

A photograph of two women in an office environment. The woman on the right has curly brown hair, is wearing a denim jacket over a white top, and is smiling broadly while looking towards the other woman. She is holding a laptop. The woman on the left has her hair pulled back and is wearing a light-colored top; she is holding a notebook and a yellow pen, looking at the first woman. In the background, there is a white wall with a calendar and some papers pinned to it.

E-Invoicing and the future of SME cash flow in the UK

How structured digital invoicing will transform financial operations, reduce late payments and strengthen SMEs ahead of the 2029 mandate

Executive Summary

Mandatory e-invoicing for UK B2B and B2G transactions, due to commence in April 2029, marks one of the most significant shifts in business financial administration in decades. The Government's decision aligns the UK with global best practice and forms part of a broader move toward digital tax and financial reporting modernisation.

For SMEs, many of whom already face persistent late-payment issues and cash flow pressures, this reform represents a major opportunity to reduce administrative burden, eliminate errors, accelerate payments, and unlock greater financial stability.

**E-invoicing is not about
PDFs — it's about
structured, real-time data
exchange.**



However, research and interviews reveal a substantial readiness gap. Many SMEs and even accountants still associate "e-invoicing" with emailing a PDF, rather than the structured, machine-readable data exchange that true e-invoicing requires.

This whitepaper explains what e-invoicing really is, why it matters, and how SMEs can prepare, while drawing on exclusive insights from Novuna Business Cash Flow including accountant interviews, and a major UK study of 1,000 SME decision-makers.

About Novuna

Novuna is a trading style of Mitsubishi HC Capital UK PLC, one of the UK's leading financial services companies, authorised and regulated by the Financial Conduct Authority (FCA) and the Official Finance Partner for British Athletics and Title Partner of UK Athletics and the Great Britain & Northern Ireland athletics team.

With over 2,300 employees, £8.6bn of net earning assets and over 1.3 million customers we provide innovative finance solutions that helps businesses and individuals find the financial edge that turns ambition into achievement. Our business divisions include Novuna Consumer Finance, Novuna Vehicle Solutions, Novuna Business Finance, Novuna Business Cash Flow and our European division specialising in Vendor Finance.

About Novuna Business Cash Flow

Novuna Business Cash Flow provides cash flow finance solutions to businesses of all sizes across a wide range of sectors in the UK, enabling SMEs and corporates to find the right cash flow solution to grow their business.

With remote digital on-boarding through FLi, its unique platform, a flexible approach to contracts, and fast payout Novuna Business Cash Flow won Innovation in the SME Finance Sector at the 2026 Business Moneyfacts Awards. Combining innovative cashflow solutions with industry leading technology, the business retains one of the highest customer satisfaction scores in the market.

Novuna Business Cash Flow is a trading style of Mitsubishi HC Capital UK PLC, part of Mitsubishi HC Capital Inc., one of the world's largest and most diversified financial groups, with over 11trn yen (£57bn) of assets.

To find out more, please call us on

020 4632 1996

or visit www.NovunaBusinessCashFlow.co.uk



The origins of e-invoicing: where it came from

A tax problem, not a technology problem

E-invoicing emerged not from accounting innovation, but from government response to lost tax revenue.

- EU VAT gap estimated at €500bn
- Governments lacked visibility of real transactions
- Paper and PDF invoicing enabled fraud and underreporting

This triggered the development of Continuous Transaction Controls (CTC). Systems that allow tax authorities to receive or validate transaction data in real or near real time.

South America: the global pioneer

Countries like Brazil, Mexico and Chile introduced clearance models, where every invoice must be approved by the tax authority before it is sent to the customer.

This is the most controlled, and most advanced, form of e-invoicing. Proving e-invoicing is not just digitisation, it is real-time tax infrastructure.

Europe: standardisation and interoperability

Europe has taken a different approach:

- Focus on interoperability and open networks
- Development of frameworks like PEPPOL to allow systems to communicate

Unlike South America:

- Not all invoices require pre-approval
- But reporting requirements are increasingly granular and frequent

The UK: historically behind the curve

The UK has historically focused on Making Tax Digital (MTD) and periodic digital reporting. However, the 2029 mandate signals a significant shift toward alignment with global standards.

The regulatory shift: why mandatory e-invoicing matters

The UK Government's 2025 Autumn Budget confirmed that mandatory e-invoicing will apply across B2B and B2G transactions from April 2029. This aligns UK practice with EU Directive 2014/55/EU and international standards to increase transparency, reduce fraud, and modernise digital reporting.

What e-invoicing actually is, and isn't

E-invoicing is not just sending a PDF by email. It's the machine-readable, structured exchange of invoice data (for example, via XML or PEPPOL formats) directly between systems. This enables automated processing with no manual re-entry, dramatically reducing errors.

Yet accountant interviews show substantial confusion around this distinction, with many believing that sending invoices via accounting packages already counts as e-invoicing or that PDFs meet the requirement.

Why this matters for SMEs

E-invoicing will:

- Eliminate manual data entry errors
- Reduce invoice disputes
- Accelerate payment cycles
- Improve financial visibility
- Strengthen compliance and fraud prevention
- Make SMEs more attractive to lenders due to cleaner, more reliable data

This is not just a compliance exercise, it is a pathway to stronger, more resilient operations.



What is PEPPOL?

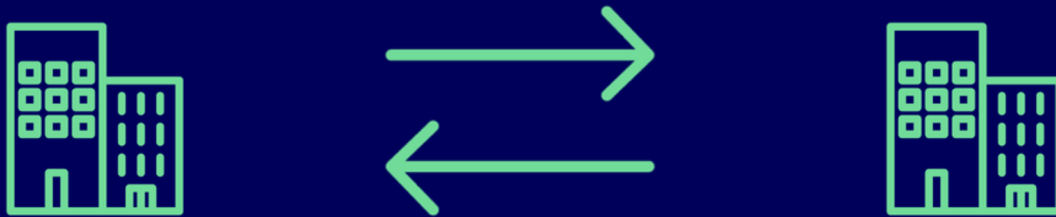
It's a framework for the secure cross-border exchange of electronic business documents.

How e-invoicing works globally: The different models

Two-corner model

What is it?

Supplier sends invoice directly to buyer



How does it work?

- Paper, pdf or email
- No structured data
- No automation

This is effectively how most SMEs operate today and why inefficiencies persist

Three-corner model

What is it?

Supplier and buyers are connected to a single service provider platform to complete flows



How does it work?

- Uses a central platform
- Automates transmission and processing
- Operates a closed system

This can result in suppliers working with multiple service providers to complete flows

How e-invoicing works globally: The different models

Four-corner model

What is it?

Supplier and buyers are supported by two service providers to complete flows



How does it work?

- Each party uses their own provider
- Providers connect via open networks (e.g., PEPPOL)
- Enables increased connectivity

This balances flexibility for business and standardisation for governments

Five-corner model

What is it?

A decentralized framework that adds the government to the 4-corner model



How does it work?

- Tax authority actively involved in data exchange
- Fully automated
- Reports data to tax authorities

This balances commercial business needs and strict fiscal governance



Today's cash flow reality for SMEs

Novuna Business Cash Flow's internal data and nationwide SME research reveal a financial environment defined by volatility, late payments, and administrative drag.

The invoice-related delays slowing SMEs down

An internal review of customer payment behaviours by Novuna Business Cash Flow highlights that many late payments could be prevented:

- 15% of delays due to invoices still being in customer approval workflows
- 12% due to customers requesting a copy of the invoice again
- 7% due to consistently slow-paying customers

These are precisely the inefficiencies e-invoicing aims to eliminate.

Late payments and their consequences

SME research shows:

- 36% of SMEs experience late payments

Cash flow issues often lead to reduced investment, increased borrowing, missed opportunities, or even redundancies and business closures

More than a third of businesses impacted by late payments

The emotional and operational pressure

When cash flow issues arise, SMEs report:

- Stress and anxiety
- Frustration with factors beyond their control (such as late paying customers)
- Uncertainty about future business stability

Current coping tactics

Common responses include:

- Cutting non-essential costs (37%)
- Chasing overdue payments (36%)
- Sending invoices promptly (34%)

These manual, reactive measures vary in effectiveness and consume valuable SME resource and time, often without addressing the root causes.

What accountants really think about e-invoicing

Novuna Business Cash Flow's interviews with UK accountants reveal a set of barriers and misconceptions that directly affect SMEs.



1. Confusion over definitions

Accountants frequently asked whether e-invoicing simply meant sending PDFs. Many had not yet linked e-invoicing to broader regulatory changes such as MTD.

2. Overreliance on accounting platforms

Most believed Xero, Sage and QuickBooks already deliver full e-invoicing.

3. Bookkeeping challenges

Some accountants reported SMEs uploading invoices incorrectly causing further admin and errors. This suggests that training and clarity will be essential ahead of the 2029 mandate.

4. Value is clear, but not universally recognised

Accountants acknowledged that digital invoice solutions can:

- Reduce errors
- Speed customer payment
- Improve bookkeeping accuracy

But many said SMEs would need to clearly understand the additional value beyond current tools before adopting something new.



The benefits of structured e-invoicing for SMEs

Faster payments, fewer disputes

Automated processing eliminates three major sources of payment delay including missing data, manual rekeying, and lost invoices.

Lower operational cost

No manual input, no paper, no chasing for lost copies, and fewer admin hours spent resolving disputes.

Stronger cash flow visibility

Structured digital invoicing connects naturally with forecasting tools, supporting smarter financial planning and early identification of cash flow gaps.

Better access to finance

Lenders value accurate, consistent, structured financial data. E-invoicing can directly improve access to finance for SMEs by strengthening the visibility and reliability of their cash-flow data.

Supports environmental goals

Digitising invoicing reduces paper, printing and postage, aligning with sustainability commitments.

How SMEs can prepare for mandatory e-invoicing

SMEs don't need to wait until 2029. Early preparation will make the transition smoother, reduce risk, and unlock benefits sooner.

Understand the difference: PDF v e-invoice

The most important first step is recognising that true e-invoicing means structured data, not emailed attachments. This ensures compliance and leverages the full automation potential.

Assess your current invoicing process

Ask:

- Is invoicing still partly manual?
- Does your team ever retype data from one system into another?
- Are invoice disputes or "lost invoice" incidents common?

If yes, you may benefit significantly from early adoption.

Speak to your accounting-software provider

Ask about:

- Compatibility with government-aligned e-invoicing standards
- Integration with PEPPOL or other digital-exchange networks
- Plans to support technical requirements by 2029

Train staff early

Accountants report that incorrect invoice uploads are common and cause problems. Training your team now prevents future strain.

Strengthen digital connectivity

Consider early adoption of:

- Open-banking-enabled tools
- Automated receivables systems
- Cash flow forecasting software

SMEs feel more confident connecting systems when they have clear data privacy controls and trust in the provider.

Build a roadmap to 2029

Your roadmap should include:

- System checks
- Staff training
- Supplier or customer alignment
- Trial phases
- Monitoring and review

Digital transformation works best when phased and planned, especially for SMEs with limited resource.

Novuna Business Cash Flow's perspective: Technology as an enabler of better SME cash flow

Novuna Business Cash Flow believes technology is not a tick-box compliance exercise, it is central to empowering small businesses to operate with greater control, stability, and confidence.

E-invoicing "is about giving businesses the tools to thrive in a digital-first economy," unlocking stronger cash flow visibility and improving access to finance.

Novuna Business Cash Flow will continue developing tools and guidance to help SMEs transition smoothly, improve working-capital management and reduce the burden of late payments through better, more reliable data.



Conclusion

Mandatory e-invoicing will reshape the SME operating landscape by 2029. It is a major shift, but also a major opportunity.

SMEs that act now will:

- Reduce late payments
- Strengthen cash flow predictability
- Lower operational cost
- Improve access to finance
- Transition smoothly when the mandate arrives

Those who wait risk disruption, last-minute scramble, and operational inefficiency.

The future of invoicing is structured, digital and automated and SMEs that embrace it early will be the ones who benefit most.

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