

Options for mandatory adoption of electronic invoicing by businesses

MYOB Submission
January 2021

myob

Mr Matthew Sedgwick
Data Economy Unit
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Sedgwick,

On behalf of MYOB, I'm pleased to provide the following submission to the ***Options for mandatory adoption of electronic invoicing by businesses*** consultation process.

MYOB welcomes the opportunity to make this submission to provide the Government with key input and to help continue to develop the right regulatory framework and market conditions that allow SMEs to start, survive and succeed.

Our submission advocates for the mandating of B2B e-invoicing as we believe it is the single most important digital acceleration tool Government currently has at its disposal for small business.

I hope you find the submission beneficial as the Government continues to develop the policy. We look forward to the future outcomes.

If you require further information or have any questions, please contact Collette Betts at

[REDACTED]

Yours sincerely,



Greg Ellis
Chief Executive Officer
MYOB

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ABOUT MYOB

MYOB is a trusted business platform for 1.2 million small businesses and 40,000 accounting and bookkeeping partners across Australia and New Zealand. With a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed, MYOB operates across four key verticals: small and medium enterprises (SMEs) with 0-50 employees, enterprise businesses (>50 employees), practices (Accountants and Bookkeepers) and financial services.

MYOB offers integrated financial solutions that help businesses of any size confidently manage the flow of funds. Businesses can get paid and pay others faster with in-built payment and invoicing options and for when it's needed, MYOB delivers clever cashflow options that allow SMEs to access additional funding to bridge the gap.

This is underpinned with rich visibility of a business' current and future financial situation. Transaction overviews tell the business what's owed, what's coming up and provides data-led predictions for cashflow needs in the future.

MYOB is deeply integrated with quality financial services partners to provide additional value to businesses, meaning they can manage all elements of their cashflow through MYOB.

MYOB seeks to empower small businesses to move to a cashless and digitally enabled operating paradigm. We see this goal as complementary to the Government's policy positions on small business digital transformation, reducing payment term periods, providing payment security to the small business supply chain and eliminating taxation leakage by addressing the black economy.

INTRODUCTION

MYOB welcomes the Consultation at this critical juncture, where digital adoption and digital processes (going paperless) have never been more essential for safeguarding SME productivity during catastrophic events such as COVID-19 and encourages the Government to optimise the discussion for SMEs, the engine room of the Australian economy.

Of the several options the Government is considering for accelerating the adoption of Peppol e-invoicing in the private sector, it is MYOB's strong belief that Option 1 will carry the greatest impact and drive uptake of this significant economic policy instrument.

Option 1: a phased approach to introducing a requirement that all businesses adopt Peppol e-invoicing (without prohibiting paper invoices)

It is MYOB's belief that mandating B2B e-invoicing is the single most important digital acceleration tool Government currently has at its disposal.

The Government has an excellent track record in introducing legislative reforms that support the small business digital transition, including Single Touch Payroll (STP), SuperStream and the New Payments Platform.

We have seen firsthand where positive legislation has yielded fantastic results for the nation through the mandating of STP, with ATO data indicating it was adopted by 166,604 businesses in June 2019 rising impressively to 696,420 in June 2020, resulting in gains for Government of better visibility and accuracy of information.

Digitising Single Touch Payroll enabled MYOB customers to be compliant with a single click (no time spent on this new compliance requirement) and allowed Government to effectively distribute JobKeeper to businesses in need.

The Government has also made great steps toward the introduction of e-invoicing by enabling favourable faster public sector payments of invoices sent electronically. Now is the time to take adoption to the next stage.

If just one industry, such as the 390,000-strong construction industry – identified as a major contributor to the Black Economy – moved to B2B e-invoicing, this would assist Government in claiming back the 2.1% GDP the Black Economy represents.

It is MYOB's view that Government could gain more influence and SME uptake of e-invoicing by:

- **Mandating B2B e-invoicing** – the challenge of getting a market to adopt new systems without being compelled cannot be underestimated
- **Mandating by industry** – commence with mandating for industries most impacted by the Black Economy (construction, manufacturing etc) to stagger adoption
- **Digital adoption tax incentive** - MYOB suggests tax incentives for SMEs who do not yet have access to essential digital tools would serve benefits to both SMEs and Government

We know there's precedent; e-invoicing is a growing global trend with many countries mandating its adoption to assist tax compliance.

Market success case studies include Brazil, who since 2006 have put in place a staggered introduction of B2B electronic invoicing. Mandating has taken on a gradual roll-out with an industry-by-industry focus, concentrating on the logistics sector as a primary means of strengthening the flow of goods to the country. Local companies also gained great benefits according to the Brazilian Tax Authority (SEFAZ), including administrative flexibility and savings on cost and time, significantly enhancing administrative efficiency and document security while delivering a decrease in accounting errors.

PEPPOL E-INVOICING ADOPTION

Question 1: What are the barriers to businesses adopting Peppol e-invoicing?

Educating businesses on the benefits of e-invoicing is critical to the success of early adoption and implementation of this mandated regulation.

Organisations such as Australian Business Software Industry Association (ABSIA) work well with Australian government agencies to educate industry about the benefits of e-invoicing. However, further consideration must be given to how the Government and Industry relay key benefits to businesses to make certain they understand the full scope of advantages.

“e-invoicing is the best enabler we have for the digital economy. Let's get this done and help our SMEs lead Australia's recovery and growth.”

MYOB CEO, Greg Ellis

MYOB stands ready and willing to act as a channel to SMEs to provide education and benefits of e-invoicing via its extensive customer base of SMEs, bookkeepers and accountants (1.2m SMEs and 40k Professional practices across ANZ)

Australia's small businesses are primed to take advantage of e-invoicing. Our survey of 1000 SMEs found 43% had heard of e-invoicing and understand it to be the direct, electronic exchange of invoices between suppliers' and buyers' financial systems, this rises to 49% for sole traders. Furthermore, 53% of those who understand e-invoicing called for business-to-business e-invoicing to be mandatory, rising to 61% for sole traders. Those that are already online more likely to know about e-invoicing (51% of those with a business website were aware).

More than a third (38%) of respondents say it will save them the equivalent of a working week in time each year.

This data illustrates there is little need for the Government to take a softly-softly approach with the e-invoicing mandate; SMEs are ready. They understand how it works, the benefits of faster payment times and the reduced administration that it brings. It is therefore in the interest of the Australian economy to bring in the B2B mandate as soon after the government deadline as possible.

Question 2: What would be the costs and benefits of mandating Peppol e invoicing?

e-invoicing is a more efficient, accurate and secure way to deal with suppliers and buyers, allowing businesses to save money and time through the removal of paper-based or PDF invoices.

MYOB agrees with the Government's assumption that e-invoicing will increase the resilience of businesses and create new opportunities for SME growth.



Small business can save money by adopting e-invoicing, with Deloitte Access Economics research finding it costs \$30 to process a paper invoice, \$27 for an emailed PDF and under \$10 to process an e-invoice with the difference due to the time saved not manually handling each invoice. With over 1.2bn¹ invoices exchanged annually in Australia, that's a cost saving of close to \$23.5bn for the economy and over \$11,000 per SME per annum².

¹ <https://www.ato.gov.au/Business/E-invoicing/E-invoicing-for-government/>

² MYOB's Economist

Business owners can save time, leading to faster payments to suppliers, reduced human errors such as lost invoices and incorrect addresses, which cause payment delay. This would be a significant benefit for 29% of SMEs that cite cashflow as being a source of ‘extreme’ or ‘a lot’ of pressure³.

e-invoices are exchanged more securely than email, reducing the risk of email scams and ransomware. Built-in databases deliver accurate invoices to correct addresses, requiring secure authentication for both payer and payee, thereby reducing security and cyber-fraud concerns for SMEs.

It also has benefits for compliance purposes, with the correct tax treatment flowing through from a trusted source. The flow on effect equates to further time saving for accountants when completing GST, BAS and EOFY processing for clients.

MYOB wholeheartedly agrees with Government that the digitisation of invoicing data will deliver faster, more accurate and complete data, supporting real time business decisions for cash flow, procurement, and stock management.

Benefits of e-invoicing⁴

For Buyers	For Suppliers	For Managers
<ul style="list-style-type: none"> • Reduced costs • Increased accuracy • Increased AP productivity • Faster processing and payment cycles • Focus on higher value activities • Enhanced accounts reconciliation • Improved cash management • Reduced fraud, duplicates and late payment fees • Improved dispute handling • Improved supplier relationships 	<ul style="list-style-type: none"> • Faster payments • Reduced costs • Fewer rejected invoices • Increased productivity • Enhanced accounts reconciliation • Improved customer relationships • Improved cash management • Alternative finance options 	<ul style="list-style-type: none"> • Improved visibility • Optimised working capital • Improved compliance • Improve supplier/customer relationships • Enhanced IT system optimisation • Meeting green initiatives

Question 3: What other factors should be considered when mandating Peppol e-invoicing for businesses?

While MYOB wholly supports the mandating of B2B e-invoicing, the Government must consider business sensitivity in being subject to further regulatory burden and ensure the policy is implemented, designed and applied in a phased and efficient way, with least cost burden on businesses. e-invoicing adoption by end-users right across the whole economy is critical and must be strategically at the heart of Government’s solution for economic recovery post COVID-19.

³ MYOB Business Monitor December 2020

⁴ <https://getsix.eu/resources/glossary/the-benefits-of-e-invoicing/>

It is MYOB's strong recommendation that the Government considers introducing a digital adoption tax incentive that small business could take advantage of to accelerate the adoption of new technologies to support e-invoicing.

Digital tax incentives could materially enhance the adoption of e-invoicing by SMEs and while the Instant Asset Write Off is an excellent program for physical technology assets, such as hardware and servers, with business moving to the cloud, policy adjustment to accelerate digital transition is required.

MYOB believes strongly that a tax incentive designed for SMEs that are adopting digital solutions would accelerate the uptake of e-invoicing, while also assisting the growth and scale of a business.

Government could then define the incentive as available for those digital solutions most likely to provide ROI for SMEs and that are used for productive intentions: cashflow products, business management products (such as accounting software), recruitment products and eCommerce.

Government is aware through anecdotal evidence from the Australian Small Business and Family Enterprise Ombudsman that SMEs are not adopting digital due to associated costs of investment in IT, security and training.

Evidence indicates clear opportunities for improvements to drive productivity and growth:

- 34% do not have an online presence⁵
- 24% only have a business website⁵
- 21% have both a business website and a social media site⁵
- 41% have no accounting software and 24% have no accounting solution at all⁶

Question 4: Which of the options outlined in this consultation paper would you support?

Option 1: The Government should mandate that all businesses be able to send and receive Peppol e-invoices, starting with large businesses.

What would be a reasonable definition of a large business for this purpose?

We recommend the replication of the classification used by the Government for the Payment Times Reporting Framework. Here Government introduced the requirement for large businesses, with over \$100 million in annual turnover, to publish information on their small business payment times. These practices should be replicated for classification of e-invoicing, covering Australia's approximately 2,500 largest businesses including foreign companies and government corporate entities.

What would be a reasonable timeframe for large businesses to comply?

In the 2020 Federal Budget, it was announced e-invoicing would be mandatory for business-to-government (B2G) transactions from 1 July 2022. MYOB is calling on Government to expedite mandatory e-invoicing for business-to-business (B2B) transactions as a fast follow to B2G.

⁵ MYOB Business Monitor December 2020

⁶ MYOB Brand Monitor March 2019-2020

What would be a reasonable timeframe before extending the mandate to all businesses?

A 12-24 month deadline for mandating that all businesses must have adopted e-invoicing will allow adequate time for desktop businesses to purchase the correct digital software and start receiving the benefits of electronic invoicing.

Should there be any exemptions to this mandate?

For the policy to have its maximum effect and deliver intended benefits, it is MYOB’s belief that the best viable option is to commence with mandating for industries most impacted by the Black Economy (construction, manufacturing etc) to stagger adoption.

If some small businesses are exempted, how should this class of businesses be defined?

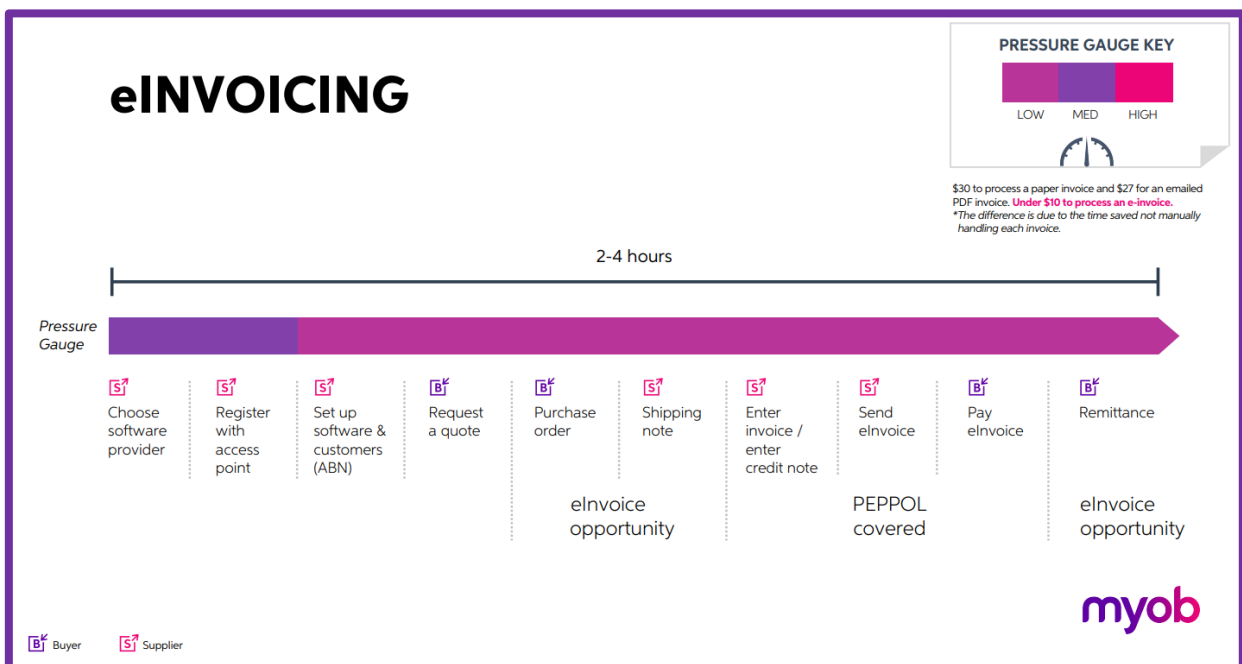
Business that find it difficult to adopt e-invoicing should not be exempt but on the other hand be eligible for an incentive to assist in the education and the adoption of the precise digital software that will allow them to succeed in the digital economy.

E-INVOICING AND PAYMENT TIMES

Question 1: If the Government mandates adoption of Peppol e-invoicing for businesses:

Would this result in a reduction in payment times from large to small businesses?

Simply put, we believe yes. Late payments are identified as the greatest contributor to SME cashflow complications. Along with a reduction in trade, this issue could have the most significant impact on SME recovery post-COVID-19. MYOB anonymised customer data indicates that a third of all invoices on its platform take over 30 days to be paid. We know that vital cashflow has also increased with digitising payment processes, leading to faster payment times for SMEs (for \$10 million annual turnover, a three-day late invoice can take \$115,000 out of working capital⁷)



⁷ <https://www.scottishpacific.com/news-articles/the-true-cost-of-late-payment/>

How would this reduction occur?

When receiving a PDF or paper invoice from suppliers, the buyer needs to complete a number of steps to submit the invoice for approval. Not only is this time consuming but also risks the possibility of invoices being lost. On the other hand, e-invoices reduce time, errors and are immediately accessible on the buyer's system. See ease-of-use infographic above⁸ –

Question 2: If the Government mandates the adoption of Peppol e-invoicing, what other action could the Government take to reduce payment times further?

The Government could consider linking payments to e-invoicing by mandating standardised APIs to link the e-invoice to the business' preferred payment method and with favourable terms for electronic payment. Linking payments and e-invoicing would create new ways to help businesses: combining this capability with data sources like open banking could facilitate real time financing approval, cashflow forecasting and insurance need calculations for example.

⁸ <https://www.ato.gov.au/Business/E-invoicing/E-invoicing-for-businesses/>

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