

# Options for mandatory adoption of electronic invoicing by businesses

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# 1. About this submission

This is the Business Council's submission to the Treasury regarding options for the mandatory adoption of electronic invoicing (e-invoicing) by businesses. The Commonwealth Government has committed to mandating that all Commonwealth agencies must be able to receive e-invoices by 1 July 2022, with large agencies having to do so by 1 July 2021. This submission is intended to support the Government's consideration of options to accelerate the adoption of e-invoicing in the private sector.

## 2. Key points

Our key points include:

1. The Business Council supports the rollout and adoption of e-invoicing and we welcome this consultation process. We consider that e-invoicing will be a significant step towards the Prime Minister's goal of becoming a leading digital economy by 2030.
2. If the Government wishes to mandate e-invoicing, it will come with regulatory and implementation costs. This is particularly the case for some cohorts of SMEs, and we support the Government working closely with industry on possible targeted support for these groups.
3. Any mandate will need further close consultation on the detail, including to determine appropriate and achievable timeframes. Businesses are still undertaking the discovery processes needed to understand the implications of e-invoicing for their internal processes and systems.
4. Further Commonwealth initiatives should complement existing e-invoicing projects that have already been undertaken by business. This will provide certainty the substantial investments already made in new systems can continue to be used.
5. The rollout of e-invoicing will both support and be supported by improvements businesses are making to payments times. Currently businesses are devoting significant time and resources to implementing the Payment Times Reporting Scheme effectively.
6. We look forward to continuing to engage with Government on this important initiative.

## 3. Overview

The Government is consulting on options to accelerate the adoption of e-invoicing in the private sector, including options for mandatory adoption by businesses. The Business Council is very supportive of the adoption of e-invoicing and welcomes the opportunity to provide a submission to this process.

The Australian Government has adopted the Pan-European Public Procurement Online (Peppol) framework for e-invoicing and has established the Australian Taxation Office as the Australian Peppol Authority. The use of Peppol allows suppliers and buyers to create and receive invoices across a secure and common network.

The Prime Minister has stated the Government's ambition is for Australia to be a world leading digital economy by 2030. Digital innovation lifts living standards and contributes to a stronger, fairer Australia and the Business Council strongly supports this ambition. All Australians benefit from the improved services and products enabled by the digital economy. Working in a digital manner is more efficient for businesses and employees, increasing productivity, and will support our recovery from COVID-19.

If widely adopted, e-invoicing will be a significant step towards the Government's goal. It can improve invoice processing times, particularly for SMEs, and support efforts to combat the black economy. As the consultation paper notes, the direct benefits for businesses of e-invoicing can be substantial, with up to \$20 in cost savings delivered each time an e-invoice replaces a paper invoice.

If successfully implemented, e-invoicing reduces costs and errors and facilitates faster payment for suppliers when compared to paper invoices or PDF invoices sent by email. It is estimated that processing costs for e-invoices are one-third of the cost for traditional paper invoices.

While the individual benefits for businesses are substantial, the full benefits to the economy will only accrue as more and more businesses adopt e-invoicing. As the consultation paper notes, the relatively small number of existing businesses using e-invoicing in Australia limits the incentives for other businesses to adopt the system.

The Business Council is supportive of the rollout and adoption of e-invoicing across the economy. As the consultation paper highlights, any mandatory adoption will impose regulatory costs, which are still yet to be clearly understood: businesses still need to undertake further work to understand the costs, reasonable timeframes and impacts on businesses (large and small). This includes the likely complexity and reasonable timeframes for integrating e-invoicing into existing systems. Similarly, any additional steps to support uptake of e-invoicing should avoid imposing additional unnecessary costs on SMEs and consider how adoption is being affected by other related initiatives.

Further, the Business Council's members are committed to prompt payment times for SMEs. This includes through the Business Council's Australian Payment Supplier Payment Code. Signatories to this voluntary opt-in code commit to pay eligible Australian small business suppliers within 30 days of receipt. The commitment of large businesses under the Code, along with Government initiatives such as the Payment Times Reporting Scheme is driving improvements in invoice payment times to SMEs.

We welcome this consultation process as the next step in the rollout of e-invoicing across the economy. We look forward to continuing to engage on this important initiative.

## 4. Specific comments

### 4.1 Integration into existing systems

As noted above, the Business Council supports the rollout of e-invoicing. Some major accounting software providers are already supporting Peppol e-invoicing for larger businesses as well as SMEs, but not all at this stage. A number of businesses are in the process of adopting e-invoicing through various electronic interchanges.

Many businesses are only just beginning the discovery processes to understand how e-invoicing, and particularly Peppol, would integrate into existing systems and processes. For some large businesses this may be a substantial change, given there may be several separate enterprise resource planning (ERP) or electronic data interchange (EDI) systems within a single business that could be affected. Because of this, mandated adoption may temporarily drive increased costs and process complexity during any transition period. Business will also need confidence that existing rules and requirements can be met through Peppol (or other e-invoicing platforms) to avoid risk of invoice rejection and payment delays. For this reason, we welcome the Government taking the time to continue to consult and work closely with business to understand the barriers, costs and opportunities to take up.

Some businesses are also proactively bringing their vendor base onto e-invoicing platforms. Any further e-invoicing initiatives should be complementary of existing e-invoicing projects that have already been

undertaken by business. It would be helpful for businesses that have already made these investments to have certainty that these systems can continue. This includes allowing for a direct invoicing channel with vendors, without having to go through the Peppol network.

Completing these discovery processes will also help businesses understand the individual benefits and costs of adopting e-invoicing and Peppol, which will inform the potential regulatory cost of any mandated uptake. If the inclusion of a new system is likely to be substantial, it would also need to be factored into existing IT work programs for organisations, which may already be planned out over several years.

## 4.2 Benefits and impacts on SMEs

If there is any mandate made for the adoption of e-invoicing, it should also support adoption by SMEs. Many accounting software providers servicing SMEs are including support for e-invoicing in their offerings. Onboarding for e-invoicing for SMEs, if appropriately supported, can be relatively quick – with estimates of one to two hours from selecting a software provider to sending the first e-invoice.

Where it is taken up, SMEs will receive substantial benefits from e-invoicing. Late payments have been identified as the greatest contributor to SME cashflow complications, which MYOB research has highlighted causes extreme pressure for a nearly a third of SMEs. If implemented, e-invoicing will help address this by helping reduce payment times. It will also support reduced costs, increased accuracy and improved cash management for buyers.

Over the medium term encouraging digital uplift will benefit SMEs. However, SMEs with lower digital maturity will be disproportionately burdened by any mandate that requires the use e-invoicing. This includes SMEs which face structural or other barriers to using digital technologies, such as those in areas with limited connectivity.

Government should consider whether there are opportunities to work with industry on targeted support to encourage adoption among these cohorts. Government could, for example, reduce cyber security risks through requiring secure authentication for payers and payees, and take a sector-by-sector focus to the rollout of e-invoicing.

## 4.3 Interaction with other initiatives

As discussed above, members of the Business Council support action to address the issue of long and late payments to Australian SMEs, including through the Business Council's Australian Supplier Payment Code. Similarly, the Payment Times Reporting Scheme has been introduced by Government and commenced on 1 January 2021, with the transition period ending in December 2021. It requires large businesses and large government enterprises to report on small business payment times.

The Payment Times Reporting Scheme will support timely payments to SMEs, and e-invoicing will be an important enabler for this. Large businesses have been placing substantial emphasis and support towards reducing payment times. It is likely that the coming 12 months will also provide greater evidence of potential efficiencies provided by e-invoicing.

Businesses are devoting significant time and resources to implement Payment Times Reporting effectively. Similarly, as outlined above there are a number of unknowns for both business and the ATO on the integration time required and costs. The Government has mandated Commonwealth agencies must be able to receive e-invoices by 1 July 2022. Given the number of unknowns for businesses and the current focus on embedding the payment times reporting scheme over the coming year, it is likely mandating adoption by a similar date for all large businesses would be challenging to successfully implement.

**BUSINESS COUNCIL OF AUSTRALIA**

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