E-Invoicing
Paving the way to a Connected, Real-time Economy

A global study of over 9,000 SMEs

Sage

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Foreword
by Derk Bleeker, Chief Commercial Officer

We are in the middle of an automation revolution, with AI and the digitisation of business relationships set to profoundly disrupt how businesses are run. For many Small and Medium Enterprises (SMEs) however, this revolution remains out of reach and the day-to-day reality of 'paperwork' and manual processes persists. A significant portion of SME leaders are wasting valuable time every month handling and chasing invoices, bogged down by the administrative tasks of paying and getting paid.

For SMEs that want to thrive in an increasingly competitive global economy, this distraction is one they can simply not afford – we need to level the playing field. E-Invoicing has the potential to do just that - revolutionising the way SMEs manage their businesses. This report provides clear evidence that SMEs that have adopted e-invoicing are experiencing substantial productivity gains and are at a competitive advantage over those that have not. At a macro level, reallocating the time freed from chasing payments to higher-value tasks could lead to an annual increase in labour productivity by up to 2.6% in the European Union and 3% in the UK.

The research also clearly shows that e-invoicing for SMEs is an effective stepping stone to investment in the wider digitalisation of their business, including the adoption of advanced technology such as AI. We see a unique opportunity to connect economies and enable more standardised data to be automatically shared to inform swifter decisions, reducing barriers to other crucial business activities such as trade, payments, finance, compliance, and sustainability and unlocking growth.

So, as governments seek rapid solutions to enhance competitiveness and drive growth, e-invoicing, and the broader digital transformation that it enables, should be a central focus of both economic and digital policy, not just tax departments. This explains why e-invoicing is now featuring in trade discussions, for example the EU-US Trade and Technology Council.

Public-private collaboration and international alignment on standards will be essential for the success of this transformation. We urge governments to collaborate closely with the tech sector and business groups to establish a clear roadmap to unlock this unique opportunity. This report provides some concrete recommendations to ensure all businesses can benefit from this transformative shift in technology

About Sage Group

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

About this report

Over the next decade, millions of Small and Medium Enterprises (SMEs) across Europe will be adopting e-invoicing. At the same time, non-EU countries including Australia and Singapore will continue to roll out their plans for adoption.

The transition will be a once-in-a-lifetime transformational change that delivers short-term productivity gains for SMEs and paves the way for the rapid digitisation of the economy and wider AI adoption.

E-Invoicing is the next step for a connected, networked economy – moving from manual, slow and expensive processes that have not fundamentally changed for thousands of years to highly automated flows of information between businesses.

The two main steps for businesses on this journey are to **digitise** (moving from unstructured invoice information on paper and e-mail to structured, electronic information) and then to **digitalise** (to use technology like automation and AI to manage business processes where appropriate).

This report:

1. **Identifies why the change is needed,** shining new light on the struggles of businesses today, who are putting up with manual, cumbersome invoicing processes that contribute to late payments.
2. **Reveals the tremendous productivity impact of e-invoicing on the SMEs that have already adopted it,** highlighting the benefits that small and medium enterprises – as well as our economies as a whole – can expect.
3. **Highlights learnings for a successful transition to e-invoicing,** including the barriers and opportunities, based on insights from companies that have already adopted it.

Methodology

Sage conducted a survey in April 2024 of over 9,000 businesses with 1- 999 employees. The survey covered seven European markets with limited e-invoicing adoption, as well as Australia, Finland, and Singapore, which have high e-invoicing usage (full methodology on page 22).

In partnership with economic consultancy Afi, Sage modelled the potential economic effects of e-invoicing in Europe and the UK.

Our analysis revealed significant variations in invoicing challenges and e-invoicing advantages depending on company size. As a result, we've categorised many of our findings by small (1 employee to 49), medium (50 to 249), and large SMEs (250 – 999). We included larger SMEs in this study because they are the initial focus of phased e-invoicing mandates. Many of these mandates are targeted based on revenue, but we opted not to target respondents based on revenue level because these mandates differ significantly between markets.

Background: The rise of e-invoicing

Governments around the globe see the benefit of more accurate record keeping and tax filing along with access to better data about how their economies are performing. That is why e-invoicing is being encouraged or even mandated by governments across Asia, Africa, Europe and South America in efforts to drive economic growth.

Securing fiscal health is a pressing priority given challenges posed by tax avoidance and fraud as well as increased public sector deficits post-Covid. E-Invoicing gives governments more certainty over the origin of tax data, enabling them to detect fraud more quickly. It also simplifies tax reporting obligations, translating into fewer burdens on tax authorities' customer service teams due to pre-populated returns and reduced need for post-filing audits.[1]

While phasing and implementation methods vary, over 100 countries including Singapore, Malaysia, Italy, Poland and Australia have e-invoicing legislation in place or have set out plans to move to e-invoicing and digital tax reporting mandates.[2]

The benefits of e-invoicing are beginning to be felt in the countries that have adopted it. Italy, for example, was the first European Union Member State to require it for digital tax reporting in 2019 and has seen an annual increase in tax revenue of approximately €6 billion.[3] This can be attributed to three key factors: real-time access to data, reduced administrative burdens, and improved traceability.[4] Brazil's e-invoicing, in addition to the tax benefits, provides a near-census-level view of the country's economic and trade activity allowing for in-depth analysis of monthly changes in the flow of goods entering and leaving Brazil.[5]

Other European Union Member States will see a major transition over the next five to ten years, while some countries like the UK risk being left behind with no roadmap in place. The EU and U.S. have presented a joint declaration on enhancing e-invoicing interoperability.[6] The joint statement pinpoints e-invoicing as a transformative tool in modern business. Greater compatibility, cooperation, and coordination between the EU and U.S. is sought on e-invoicing as differences exist and e-invoicing is outlined as having the potential to significantly reshape cross-market transactions and the dynamics of transatlantic trade.

Embedding e-invoicing across the EU will be a game changer for Europe's ambitious Digital Decade goals for 2030 and improve growth and competitiveness. Growth in the EU is forecast to be just 0.5% in 2024 and unemployment will remain above 6% until 2026 and beyond.[7] This highlights a broader issue: productivity in the EU and UK has lagged behind historical trends and other advanced economies. Several factors have contributed to this, including limitations in the labour market such as skills and insufficient investment.

1 OECD tax forum doc Italy-Electronic-invoicing-May-2021.pdf (oecd.org)
2 https://innovatetax.com/blog/e-invoicing-compliance/ it is over 100 countries
3 Billentis, The Global E-invoicing and Tax Compliance Report: Watch the Tornado! (2024)
4 Ibid
5 Brazil's Innovative Use of Electronic Invoices for Trade and Economic Analysis: Highlighting the Barriers and Bridges to Data Sharing and Data-Driven Trade and Economic Policy | ITIF
6 240312 Joint Declaration einvoicing final text_US.pdf (ustr.gov)
7 Results of the ECB Survey of Professional Forecasters for the second quarter of 2024, April 2024

Background: The rise of e-invoicing

Importantly, these investment shortfalls encompass not just financial resources, but also the slow adoption of technological advancements and digital processes within businesses.

The EU's VAT in the Digital Age (ViDA) package is important in driving the adoption of cloud technologies, one of the targets of the EU's Digital Decade 2030.[8] Once implemented, it will also help to reduce VAT fraud by up to €11 billion a year and bring down administrative and compliance costs for EU traders by over €4.1 billion per year over the next ten years.[9]

ViDA paves the way for mandatory e-invoicing for cross-border transactions between businesses (B2B) and new digital reporting requirements starting in 2030. This in turn is putting momentum behind EU member states' domestic e-invoicing initiatives, including France, Spain, Germany, and Belgium, which are introducing domestic e-invoicing mandates as early as 2025 or 2026.

Beyond the immediate tax and productivity benefits of faster, more accurate invoicing, there are much wider, longer term benefits. E-Invoicing paves the way for a more connected future of buying and selling, known as Integrated Digital Trade (IDT).[10] With widespread adoption of electronic data interchange we pave the way to a new era which will include:[11]

- **Faster access to finance:** near-real time transaction data will enable financial institutions to make funds available with lower levels of risk (directly translating into lower borrowing and funding costs).
- **Simplified credit applications:** The standardisation of digital data means that applying for credit could move from taking days-weeks to taking minutes-hours.
- **Streamlined trade processes:** standardised digital documents and e-invoicing, recognised across borders, would open up huge efficiencies in cross-border trade.

E-Invoicing is a catalyst for a more efficient, productive, and secure economy.

By embracing e-invoicing, we can unlock the full potential of SMEs, empower them to invest in growth, and contribute to a thriving economy.

53%
Say that the pace of digitalisation is too slow

73%
say there are more opportunities to digitise their country's economy

8 Europe's digital decade: 2030 targets | European Commission (europa.eu)
9 VAT in the Digital Age - European Commission (europa.eu) 8 Europe's digital decade: 2030 targets | European Commission (europa.eu) 9 VAT in the Digital Age - European Commission (europa.eu)
10 Billentis, The Global E-Invoicing and Tax Compliance Report: Watch the Tornado! (2024)
11 Billentis, The Global E-Invoicing and Tax Compliance Report: Watch the Tornado! (2024)

Unlocking Benefits for SMEs – findings & recommendations

Collaboration between software providers, governments, and civil society is key as everyone has a role to play in preparing and supporting businesses through this digital transformation. To ensure widespread adoption, it is essential businesses and decision makers understand the benefits.

Below is compelling evidence of the competitive edge e-invoicing brings to SMEs. It also points the way to much needed automation and innovation in the way businesses connect and access trade, finance, and payments.

"It takes up so much time chasing down approvals and clarification on what needs to go one them."
Professional Services, UK

"Our current invoicing process is like Chinese whispers. Information gets lost between sales, marketing, and accounting."
Manufacturing, UK

"Our current system can't keep up with the amount of invoices we get some months. This is creating a lot of chaos."
Retailer, France

1. Why change is needed: the struggles of SMEs without e-invoicing

Where e-invoicing is not present at scale, millions of business leaders are spending hours of their valuable time on the critical but bureaucratic process of collecting payment.

Today, outdated invoice systems demand constant attention by founders and senior business leaders just to ensure enough cashflow to run their business. This is time that could be spent building their business and nurturing working relationships with customers and suppliers. These manual invoicing systems lead to delays in receiving payments, hamper cash flow and investment, and, ultimately, reduce the competitiveness of companies and the economy.

We found that:

- **77% of CEOs and COOs dedicate their own time each month to dealing with invoice processing** and payment issues such as chasing overdue invoices, with 4 in 10 having to intervene every week. This translates to missed valuable time that should be dedicated to growth and innovation.

- **Poor "information flow"** such as retrieving invoice details internally or from clients, **is the most important cause of delayed payments**, with 75% of businesses citing it as the main reason for paying customers late. These delays hinder cash flow and leads to time-consuming disputes.

- Fraud is a growing problem for businesses using manual processes to interact with customers and suppliers. Around **a quarter of SMEs (26%) have unknowingly paid a fraudulent invoice** and one in two businesses are aware that they have received a fraudulent invoice (51%).

- Low awareness and availability of e-invoicing is holding back adoption. **Only 28% of SMEs in European markets and the UK were familiar with e-invoicing** and aware of its benefits, despite a majority of these countries like France and Spain having upcoming B2B mandates from 2026 (phased annually by business size, starting with larger businesses, then moving to smaller businesses).

2. Impact of e-invoicing

In contrast, our survey of businesses in Singapore, Australia and Finland using e-invoicing revealed substantial benefits, including clear returns on investment in the short-term, and the potential to unlock broader advantages like digital transformation:

- **E-Invoicing dramatically reduces incidents of late payments by 20%.** This translates to faster cash flow and improved liquidity, resulting in a four day cut in average payment times.

- **Increased efficiency by almost halving invoice processing time.** E-Invoicing eliminates the need for manual data entry and chasing payments, freeing up employees to focus on more strategic tasks.

Key Findings

- Since adopting e-invoicing **firms have reported a 44% decrease in the time required to process invoices**, with 30% experiencing a staggering 75-100% improvement.

This translates into substantial cost savings.

- Small companies in the EU (under 50 employees) could **save 5 hours and 40 minutes per week through adopting e-invoicing, which is worth €13,500** per company per annum. In the UK, this is worth £11,300 per company per annum.[12]

- Medium companies (50-249) in the EU could **save 14 hours per week, equivalent to €37,000 per company per annum.** In the UK, this is worth £28,900 per company per annum.

- Large companies (249-1,000) could **save 20 hours per week, equivalent to €49,700 per company per annum.** In the UK, this is worth £41,700 per company per annum.

On average, EU and UK companies **would cover their investment** in e-invoicing software swiftly and make a strong return on investment on these costs.

Return on investment on software costs after two years (times investment in software)

value of time saved vs. software costs	EU	UK
Large (250+ employees)	11.5	8.2
Medium (50-250 employees)	8.0	5.7
Small (1-50 employees)	3.1	2.2

As well as software, the two other most significant costs of implementing e-invoicing are integration costs, which would depend on how integrated solutions are with existing ERP systems, and training for staff to embed the new system. However, **76% reported barriers to implementation were not as significant as expected.**

- Improved and trusted relationships with customers and suppliers: **61% of adopters report having better communication,** collaboration and dispute resolution with customers and suppliers, and **over half have experienced greater credibility of transactions, transparency and trust.** Only 12% said there were no significant changes to relationships.

- E-Invoicing is a gateway to further digitalisation: **90% of adopters reported that they had gone on to purchase another technology because of e-invoicing,** especially analytics and cloud-based accounting software. **Over one-fifth (22%) went on to invest in AI for financial tasks,** strengthening their financial management systems. **A third will be more likely to invest in tools** to manage their supply chain or consider Digital IDs for their business.

Across the EU and the UK, **e-invoicing offers a significant chance to boost productivity**, especially in specific sectors like finance, insurance, and real estate. This is because **routine tasks like data entry become faster** with e-invoicing, freeing up valuable time for more strategic activities.

If the productivity gains were applied across Europe, **it would equate to a boost in labour productivity** by 2.6% per year in the European Union and 3% in the UK.

12 The estimates for the EU and UK differ because of differences in output per hour worked between the EU and UK economies

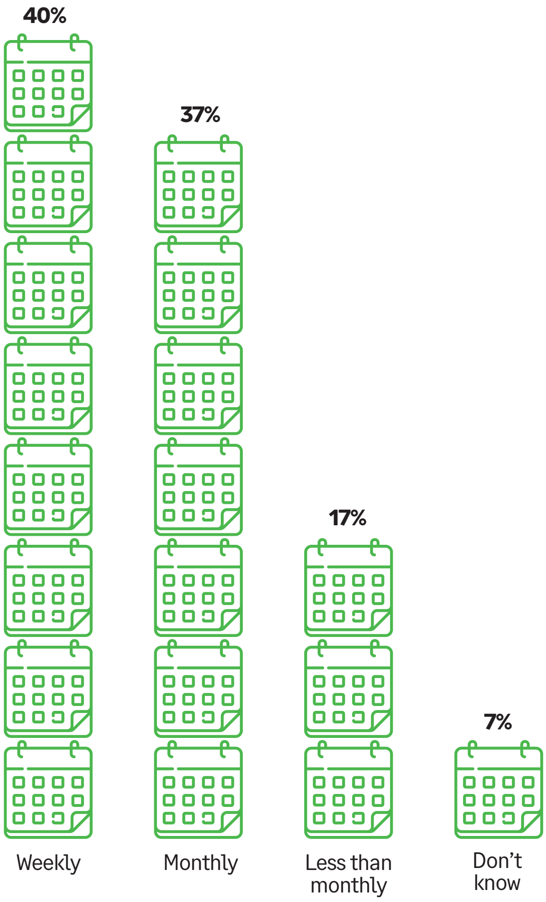
Challenges for SMEs without e-invoicing

Most SMEs remain bogged down by manual invoicing processes...

77%

77% of senior staff (i.e. CEOs, COOs) must intervene on invoices every month

Figure 1. (%) intervention from business leaders into invoicing processes



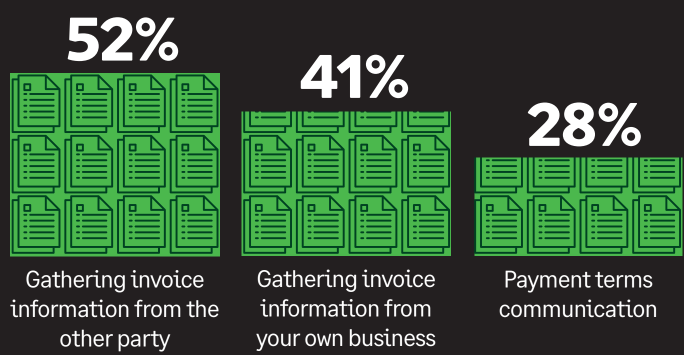
Q. How much time (on average) per month do senior business staff - excluding the CFO - (CEOs, COOs) in your company (e.g. leadership team) spend dealing with invoice processing and payment issues (e.g., chasing overdue invoices, resolving disputes)?

The Information Flow Hurdle: A Barrier to Timely Payments

52%

Over half (52%) of businesses report that gathering invoice information from other parties is the most difficult part of receiving customer payments

Figure 2. Most difficult aspects of receiving customer payments



Information flow

Q. Do you have any problems with any of the following parts of getting paid by customers? Please select all that apply

Late payments are hindering businesses' ability to invest in growth and even to stay solvent

51%

of businesses face difficulties in managing cash flow / their cash balances

28%

say it restricts their ability to invest in new growth opportunities (e.g. technology, products)

Q: Please select all the ways in which late payments from customers negatively impact your business.

Key Findings

3. Learnings from SMEs that have adopted e-invoicing

We asked SMEs that have adopted e-invoicing about their experience to help inform decision makers, business groups and software providers about the road ahead in countries yet to mandate.

Among adopters, **confidence and satisfaction is very high:**

- Almost **nine in ten (88%) adopters are satisfied with their experience** of using e-invoicing, just 6% are dissatisfied. Nine in ten (89%) would recommend it to other businesses.

Adopters report confidence in their use of e-invoicing, with **nine in ten (92%) actively using it and saying that they have seen significant benefits** and 35% saying that they've mastered it despite only having it for – on average – nine months.

Despite the benefits, **businesses still faced hurdles** to e-invoicing adoption:

- Integration challenges are the biggest concern: **55% had challenges integrating e-invoicing with existing accounting or finance systems.** However, without integration businesses will not gain the full potential benefits of e-invoicing, including using machine learning to automate tasks such as credit control or debt chasing.

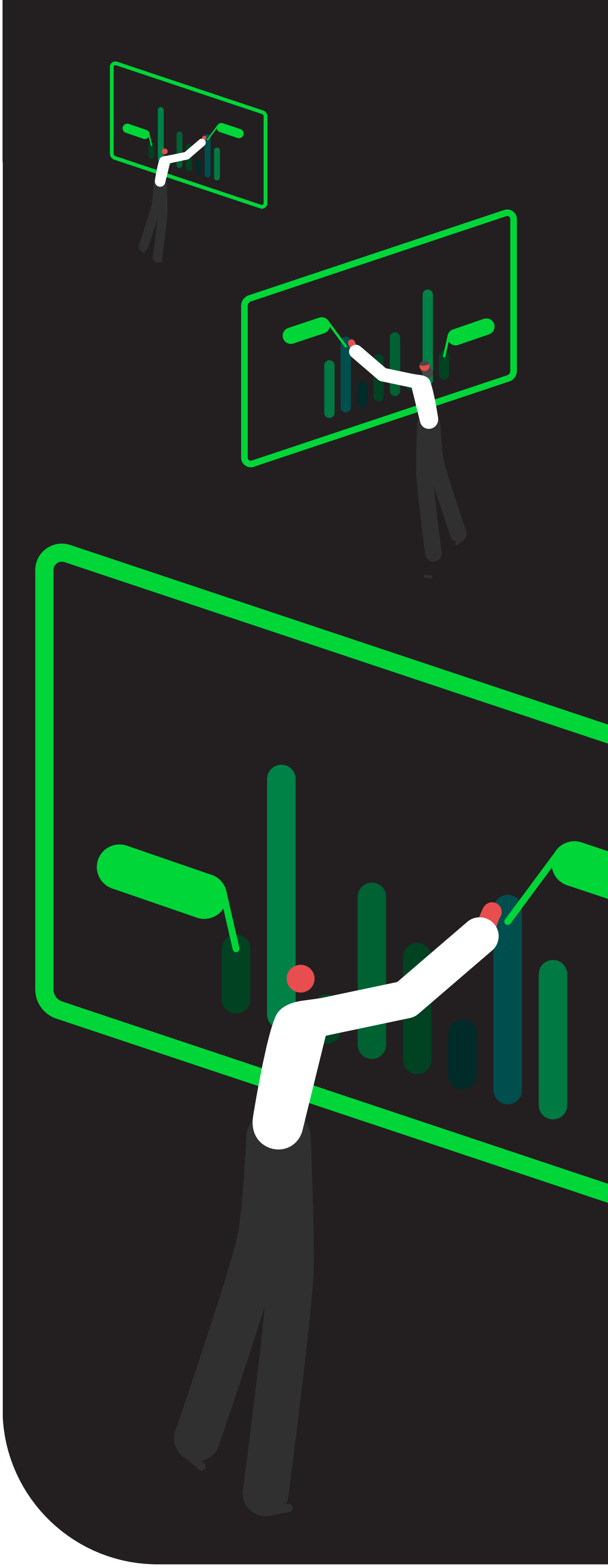
- **The initial costs were a concern to 41% of businesses:** these included access point fees, software upgrades, integration and training. Our study has found **firms recoup these investments rapidly.**

- Navigating the rules of e-invoicing: **Understanding and complying with e-invoicing regulations were confusing** for some businesses (30%), highlighting the need for clear communication and resources.

- Resource constraints: **Limited internal resources**, such as **staff and time (26%)**, can make it difficult for some businesses, **especially smaller businesses with fewer resources**, to implement e-invoicing smoothly.

- Cybersecurity concerns: **Security concerns** surrounding e-invoicing were a challenge for a quarter of businesses (25%).

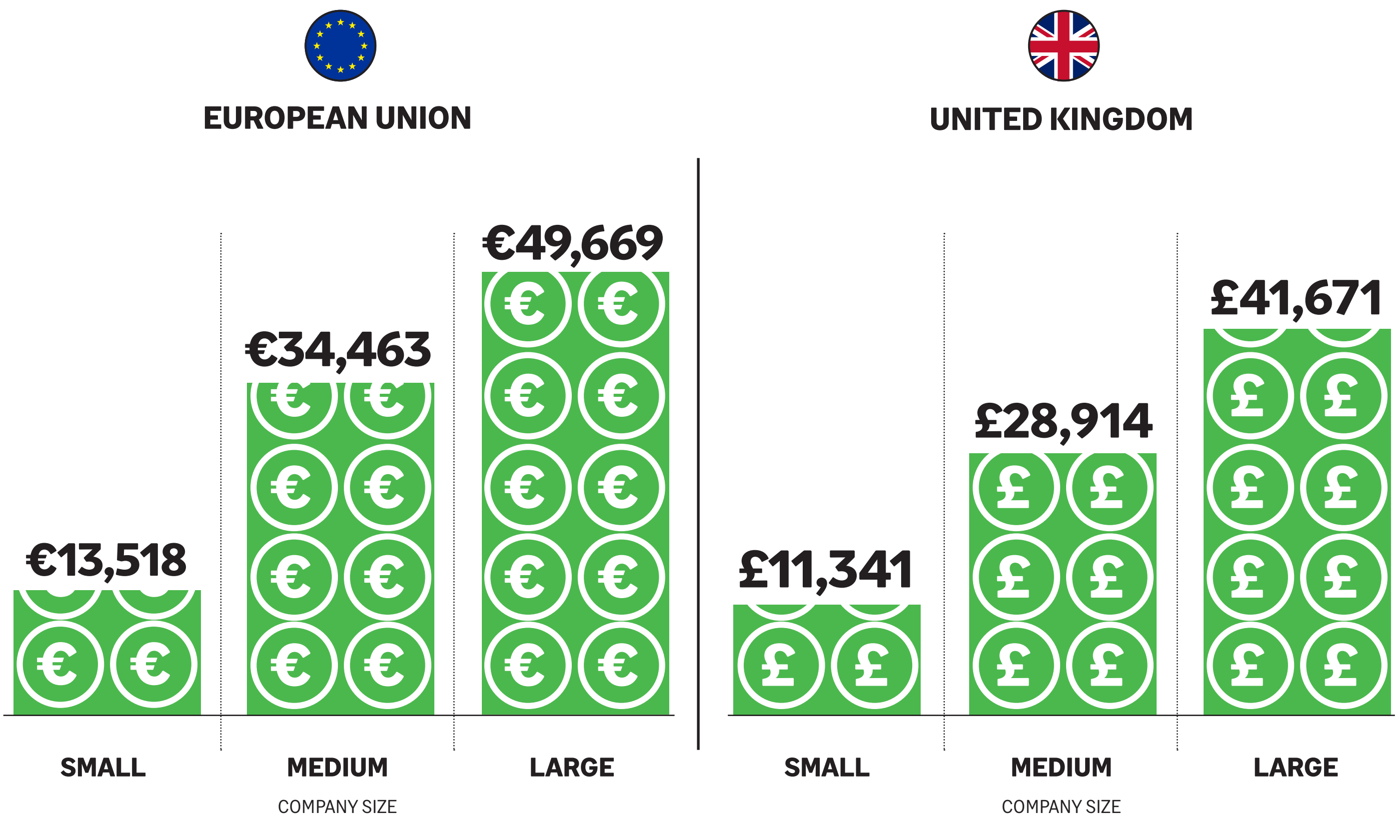
While most businesses **(76%) found the adoption process less disruptive than expected**, these challenges are still significant and need to be addressed by businesses and governments.



Learnings from SMEs that have adopted e-invoicing

When the time saved by e-invoicing is translated into monetary value, SMEs using the technology would save significant amounts every year:

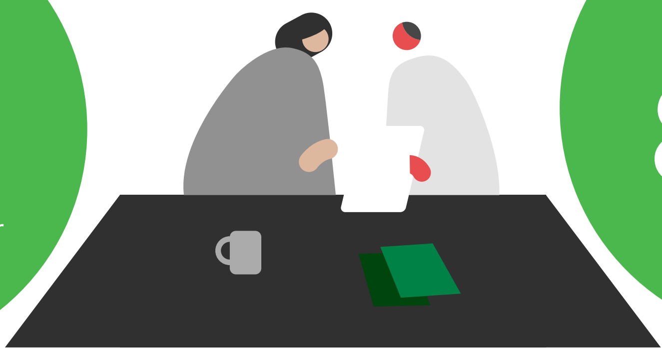
Figure 5. Value of time saved



Source: Afi analysis of survey data

Learnings from SMEs that have adopted e-invoicing

88%
are satisfied with their experience of e-invoicing



89%
recommend others use e-invoicing

Gateway to Digital Transformation

As well as direct economic benefits, e-invoicing is a critical step to a connected, digital economy.

Figure 6. Reported increase in likelihood of SME investment in digital technologies, linked to e-invoicing

41%
Analytics/analysis about my business' finances

38%
Accounting software integration integrates e-invoicing with existing accounting software

36%
Supply chain software/new systems to manage your supply chain

35%
Payment software/new payment systems

33%
Digital capabilities to trade/ selling abroad

33%
Digital IDs for my business

19%
Sustainability reporting

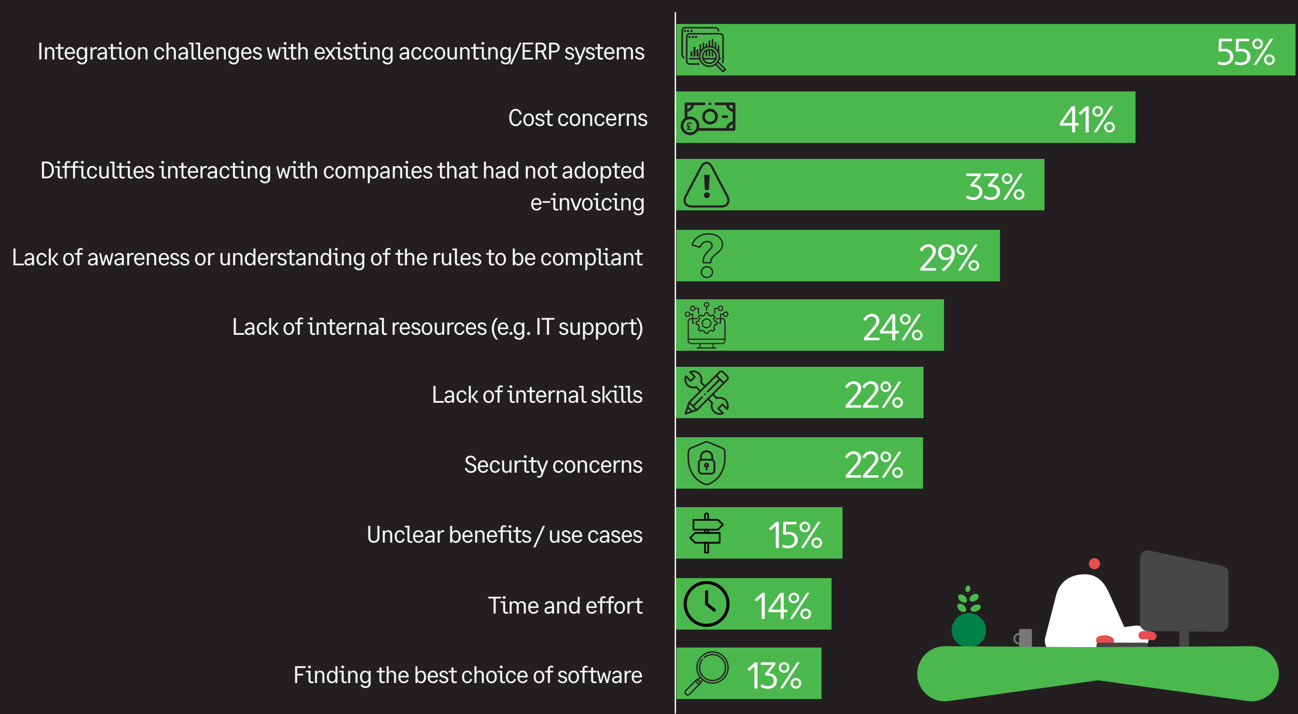
I dont know: 6% **Other (please specify):** 1%

Q. Having adopted e-invoicing, is your business likely to increase its digital capabilities in any of the following areas? Please select any that apply

Learnings from SMEs that have adopted e-invoicing

E-Invoicing adopters faced several issues

Figure 7. Reporting issues faced during adoption



Q. What were the most significant barriers your business ACTUALLY experienced adopting your current e-invoicing system? Please select all that apply.

Recommendations: The Need for Action

E-Invoicing is a catalyst for a more efficient, productive, and secure economy. It paves the way for the further digitisation of cumbersome business processes. Governments, the tech sector and businesses should partner to embrace e-invoicing and unlock its full potential for every business.

The path forward for countries with plans to adopt e-invoicing

Countries that have set an ambitious timeframe for e-invoicing mandates should now fully focus on achieving their deadlines and ensuring that all businesses can transition smoothly:

1. Supporting all businesses
While the ROI is strong, some businesses, especially SMEs, will require additional support in upgrading or implementing software to avoid being left behind. This support should include:

- **Financial incentives:** Government grants and tax incentives create a mutually beneficial arrangement where businesses adopt practices that yield wider societal benefits, which is why countries like Singapore have used them to encourage SMEs to prepare earlier. Ahead of switching to e-invoicing SMEs will need to ensure they are using up to date accounting software and have the correct information about suppliers and customers. Government initiatives such as the Digital Kit programme in Spain present an excellent opportunity to support successful adoption.

- **Training and support:** Governments and providers should provide clear guidelines and tools to ease the transition for businesses of all sizes at least one year before implementation.

- **Certainty over timeframes for providers and SMEs:** Collaboration and transparency is critical to maintain confidence in the programme. Delays could lead to investment in software solutions being diverted to other countries that adhered to timelines. Ensuring government and the software industry align on a shared understanding of goals and potential for further innovation will accelerate more productivity gains in areas such as payments, trade and finance for SMEs.

- **Inform and educate:** Given the low awareness noted in our survey in countries with a mandate, we recommend that public authorities take the lead, collaborating with civil society and companies like Sage to develop awareness raising campaigns.

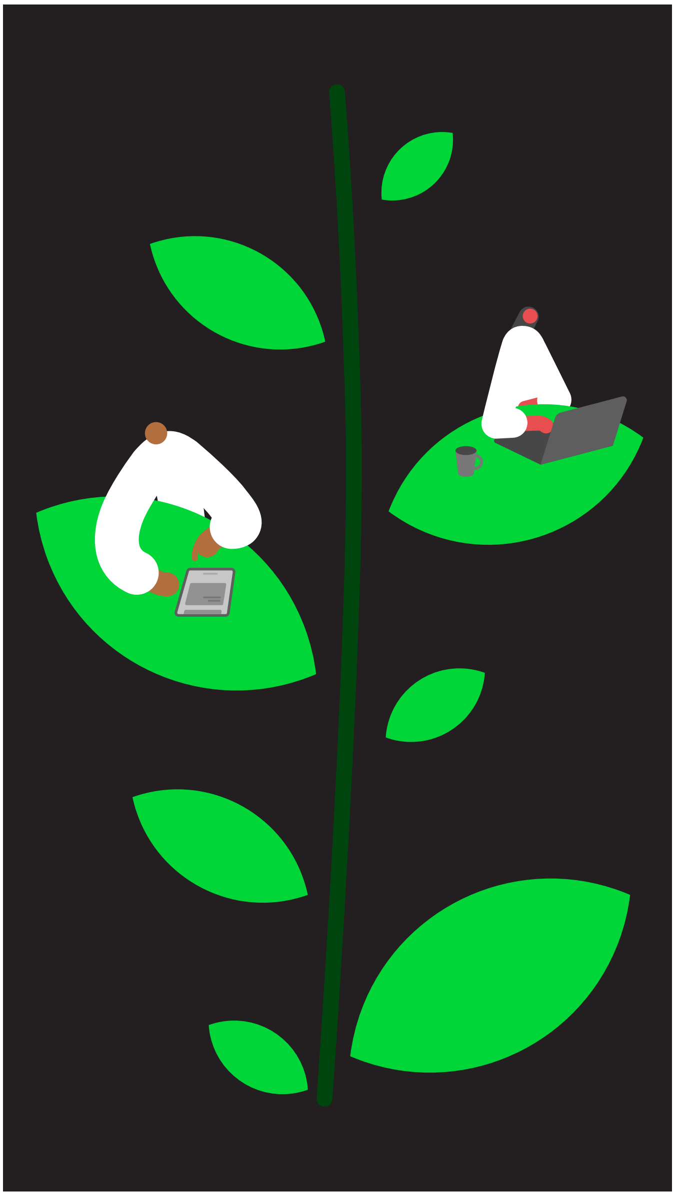
2. Standardisation and Global Reach
Standardised e-invoice formats are essential to unlock the full benefits of e-invoicing and facilitate seamless cross-border trade.

- **Common technology frameworks:** Governments should adopt established technical frameworks such as those within the PEPPOL specification to ensure interoperability and simplify international transactions.

- **Core data standards:** To ensure consistency and interoperability, governments must align on the core data requirements that must be included in the e-invoice, for example, the date, currency and value. The EU has already indicated that they will adopt the PEPPOL PINT standard. This approach will ensure data exchange is standardised and consistent.

Recommendations: The Need for Action

3. Data Sharing
Businesses can leverage this by including additional data fields, like sustainability metrics, to enhance supply chain transparency. Additionally, governments could consider sharing anonymised insights on payment times and company performance, creating a valuable resource.



Recommendations for UK and other countries without a roadmap

For countries such as the UK without a mandate or clear roadmap for adoption, policymakers should look to the different models used to decide their routes to successful adoption.

1. Setting a clear ambition and timeframe for a digital economy will stop SMEs being put at a competitive disadvantage compared to those in other countries that are benefitting from productivity gains. Governments can announce plans to work in partnership with the tech sector and software providers to develop a local e-invoicing network. This should include a commitment to a review of becoming a PEPPOL authority and a plan to ensure that a significant number of software providers will provide PEPPOL network access to local SMEs. It provides businesses with a clear path for adoption and facilitates smoother implementation as well as encouraging investment into building a successful e-invoicing network.

2. Communicate the benefits of e-invoicing by developing clear and accessible educational resources detailing the benefits of e-invoicing for businesses of all sizes aligned with their roadmap. This information should raise awareness, address common concerns, and offer step-by-step guidance for transitioning to e-invoicing.

3. Preparing businesses for success will ensure no business is left behind. It will be important to boost:

- **Digital infrastructure:** Governments should encourage adoption of cloud-based solutions and other key pieces of digital infrastructure.
- **Digital readiness:** Businesses should be on the latest versions of software to ensure compatibility with e-invoicing systems.

By implementing these recommendations and fostering strong cooperation between stakeholders, governments can create a supportive environment for e-invoicing adoption. This will lead to a more efficient, transparent, and globally connected business landscape, paving the way for broader adoption of AI in financial processes.

Country call outs

Within our study, there were significant differences between European markets. Key differences are summarised below:

UK

Adopted B2B e-invoicing: 3%
Familiar with e-invoicing: 7%

- 50% of UK SME CEOs / COOs spend time dealing with invoice and payment issues on a weekly basis, compared to 40% across all surveyed countries.
- 52% reported that the invoices they received from suppliers were difficult to process due to missing information, incorrect formatting or unclear terms. This was the highest across all surveyed countries.
- Just under half (37%) of all invoices sent by UK SMEs to customers are paid late, significantly above the average of 31%.
- Over half (53%) of UK SMEs have issues gathering invoice information from their own business (e.g., collecting accurate data for product descriptions, quantities, and pricing), compared to 41% on average.

France

Adopted B2B e-invoicing: 9%
Familiar with e-invoicing: 34%

- Only 56% of French SMEs are familiar with upcoming e-invoicing national mandation requirements, compared to 66% on average and 85% in Portugal.
- 40% of French SMEs think they will face cost challenges when e-invoicing implementation is made compulsory, compared to only 30% on average.
- 50% of French SMEs anticipate facing challenges implementing compulsory e-invoicing systems (e.g., finding the best one, getting it to work with other software), compared to only 35% on average

Spain

Adopted B2B e-invoicing: 7%
Familiar with e-invoicing: 31%

- 57% of Spanish SMEs say that late payments are causing difficulties in managing their cash flow, compared with 51% on average.
- 49% of Spanish SMEs identify customer approval delays as a main reason to be paid late, compared to 40% on average.
- 60% of Spanish SMEs support requiring the use of e-invoicing for all businesses for transactions with other businesses (B2B).
- 44% of Spanish SMEs are concerned about the process of changing their current invoicing practices when e-invoicing becomes mandatory, compared to only 31% on average.

Portugal

Adopted B2B e-invoicing: 11%
Familiar with e-invoicing: 34%

- 85% of Portuguese SMEs are familiar with upcoming national mandation requirements, compared to only 56% in France and Germany and 66% on average.
- 64% of Portuguese SMEs receive possible fraudulent invoice communications once per week or more regularly, compared to 52% of businesses on average.
- 46% of Portuguese SMEs have paid a fraudulent invoice, compared to 26% on average.
- 50% of Portuguese SMEs find it difficult to work with customers' finance teams, compared to 44% on average.

Germany

Adopted B2B e-invoicing: 4%
Familiar with e-invoicing: 36%

- Only 56% of German SMEs are familiar with upcoming national mandation requirements, compared to 66% on average and 85% in Portugal.
- 57% of SMEs in Germany report that late payments from customers mean that they face delays in paying their suppliers, compared to 40% on average.
- 32% of German SMEs blame a lack of knowledge about e-invoicing for not currently using it, compared to 26% on average.
- German SMEs prioritise financial incentives (48%) for effective e-invoicing implementation, compared to 32% on average.

Appendix

1. How governments are approaching e-invoicing

Governments worldwide are actively promoting e-invoicing, recognising its potential to streamline economies and boost tax collection.

Most of these governments are encouraging, incentivising or enforcing (through mandates) e-invoicing either to tackle tax fraud or to promote digitalisation and productivity growth. There are also clear benefits to having better data about the economy's performance.

1A. REDUCING THE TAX GAP

Continuous transaction controls (CTC) are used by governments to obtain data from e-invoicing directly in real time or near-real time. They make it much easier to spot fraudulent activity and to then to recover unpaid tax. This system has helped countries like Mexico and Chile cut their tax gaps by up to 50%. CTCs are getting stronger, for instance by using QR codes. Buyers can scan these codes to see the original invoice submitted to the tax authority, making it even harder to hide fraud.

CASE STUDY: **ITALY**

Italy has become a European frontrunner in requiring e-invoicing and digital tax reporting for businesses. It aims to streamline tax processes, boost transparency, and combat tax evasion partly using CTCs.

- **E-Invoicing becomes mandatory:**
  Since 2019, all transactions between companies and Italian public entities must be conducted electronically. This applies to both domestic and foreign businesses dealing with the Italian public sector.

  In 2022, e-invoicing was further extended to encompass all business-to-business transactions within Italy.

- **A centralised system for e-invoices:**
  Italy established the Sistema di Interscambio (SdI), a central hub for managing e-invoices.

  Businesses submit their e-invoices through the SdI, which then ensures proper delivery to the recipient.

- **Digital tax reporting mandated:**
  Alongside e-invoicing, Italy mandates digital tax reporting via the Sistema di Conservazione (SdC). This acts as a secure storage facility for electronic invoices and other tax documents.

  Companies are required to submit their invoices and related data to the SdC regularly.

- **Ensuring compliance:**
  Failure to comply with these e-invoicing and digital tax reporting requirements can result in significant penalties for businesses operating in Italy.

The Italian government's push for digitalisation aims to improve tax compliance, reduce administrative burdens for businesses, and increase transparency in financial transactions.

1B. IMPROVING PRODUCTIVITY

As evidenced in this report, data errors by the seller when manually creating an invoice, or data entry errors by a buyer when receiving an invoice and manually entering it into a finance/accounting/ERP solution are the number one cause of invoice disputes and payment delays. Resolving such issues can have a high impact on businesses and require senior manager involvement to resolve disputes.
By moving to a pure digital exchange of data via e-invoicing, these costs and delays can be avoided, enabling automated (i.e. digitalised) validation of the invoice, helping businesses to be ready to pay it on time. This can free up significant internal resources to be used on more productive tasks.

CASE STUDY: **SINGAPORE**

Singapore is a leader on e-invoicing, which is driving significant productivity benefits. The Infocomm Media Development Authority (IMDA) plays a pivotal role in this digital transformation journey. Specifically, IMDA offers a range of initiatives and programs specifically designed to support SME digitalisation.

- **Ensuring that all businesses, especially SMEs, can benefit from e-invoicing:**

  Reduced Administrative Burden: IMDA spearheaded the nationwide e-invoicing network, InvoiceNow. This eliminates paper invoices and manual data entry, saving SMEs significant time and resources.

Appendix

Simplified Compliance: InvoiceNow uses the Peppol standard, ensuring seamless integration with future digital tax reporting requirements, simplifying compliance for SMEs.

Access to Expertise: IMDA provides resources and support to help SMEs transition smoothly to e-invoicing, including guides and workshops.

- **Skills development and training:**

Grants and Programmes: IMDA offers grants and programmes to help SMEs upskill their workforce in digital technologies relevant to their industry including the InvoiceNow Transaction Bonus; LEAD Connect; LEAD Transact Grant; Partner Discovery Grant; Solution Uplift Grant, which have been introduced to encourage businesses to adopt e-invoicing. These include funding support to offset implementation costs and subsidies for the adoption of e-invoicing solutions.[13]

Training Courses: IMDA supports the development of training courses that address the specific digital skills needs of SMEs. These courses can equip employees with skills in areas like e-invoicing, e-commerce, digital marketing, and data analytics.

- **Enabling innovation:**

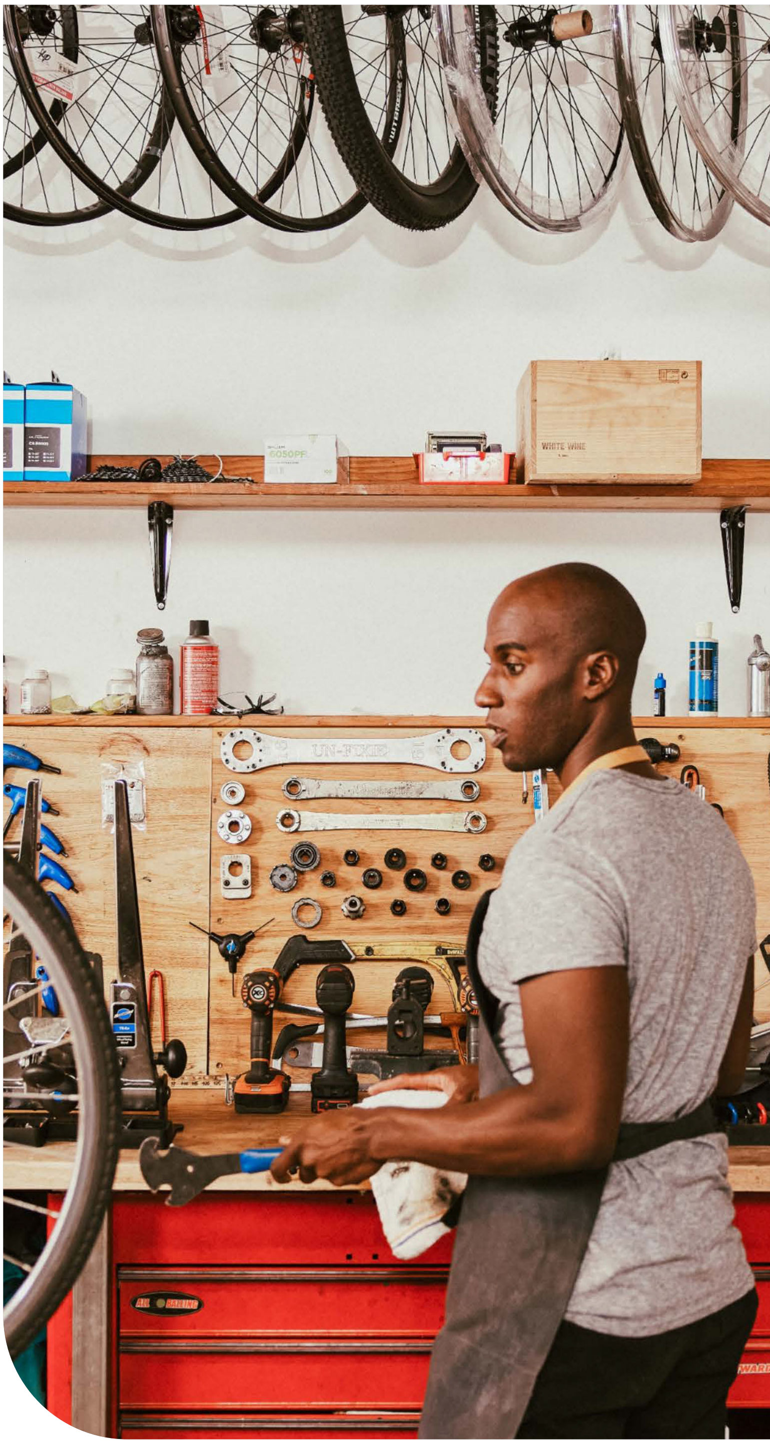
Innovation Ecosystem: IMDA helps connect SMEs with potential partners and resources to support digital adoption like e-invoicing.

By offering e-invoicing and digital tax reporting, Singapore is paving the way for a more efficient, transparent, and business-friendly tax environment.

1C. IMPROVING DATA ABOUT THE ECONOMY

Governments, like the European Union, recognise e-invoicing as a powerful tool to enhance economic data.[14] This is because e-invoices create a structured dataset, providing public authorities with a clearer picture of incoming revenue to plan and budget. This transparency can allow for more accurate budgeting and informed fiscal policy decisions.

In the future, e-invoices can be the foundation for building AI-powered models that predict tax revenue. This would improve efficiency while maintaining human oversight to ensure accuracy.



13 https://www.imda.gov.sg/how-we-can-help/nationwide-e-invoicing-framework/invoicenow/grants
14 What are the benefits of eInvoicing (europa.eu)

Appendix

2. EU timelines & business thresholds

The below table summarises the phased mandates being introduced in some markets in the EU.

COUNTRY	IMPLEMENTATION DATE	DETAILS
Belgium	01/01/2026	VAT registered businesses must **be able to receive e-invoices** with **limited exemptions** for specific industries (e.g. qualified professionals).
	01/01/2028	All VAT registered businesses that are not exempt from being able to receive e-invoices **must issue VAT e-invoices.**
France	01/09/2026	All VAT registered businesses **must be able to receive e-invoices.** **Medium and large VAT registered businesses** with **more than 250 employees; and exceeding either €50 million turnover; or €43 million balance sheet**; or members of a VAT Group (Groupe TVR) must **issue invoices as e-invoices** unless their business is explicitly out of scope.
	01/09/2027	All VAT registered businesses **must issue invoices as e-invoices** unless their business is explicitly out of scope.
Germany	01/01/2025	VAT registered businesses must **be able to receive e-invoices** .
	01/01/2027	**Medium and large VAT registered businesses** (turnover > €800k) **must issue** VAT invoices as e-invoices, PDF and paper VAT invoices prohibited.
	01/01/2028	**All VAT registered businesses must issue** VAT invoices as e-invoices, PDF and paper VAT invoices prohibited.
Spain	01/07/2025	Legal entities and sole traders with **annual turnover > €8 million must be able to issue and receive** e-invoices + invoice statuses.
	01/07/2026	**Legal entities of any size and sole traders with annual turnover > €8 million** must be able to **issue and receive** e-invoices + invoice statuses. Sole traders of any size must be able to issue and receive e-invoices.
	01/07/2027	Legal entities and sole traders of **any size** must be able to **issue and receive** e-invoices + invoice statuses.

[Correct at date of duplication, May 2024]

Appendix

3. The opportunity ahead: the future of e-invoicing

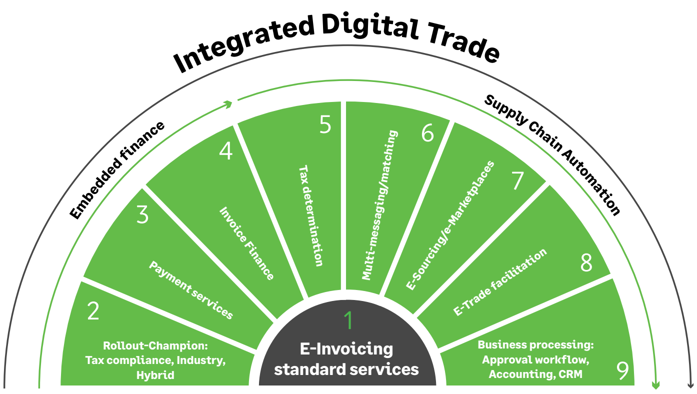
Looking to the future, digitised and integrated buyers and sellers, together known as Integrated Digital Trade (IDT), could enable a broader range of automations and benefits. These include:

- Near-real time transaction data will enable financial institutions to make funds available with lower levels of risk (directly translating into lower borrowing and funding costs).

- The standardisation of digital data means that the process of verifying a business' credit worthiness and then applying for credit could move from taking days-weeks to taking minutes-hours.

- Through a greater recognition of e-documents, combined with digitising trade documents (especially e-invoices) opens up efficiencies for improved sourcing, trade facilitation, brokerage and selling will become more efficient.

This diagram from the report 'The Global E-Invoicing and Tax Compliance Report: Watch the Tornado!' by Billentis, illustrates how Integrated Digital Trade (IDT) could streamline several business processes. The report contains many important insights on the future of e-invoicing.



4. Methodology

Sage and Strand Partners conducted two surveys in April 2024 of 9,701 businesses with 1- 999 employees. The survey covered seven European markets (Germany, France, UK, Ireland, Portugal, Spain and Belgium) with low e-invoicing usage, as well as Australia, Finland, and Singapore, which have high e-invoicing usage. Results were weighted to the most recently available business census in each market. Strand Partners is a member of the British Polling Council, and all data was collected under its rules.

In partnership with economic consultancy Afi, Sage modelled the potential economic effects of e-invoicing in Europe and the UK.

Our analysis revealed significant variations in invoicing challenges and e-invoicing advantages depending on company size. As a result, we've categorised many of our findings by small (1 employee to 49), medium (50 to 249), and large SMEs (250 – 999). This is to ensure we were capturing larger SMEs who may be in early stages of e-invoicing mandates.

Survey data analysis and economic modelling

Data used for the analysis comes from a survey conducted by Strand Partners in three leading countries (Australia, Finland, and Singapore) in the implementation of e- invoicing.

Analysis methodology:

✓ Processing and cleaning of primary data, including the detection and correction of outliers which were replaced by the median value. In the case of missing values, no data imputation has been performed.

✓ Estimates were calculated from the analysis of survey data by sector, using country-specific means.

✓ Extrapolation of metrics derived for leading countries to non-leading countries (Spain, Portugal, Ireland, Germany, France, United Kingdom, and the European Union) through Gross Value Added per hour (GVA). To ensure data homogeneity, the monetary amounts have been converted to PPP.

✓ The relativisation of metrics has been obtained by using secondary sources. Specifically, data from the Structural Business Survey by Eurostat for European Union countries and from the National Statistics Office for the United Kingdom. Macroeconomic indicators such as GDP and Gross Investment have been used to contextualise the utilised indicators. Furthermore, gross savings estimates have been derived considering gross value added per hour worked on average of the country, together with the number of enterprises in 2021, by company size.

Appendix

Explanations of specific calculations used:

Weekly hours saved (as below) being translated into a monetary saving value

- Methodology: Considering the weighted average of time saved by the leaders survey respondents' depending on company size, we extrapolated weekly hours into yearly, and multiplied them by the gross value added per hour for each country / region.

- Sources: Hours saved comes from the leaders' survey in Australia, Finland and Singapore by company size, after data processing (outliers and wrong answers). Gross value added per hour and country comes from the Structural business statistics by Eurostat, and the Office for National Statistics for the UK.

% labour productivity improvement

- Methodology: Considering actual value added by employee per hour in each sector and for each type of employee (manager, etc.) and country, and considering time saved by type of employee thanks to e-invoicing from the leaders' survey, we were able to extrapolate those savings in time for each sector that could be "reallocated" more efficiently. This was relativized as a percentage of GDP, which is the final percentage that we include.

- Sources: Hours saved comes from the leaders' survey in Australia, Finland and Singapore by company size, after data processing (outliers and wrong answers). Gross value added per hour, sector, type of employee and country comes from the Structural business statistics by Eurostat, and the Office for National Statistics for the UK.

The ROI is calculated based on software costs and value of time saved

- Methodology: We extracted the average cost per type of cost from the leaders' survey in $PPA. Afterwards, we did the same with yearly savings (calculated as explained above), which we consider at this point to be gross savings, since we have not yet subtracted costs. Once they are in the same currency, we split software costs so that half of them are assumed in the first year, and the other half in the second year, as requested. Finally, we divided yearly gross savings by software costs per year, and that is the ratio that we called ROI. If it is above 1, it means that savings exceed costs that year.

- Sources: The currency equivalence comes from the OECD's conversor into $PPA of each country. Sources for yearly gross savings are detailed above, and costs come from the leaders' survey.

Data collection and sources

The data utilised in this analysis were sourced from a comprehensive panel dataset comprising 24 European countries over a period of 5 years (2017-2021), resulting in a balanced panel with 120 observations. The primary sources of data included the European Commission, World Bank, Eurostat, and national statistical agencies. The key variables collected were:

- VAT Gap (%)

- Enterprises' turnover on EDI-system (% turnover)

- GDP per Capita (constant €, 2015)

- GDP growth (%)

- Corruption Index

- Bankruptcy Index

- Trade in services (% GDP)

- Regulatory quality Index

- Shadow Economy (% GDP)

- Political stability Index.

5. **Analistas Financieros Internacionales, S.A.** (Afi) is a leading Spanish company in independent advice, consultancy, and education. With deep expertise in economics, finance, and technology, Afi was established in 1987 by a distinguished group of academics and has since emerged as a standard-bearer in delivering comprehensive solutions for the financial sector. Our team consists of more than 200 highly qualified professionals, including more than twenty partners.

6. The fieldwork for this study was undertaken by **Strand Partners' specialist quantitative research team for Sage.** This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. Strand Partners is a member of the British Polling Council and this research was carried out under its rules.