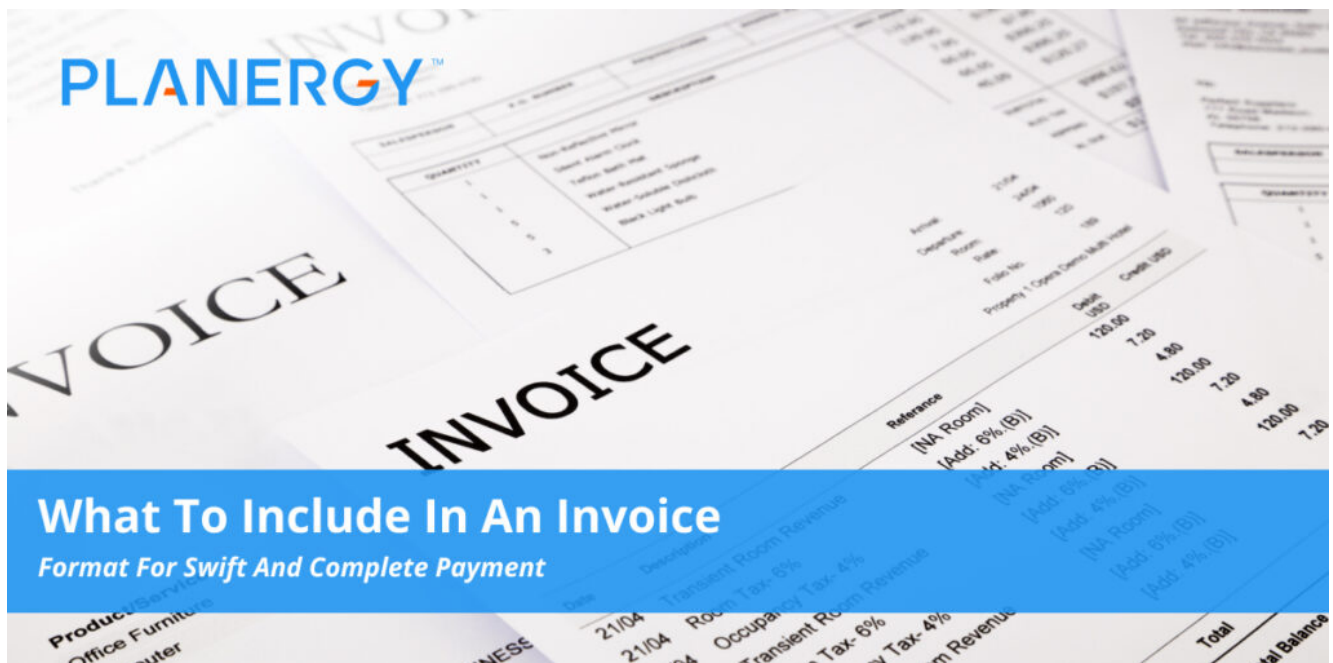


# What To Include In An Invoice



Paying your own bills is an important part of maintaining your company's reputation and financial health.

But making sure you're getting paid—fully, accurately, and on time—is even more important, since you can't pay the bills, manage cash flow, fund operations and innovation, or pursue strategic growth without steady income.

Your invoicing process, and your invoices themselves, can have a powerful impact on your success rate when requesting and collecting payment.

Knowing what to include on an invoice can help you create documents that provide complete, accurate information and a professional image while simplifying the payment process for your customers.

## What is an Invoice?

Providing a sales record for the issuer and the purchaser, invoices (sometimes referred to as *sales invoices*) help business owners:

- Track when goods and services are sold (i.e., the sell date).
- Record the total amount charged for those goods and services.
- Monitor outstanding balances maintained by their customers.

Whether digital or physical documents, invoices also provide useful information as part of your company's bookkeeping and audit trail.

Professional invoices that feature clear, complete information will make it easy for internal or external auditors to determine exact amounts and dates for all your income.

A clear and complete invoice also speeds invoice processing times, which reduces invoice processing costs for both you and your clients.

You get paid more quickly, and your clients can more easily take advantage of discounts and other incentives you offer.

It's important to differentiate an invoice from two other documents with which it is frequently confused: a *bill of sale* and a *receipt*.

- An invoice provides a record of a sale. This legal document indicates what was sold in detail (e.g., an itemized list) and the supply date, as well as the total amount due and the due date for payment. It is issued before payment is made.
- A bill of sale (or simply a *bill*) is similar to an invoice except it is used to demand immediate payment rather than providing extended payment terms.
- A receipt (or *sales receipt*) is issued after payment is made. It may or may not contain some of the items that must be included in an invoice, such as terms of sale or an itemized list of the goods and services provided, but it always documents completed payment for both parties.

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## Common Types of Invoices

- **Proforma invoices** are issued as a kind of "draft invoice" or quote. Sometimes called *dummy invoices* (*pro forma* is Latin for "for the sake of form"), these invoices are issued before any money changes hands to provide customers with a good-faith estimate of the total costs associated

with the goods or services quoted.

- **Recurring invoices** are generally used for long-term projects where customers make multiple payments over time. Because they offer regular infusions of cash you can use to manage expenses over the course of the project, they're very helpful in maintaining a healthy cash flow. To simplify bookkeeping for both parties and ensure spend is tracked properly based on project and destination, recurring invoices will generally be used in tandem with a blanket purchase order.
- **Credit and debit invoices** are used to correct customer balances. Credit invoices are used to return funds to the customer (e.g., as a discount or refund). Debit invoices are used to add additional charges (e.g., additional labor and material costs or client additions to the scope of a project) to an existing invoice.

## Key Components of an Invoice

While details may vary, the core components of a standard invoice are:

### 1. Document Identification

The document must be labeled with "invoice" to avoid confusion with a bill, quote, or receipt.

### 2. Invoice Number

Every invoice should have a unique invoice number to ensure accurate record keeping for all parties.

### 3. Vendor Contact Information

An invoice must include your trading name, business address, and up-to-date contact information (e.g., phone numbers, email, website, etc.) customers can use for questions, comments, or disputes.

Companies doing business as a sole trader or limited company have slightly different requirements for this area of the invoice.

Sole traders must include their name, the name under which they're doing

business (if different from their own), and their address (or the address of the place where you do business if a trade name is being used).

Limited companies must include the full company name, the registered office address or a correspondence address, and the registered company number from their certificate of incorporation. Listing the company's director(s) is optional, but if you choose to list your directors, this list must include them all.

## **4. Customer Contact Information**

Complete and accurate customer contact information is important for proper record keeping and ensures clients who want to reclaim value-added tax (VAT) can do so easily.

## **5. An Itemized List of Goods and Services Provided**

Make sure to include an itemized list of all goods and services sold, with a clear description of each.

## **6. The Supply Date**

Include this date—also called the *date of supply*—to show when the goods or services were delivered or provided. It may be the same as the invoice date but if not, it will generally be within 30 days of it.

## **7. The Date of the Invoice**

This may be different from the supply date. The invoice date indicates when the invoice was generated.

## **8. Itemized Pricing**

Each line item in your list of goods and services should have an accompanying individual price.

## 9. The Total Amount Due

The sum due for all goods and services listed.

## 10. Invoice Payment Terms

These terms define payment details and the terms of that payment. For example, NET/30 terms require payment in full within 30 days of receiving the invoice.

## 11. Purchase Order Number

Including the purchase order number is important for both you as the vendor and your customer as the purchaser.

Connecting the original purchase order directly to the corresponding invoice (and the bill of lading, for goods that have been shipped) is critical to achieving optimal spend visibility.

In addition, as the purchase order represents a legally binding contract between you and the customer, ensuring you have a PO for every sale helps protect both parties' financial interests.

## 12. Acceptable Payment Methods

Not every customer can or wants to pay you the same way. Some of the common payment options you can offer include:

- Small businesses with a business-to-consumer (BTC) focus can generally accept cash payments, but larger business-to-business (BTB) organizations don't have that option for several reasons, including:
  - Unacceptable risk exposure created by dealing in large sums of cash (e.g., counterfeit notes, theft, etc.)
  - The need for complete spend visibility that requires digital capture of all transactions.
  - Additional fees charged by banks for making cash deposits.
- **Bank Transfers.** Bankers' Automated Clearing Services (BACS) payments are made electronically, with payment sent directly from the purchaser's bank account to the vendors. They can be made either via phone or online, and usually take around three working days to complete.

Another bank transfer option, Faster Payment Services (FPS), offers same-day clearance for business payments, but may have a fee attached, depending on your financial institution's policies.

Be sure to include the name of your bank, your sort code, and your account number on the invoice so clients can properly route payment to you using this option.

- **IBAN/BIC/SWIFT.** For companies in the UK collecting payment from international customers, an international bank account number (IBAN) allows clients to submit payments in either their own currency or pounds sterling. IBAN is used to collect payments by financial institutions in Australia, New Zealand, and most of Europe, but not in Canada or the United States.

In addition to your IBAN, you'll need a Bank Identifier Code (BIC). Customers in the United States and Canada will need to use a Society for Worldwide InterBank Financial Telecommunications (SWIFT) code instead.

Check with your financial institution for your BIC, SWIFT, and IBAN, and make sure to include them on your invoices when submitting to international clients.

- **Debit or Credit Cards.** Businesses who want to accept card payments from their clients will need a merchant account.

If you want to accept payments over the phone or online, you'll need a merchant account and an eCommerce payment gateway.

One caveat to keep in mind with credit and debit card transactions is the potential for chargeback fees. These fees originate when a customer reverses a card charge they dispute. Chargebacks can have a relatively long-term impact on your financial planning as they can take up to 120 days after the transaction to appear.

- The convenience of being able to accept payments worldwide is counterbalanced by the various fees that come with the privilege. However, it may be a worthwhile option for those who also want to accept credit and debit card payments electronically and are looking for a one-stop-shop solution.

# VAT Invoices: Special Considerations

Companies registered for value-added tax must produce and maintain copies of all the invoices they create. This includes invoices that have been canceled or created by mistake.

You don't have to issue a VAT invoice if all the goods are exempt from VAT or zero-rated.

VAT invoices come in three varieties:

- **Full:** Used for all supplies and amounts.
- **Simplified:** Used for all supplies and retail supplies totalling less than £250.
- **Modified:** Used for retail supplies totalling more than £250.

Full and Modified VAT invoices must include:

- A unique, sequential invoice number.
- Business name and address.
- VAT number.
- Invoice date.
- Supply date.
- Customer's contact information, including name and address.
- Clear description of goods and services sold.
- Total amount excluding VAT.
- Total amount of VAT.
- Price per item, excluding VAT.
- Item quantities.
- Discounts offered for any item(s).
- VAT rate for each item, with exempt and zero-rated items marked as such.
- Total amount due including VAT.

Simplified VAT invoices must include:

- A unique, sequential invoice number.
- Business name and address.
- VAT number.
- Invoice date.

- Supply date.
- Clear description of goods and services sold.
- VAT rate for each item, with exempt and zero-rated items marked as such.
- Total amount excluding VAT.
- Total amount due including VAT.

## **Best Practices for Effective and Efficient Invoicing**

1. Prioritize clear descriptions, accurate information, and a professional presentation.
2. Have clear policies in place regarding late payment, late fees, and available options for paying both traditional and online invoices.
3. Work with customers to ensure every invoice is connected to a corresponding purchase order.
4. Invest in accounting software that integrates with or includes an invoicing automation solution (including support for electronic invoices and online payments). Invoicing software can help you improve accuracy and payment speed through the use of invoice templates, automatic data population of invoice information, and artificial intelligence-based, automated tools for follow-up and customer service. It will also make it easier to integrate your own systems with the accounts payable automation solutions used by your clients.

## **Optimize Your Invoicing and Get the Funds You Need When You Need Them**

Are your invoices generating an optimal return for your business? Create professional invoices that have clear and complete information to simplify and speed payments.

Automate your invoicing process to boost your productivity and efficiency even further.

Whether you're looking to expand your market, innovate new products, or make sure you have the cash flow needed to cover your own obligations, a steady and

reliable income stream can make all the difference.

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