

An Introduction to Sales Invoices

Business Information Factsheet

BIF386 · November 2023

Introduction

A sales invoice is a document given by a business to a customer, setting out key information that the customer needs to know, such as the goods or services that are being provided, the payment amount, payment terms and how to pay.

This factsheet summarises the information that must be included on sales invoices and outlines the purposes of issuing them. It also provides information about invoicing software, which is increasingly used by businesses.

The factsheet is intended as a starting point only. Professional advice should be sought where appropriate.

Information to include on sales invoices

To ensure that payment is received promptly, it is important to include the following information on sales invoices:

- **Payment terms.** For example, 'Payment within 30 days'.
- **How to pay the invoice.** This includes the methods of payment that are accepted (such as electronic bank transfer, credit card or PayPal) and the business's bank account details.
- **Purchase order number.** If the customer is another business and has provided a purchase order number, this should be included on the invoice.

In addition, all sales invoices must include the following information:

- **The amount that is being charged for each of the goods and services listed on the invoice.**
- **The VAT amount** (if applicable).
- **The total amount payable.**
- **The name and address of the business.** For sole traders, this means providing their own name and any business name being used by them. If the business is a limited company, the invoice must show the full company name as it appears on the certificate of incorporation.
- **The name and address of the customer.**

- **A clear description of the goods or services that are being charged for.**
- **The date the goods or services were supplied.**
- **The invoice date.** This is the date on which the invoice was generated, and may be different from the supply date.
- **A unique identification number.** This is usually known as the invoice number.

For more information about the information that must be included on all sales invoices, go to www.gov.uk/invoicing-and-taking-payment-from-customers/invoices-what-they-must-include.

VAT invoices

If the business and its customer are both VAT-registered, additional information must be provided on the invoice. This includes, for example, the business's VAT number, the VAT rate applicable to the goods or services supplied, and the amount of VAT charged at each VAT rate.

For more information, including a complete list of the information required on a VAT invoice, go to www.gov.uk/guidance/record-keeping-for-vat-notice-70021#vat-invoices.

Purposes of issuing sales invoices

Key purposes of issuing sales invoice include the following:

- **Ensuring payment.** Where customers have not paid in advance for goods or services provided by the business, the invoice prompts them to pay and provides them with all the information they need to make the payment.
- **Tax compliance.** An effective process for issuing and filing sales invoices helps businesses to keep legally required tax records.
- **Inventory management.** Sales invoices help businesses to keep track of incoming orders and establish whether they have enough stock available to fulfil them.

Invoicing software

Although it is possible to create invoices using templates available in Excel and Word, many small businesses use specialist invoicing software. In addition to saving time by generating and delivering invoices automatically, this software typically enables businesses to track which payments have been made, send automatic reminders and manage late and missing payments.

Although standalone invoicing software is available, many software providers include it as part of a broader package of accounting software. It is also widely available from payment service providers and digital banks.

Examples of invoicing software include:

- Square (<https://squareup.com/gb/en/invoices>).
- Sumup (www.sumup.com/en-gb/invoices).
- Xero (www.xero.com/uk/explore/invoice-app/).
- Zoho (www.zoho.com/uk/invoice/).

Useful resources

'Invoicing and Taking Payment from Customers'

GOV.UK

www.gov.uk/invoicing-and-taking-payment-from-customers

'How to Write an Invoice and What to Include'

Sage

www.sage.com/en-gb/blog/invoice-cheat-sheet/

Related factsheets

BIF034 Factoring and Invoice Discounting

BIF037 Making a Court Claim to Recover an Unpaid Debt

BIF225 Getting Paid by Overseas Trade Customers

BIF422 Credit Control

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