



Supporting business adoption of eInvoicing (Pagero response)

For: Treasury
Data Economy Unit, Data Right Division

From: Bertrand Gauch
Regional Manager - ANZ
Mobile: 04 87 267 372
bertrand.gauch@pagero.com

On behalf of Pagero Group

PAGERO

Global Headquarters: Box 11006, Gothenburg SE-404 21

Pagero Australia, 534 Church Street, Richmond VIC 3121

Introduction

On behalf of the Pagero Group, we would like to thank Treasury for the opportunity to participate in this consultation.

Pagero was founded in 2000 focusing on delivering eBanking services to the Swedish market. In 2008, Pagero started offering the world's first truly open B2B trading platform for payments and invoices in the Nordics. In 2012, Pagero took a pivotal role in promoting and enabling Peppol. Since then, Pagero has continued to grow and are now servicing customers in over 140 countries, exchanging invoices, orders, and related documents through one single open business network. Pagero is an accredited service provider in all Peppol jurisdictions including Australia and New Zealand.

Based on our experience in other markets where eInvoicing has been utilised for several more years, we firmly believe that widespread adoption of eInvoicing will help unlock significant benefits for Australian businesses. We also fully support the idea of a Business eInvoicing Right as proposed under this consultation.

We hope you will find our response valuable and look forward to contributing to further Government initiatives aimed at accelerating business adoption of eInvoicing in Australia.

Pagero contacts

Bertrand Gauch

Regional Manager - ANZ
Mobile: 04 87 267 372
bertrand.gauch@pagero.com

Nazar Paradvskyy

VP Regulatory Affairs
nazar.paradvskyy@pagero.com

Trent Targa

Senior Regulatory Associate
trent.targa@pagero.com

Pagero response

Consultation questions: Business adoption of eInvoicing

1. Should a Business eInvoicing Right (BER) be introduced to accelerate business adoption of Peppol eInvoicing?

Yes, as an easy to implement capability to businesses who want to automate/digitalise their AP invoice processing.

2. Are there other regulatory methods that might increase eInvoicing adoption?

You could consider a similar approach to Belgium, in order to also drive simultaneous e-invoicing uptake from the AR perspective. At least on a temporary basis.

They have created a platform called Hermes, which can be seen as MVP (minimum viable product) Peppol AP. It can receive Peppol BIS e-invoices and then convert them into PDF and distribute over e-mail to the recipient. All businesses, irrespective of size, have been registered as Peppol BIS recipients. All suppliers who want to automate their AR process can do it immediately, while buyers have an option to whether continue with the Hermes platform or to select another (more integrated) solution to receive and process Peppol BIS e-invoices.

This would benefit those businesses who invested in Peppol, not only for AP, but also for AR (faster ROI), and could speed up overall adoption even further.

Another point could be that any business-buyer may adopt BER at any point in time irrespective of their size or industry, meaning that if a small business wants to execute BER against a large business already in phase 1, they should this right.

3. What key implementation challenges or issues would businesses face if the Government introduces a BER?

A reluctance from numerous businesses that have not put digitalisation at the top of their priority list. Thus, forcing them to spend / invest, in electronic invoicing is a challenge when they are happy with their current ways of trading.

Consultation questions: Who would be captured by the BER?

4. Would Option 1 or Option 2 be more appropriate to set the scope for participation in the BER and why?

The scope of entities covered by the Corporations Act seems to be more appropriate, as it primarily includes entities established in Australia. However, if the intention is to capture transactions with non-established foreign entities, then the new Commonwealth regulatory framework seems to be more appropriate.

Are there other approaches that may be appropriate?

Not that come to mind.

5. What, if any, exemptions would a BER need to include (e.g. for on-the-spot or point-of-sale business-to-business transactions, not-for-profit organisations, newly created businesses, entities supplying taxi travel, recipient created tax invoices (RCTIs))?

You might want to consider either an exemption or deviating treatment for businesses without readily available technology. Looking at the examples from other jurisdictions, they have implemented

exceptions for businesses located in areas with no or bad internet coverage and newly established businesses without immediate system readiness (time limited exception).

Consultation questions: Identifying businesses covered by the BER

6a. Should the Government create a public register of businesses covered by the BER?

Yes, as this will provide the necessary clarity to all participants as to which phase will pertain to them.

6b. Are there any other approaches that would be appropriate to identify businesses covered by the BER?

Rather than having an either-or approach, you might consider combining both. Initially, businesses should be identified by the Government (based on available non-perfect data, if it's clear to everyone what data will be used for level setting), but they should be given an option to self-assess. Also, businesses who do not qualify as large, should have the option to opt into the BER.

Consultation questions: Thresholds for business size under the BER

7a. Would businesses be comfortable with being publicly identified as small, medium-sized, or large?

We don't see why this should be a problem. Many countries have already implemented official brackets for businesses by sizes, based on their revenue, balance sheet and/or number of employees.

7b. What key sensitivities or risks would such an approach present?

N/A.

8. Which of the potential approaches to create a register of small, medium-sized, and large businesses covered by the BER would be appropriate?

In other jurisdictions it is common to have several criteria, e.g. revenue, balance sheet and number of employees. It should be sufficient if any of the criteria have been exceeded.

9. What regulatory costs may be involved for businesses for these options?

If the Government performs the initial classification, this should entail no minimum costs for the businesses. Otherwise, it will depend on whether and how the Government intends to monitor and follow-up the self-assessment process.

Consultation questions: Accommodating changes in business sizes

10. Should the BER apply to differently sized businesses at the different times?

It could, this is an approach that numerous other countries have implemented. With that said, any business should be able to opt into BER early on no matter what size they are.

11a. Should turnover-based thresholds be used to differentiate business size under the BER? What alternative thresholds are available and would be appropriate and administratively feasible?

See response above under 7 and 8.

11b. What levels of annual turnover would be most appropriate to differentiate small, medium sized, and large businesses under the BER?

N/A.

12a. Would a framework for turnover aggregation and related grouping rules be required for the BER?

Whether aggregation should apply or not depends on the exact levels set to define large, medium and small businesses.

For simplification reasons, aggregation should not apply. However, the levels should be adjusted so that they are not set too high. This would ensure that the single largest entity in the group will be sufficient in determining the appropriate BER category for the entire group. This is considered the most practical solution as it avoids aggregation, but also because many company groups utilise the same resources and/or software across their various entities.

12b. If required, would a framework for turnover aggregation and related grouping rules like those in current tax laws be appropriate for the BER?

See response above.

Consultation questions: Accommodating changes in business sizes

13a. What would be the appropriate implementation timeframes for the BER?

Depending on when the advised legislation is passed by the government. But the timelines suggested in the consultation paper are reasonable.

13b. How much advance notice would covered businesses need to be ready by their corresponding deadlines under the BER?

Based on various studies and publications, businesses should be given 6-12 months to adopt.

13c. What alternative timing approaches might also be feasible and appropriate?

Based on the experience of other jurisdictions, 6 months windows could be applied, instead of 12 months. But probably, the suggested timeframe is the most optimal.

Consultation questions: Accommodating changes in business sizes

14a. What should a valid request to receive Peppol eInvoices involve or include?

It should include:

- Information needed by the sender to identify the recipient in Peppol, e.g. Peppol ID
- Specification of requirements the recipient might have besides already prescribed by law and Peppol specifications
- Information relating to any required attachments needed i.e. timesheets

14b. What communication and record-keeping requirements would the BER require for covered businesses, particularly in relation to communicating requests to receive eInvoices?

For traceability, there should be a formal and archivable request made. Email communication could suffice if the sender (requester) is able to verify their request has been received.

The Government could consider extending the directory tracking business sizes mentioned earlier to as well support sending, receiving, confirming and archiving the BER agreements.

Consultation questions: Monitoring, compliance and enforcement, and protections for participants

15. What mechanisms should be put in place to protect businesses that choose to exercise their BER (e.g. whistle blower protections)?

As the Government mentions in the consultation paper, the monitoring, compliance and enforcement actions should ideally come from any existing frameworks. The Government could put into place a framework similar to the one applied to Peppol Service Providers, where different levels of actions can apply to the non-compliant party. Starting from the whistle blower protections for businesses that choose to exercise their BER, all the way to government monitoring of compliance according to those size limits put into place for the gradual implementation of BER. The actions applied to the non-compliant entities could vary from warning to financial penalties.

Consultation questions: Enabling Peppol-compatible EDI networks

16. What key factors does the Government need to consider in relation to enabling Peppol compatible EDI networks?

The situation with proprietary EDI standards and networks exists in other countries. Looking at the upcoming regulations in France, as well as discussions ongoing in Germany, Belgium, etc., the Government could take the approach that Peppol is implemented as a minimum default standard that all businesses must comply with. Meaning that anyone may request receiving and sending P2P documents according to the Peppol standards, however, if both parties have mutually agreed, they can utilise other standards. In this way, existing high-volume EDI setups may be maintained, at the same time allowing for “alternative” Peppol channel to automate other flows that are not going via EDI today. Given that some businesses falling under the BER may have their own EDI infrastructure, it is further important that the EDI providers in question can become Peppol Service Providers themselves, provided that they fulfil the certification requirements and comply with Peppol framework. In this context it will be very important to implement mechanisms for ensuring such mutual agreement and monitoring that not one party (e.g. large buyer) forces the other party (e.g. small supplier) to use a manual portal unique to the specific buyer. Otherwise, such EDI/portal exceptions would become counter-productive to the BER initiative.

17a. How could the Government target a potential intervention on the procurement functions of EDIs, without affecting or targeting the non-procurement functions?

See above, by allowing continued usage of EDI upon mutual voluntary agreement between both trading parties. With that said, each business must as well be Peppol-enabled.

17b. What definitions or criteria would be required to limit any requirement to only those EDIs operated by businesses that the Commonwealth can regulate and EDIs that are only used in procurement?

See above, on mutual voluntary agreement between both trading parties to use EDI. With that said, each business must as well be Peppol-enabled.

Consultation questions: Expanding eInvoicing into Procure-to-Pay

18. What are the key business considerations and impacts relevant to expanding from eInvoicing to a broader integrated P2P process (such as Peppol P2P)?

It should be imperative that only Peppol P2P processes is required, while not regulating too extensively the details such as content requirements. The Government could consider implementing frameworks similar to BER on other document types, such as invoice response, order, order confirmation, despatch advise. Such implementation could be more “loose” especially on the side of micro-businesses, as they often will deal exclusively with invoices and not other document types. Industry specific existing practices and investments, such as EDI, should be considered as the variation within the broader P2P process is greater than within e-invoicing alone. However, extension of BER with Invoice Response Message would be the next most reasonable step.

19. What are the barriers, if any, to businesses adopting more efficient and standardised P2P processes, including Peppol P2P?

Lack of understanding of the benefits digitalisation might bring for those businesses who have not embarked on the digitalisation journey yet. This can however be overcome with education and growth of the software market. For those already digital, either use of outdated technology (specifically, closed procurement platforms such as Ariba, Coupa, Tradeshift, Tungsten) or EDI. Regarding EDI, as we outlined above, this can be overcome.

20a. Would broader adoption of Peppol P2P as a standard in Australia help businesses adopt more efficient and interoperable procurement processes?

Yes

20b. What different approaches are available that may also be appropriate for Australia?

N/A

Consultation questions: Integrating eInvoicing with payments

21. What is the level of impact on business adoption that the integration of eInvoicing and payments would have?

While there is obvious additional value of integrating e-invoicing and payment, e-invoicing stand-alone provides significant value for businesses. Therefore, promotion of e-invoicing adoption should not be made conditional to payments. Introduction of BER should provide significant e-invoicing increase in Australia. As mentioned earlier, the Government should consider introduction of BER-similar mechanisms or opportunities for suppliers. We believe that many businesses would be happy to go electronic on their invoicing, if there is one single (minimum) standard, such as Peppol, that everyone has to adhere to. The challenge with e-invoicing historically has been the existence of a myriad of varying standards and closed or otherwise proprietary networks, which made ROI on e-invoicing investments low. With broad adoption of Peppol, the ROI will increase dramatically.

22. Given the market is currently working to deliver solutions that enable integrated eInvoicing and payments, what (if any) further action or intervention is required to address any current barriers to greater integration and help drive this process?

An important factor in facilitating the integration of e-invoicing and payments in Australia would be the adoption of the ISO 20022 standard by all major Australian banks and financial institutions. ISO 20022 is a global and open standard, widely adopted across many other countries as the common language for payments. Several successful implementations of integrated e-invoicing and payments have been made possible using this standard.



