK has not yet published all the final standards, but the consultation response makes clear that interoperability and common standards are central to the policy direction. It also refers to international frameworks such as Peppol and standards such as EN16931 in the discussion around compatibility.

When you speak to providers, ask practical questions:

- Can the software send and receive structured e-invoices?
- What formats or networks does it support today?
- How will it handle UK roadmap changes when they are confirmed?
- Can it validate invoice fields before sending?
- How does it handle exceptions and rejected invoices?
- Can it work with your existing stock, order and payment systems?
- What will onboarding customers and suppliers involve?

Do not buy on marketing language alone. Ask for a live explanation of how the data moves.

6. PRIORITISE THE CUSTOMERS AND SUPPLIERS THAT MATTER MOST

Not every trading relationship needs the same level of attention at the same time. Start with the businesses that account for the largest invoice volumes, the highest values, or the most frequent disputes and delays.

A phased approach usually works best. If a small number of customers account for most of your outbound invoice value, test readiness there first. On the purchase side, look at suppliers where invoice handling is time-consuming or where approvals often get stuck.

The point is to build a manageable pilot, not to redesign every process in one go.

Even with structured invoicing, some invoices will still fail validation, arrive with missing references, or need manual review. SMEs should decide now how those exceptions will be handled

7. TIGHTEN YOUR APPROVAL AND EXCEPTION HANDLING

Even with structured invoicing, some invoices will still fail validation, arrive with missing references, or need manual review. SMEs should decide now how those exceptions will be handled.

Set out clear ownership for:

- invoice validation failures
- disputed charges
- missing purchase order numbers
- credit note requests
- duplicate invoices
- supplier changes to bank details
- blocked payments

This is also where fraud controls matter. Email remains an easy route for invoice interception and fake bank detail requests. Stronger approval rules and independent bank detail checks are still needed even if e-invoicing becomes more common.

8. LINK INVOICING TO PAYMENT PERFORMANCE

Readiness should not be measured only by whether an invoice can be sent in a new format. Measure whether the process improves payment outcomes.

Track items such as:

- time from job completion to invoice issue
- percentage of invoices rejected first time
- average days to approval
- average days to payment
- number of invoice disputes
- credit notes caused by invoicing errors
- staff time spent on rework and chasing

This helps turn e-invoicing from a compliance topic into a commercial one.

9. TRAIN THE TEAM THAT ACTUALLY USES THE PROCESS

Finance should not own this alone. Sales, operations, customer service, procurement and IT all affect invoice quality. A missing PO number may come from sales. Wrong pricing may come from operations. Supplier bank detail changes may sit with procurement. System access may sit with IT.

A short training session on invoice data standards, approval rules, fraud checks and escalation points can prevent a lot of avoidable friction later.

10. KEEP WATCHING THE UK RULES, BUT DO NOT WAIT FOR EVERY DETAIL

The Government has said the UK will publish a roadmap and develop standards ahead of the 2029 mandate. That means businesses should monitor official updates, but it does not mean sitting still. The work that matters most now, clean data, good VAT treatment, software capability, process ownership and supplier/customer engagement, will still be useful whatever the final model looks like.

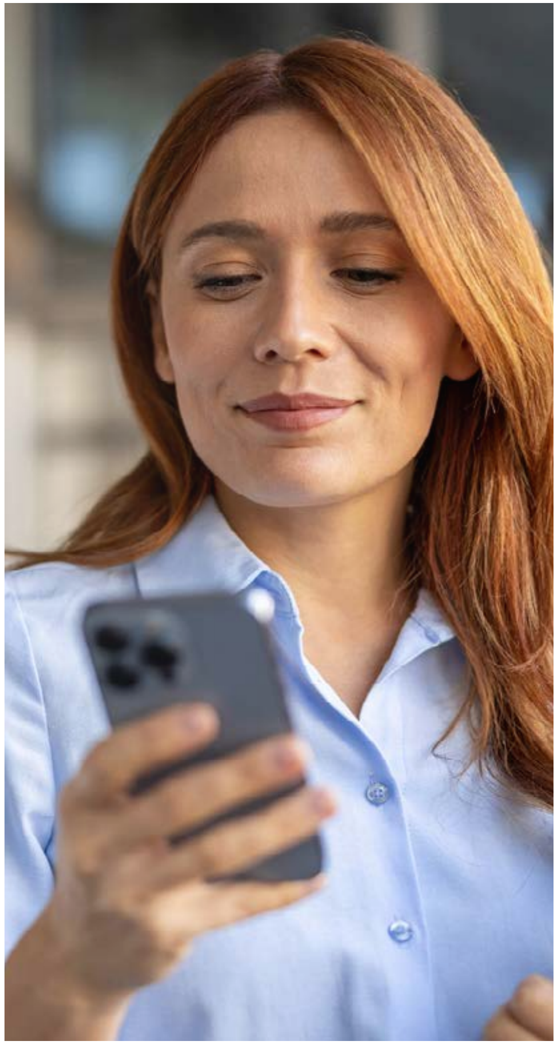
WHAT TO DO NEXT

The best way to think about e-invoicing is not as a single deadline in 2029. It is a gradual move towards cleaner business data and less manual work. For SMEs, that is a useful discipline whether the immediate driver is compliance, payment speed, fraud reduction or internal efficiency.

A business does not need a perfect future-state design to begin. It needs a realistic view of how invoices move through the organisation today, where data breaks down, which systems need to talk to each other, and which customers or suppliers should be tackled first.

In the current 2026/27 tax year, the immediate task is preparation, not panic. Review your invoicing process. Check software capability. Clean up master data. Test VAT logic. Tighten controls. Start conversations with key customers, suppliers and software providers. By the time the UK's detailed roadmap is fully in place, businesses that have done that work should be in a much stronger position to adapt with less cost and less disruption.

Looking for guidance?
Speak to us.



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