

New Rule Changes for E-Invoicing Provide No Clear Guidance for UK Businesses

The UK e-Invoicing Advocacy Group (UKeAG) was set up in 2010 and is recognised by the Department of Business, Innovation & Skills as the UK's National Forum on E-Invoicing established under the provisions of the Communication from the European Commission dated 2nd December 2010 (COM(2010)712, 'Reaping the benefits of e-Invoicing for Europe') and the Commission Decision of 2nd December 2010 (COM(2010) 8467, 'setting up the European Multi-Stakeholder Forum on e-Invoicing').

The UKeAG acts as a self-funded initiative of industry associations, public sector bodies and solution providers to promote e-Invoicing within the UK public and private sectors. As such the group's mission is to contribute UK expertise to the European Commission's Multi-Stakeholder Forum on e-Invoicing, and to help UK public bodies and commercial enterprises of all sizes save money and realise the benefits of replacing paper invoices with wholly electronic transactions.

The following remarks are made with reference to the HMRC technical note on proposed changes to VAT invoice rules entitled 'VAT: changes to VAT invoice rules', published on 31st May, 2012.

The technical note outlines modifications to UK VAT invoicing rules that incorporate the changes proposed within the EU Council Directive 2010/45/EU, due to be implemented by 1st January, 2013. On evaluating the proposed changes, the UKeAG's members believe that, if implemented, these changes will actually reduce clarification to UK businesses on what constitutes compliant electronic invoicing.

While the UKeAG welcomes the intentions of the changes, to promote e-Invoicing within the UK and increase adoption by small and medium enterprises, the lack of any working examples of how e-Invoices can be tax compliant will do nothing to reduce confusion and hence will work against the intended objective.

Key to the challenge presented by the proposed changes is HMRC's statement that "UK legislation will be amended to remove the electronic signature and EDI requirements and make it clear that the choice is one for business to make." While this statement may seem logical under the EU's intention of individual Member States no longer imposing conditions in relation to the use of electronic invoices, it removes the two clearest working examples of ensuring 'authenticity and integrity' of tax compliant electronic invoices within the UK, and within the wider EU community.

The proposed statement of providing 'authenticity & integrity' of electronic invoices by any business controls which create a reliable audit trail between an invoice and a supply of goods or services is troubled. The technical note does not in any way describe how 'business controls' and a 'reliable audit trail' can be established. This creates an area of interpretation which in turn implies confusion that in reality will see UK businesses consulting with tax advisors for clarification.

2010/45/EU article 233(1/2) in some way avoids any confusion by offering the two common methods used throughout Europe, Electronic Data Interchange (EDI) and electronic signatures as working examples of tax compliant electronic invoicing. **The UKeAG urges HMRC to reconsider** removing these two popular examples of guaranteeing 'authenticity & integrity' from the UK VAT invoice rules entirely. While the UKeAG understands that HMRC cannot impose conditions in relation to the use of electronic invoices, the UKeAG respectfully reminds HMRC of the need for clarity within the UK business community and therefore suggests the **new rules quote article 233 in its entirety** as to promote working examples of compliant electronic invoicing. **The UKeAG also suggests HMRC go further** by providing any documentation that helps clarify how 'business controls' and a 'reliable audit trail' will guarantee authenticity & integrity.

There is no better source of expert guidance to UK business on this topic than HMRC. We look to HMRC to provide clear guidance as encouragement for UK business to implement e-Invoicing.

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