

BCA

Business Council of Australia

Supporting business adoption of electronic invoicing

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1. About this submission

This is the Business Council's submission in response to the Treasury Consultation Paper on *Supporting business adoption of electronic invoicing*.

The Business Council represents businesses across a range of sectors, including manufacturing, infrastructure, information technology, mining, retail, financial services and banking, energy, professional services, transport, and telecommunications.

2. Key recommendations

The Business Council recommends:

1. Government consider further initiatives to support the adoption of eInvoicing across the economy, including continuing to develop the Business eInvoicing Right (BER) or alternative mechanisms, in consultation with industry, to ensure they are effective.
2. Government continue to work closely with the business community on the proposed BER and alternative mechanisms to ensure it is fit for purpose and delivers positive economic outcomes.
3. If government proceeds with a potential BER, the timeframe for implementation align with the approach taken in the European Union (which has set a deadline of 2025), at the earliest, and after development and consideration of a Regulation Impact Statement.
4. Using an existing definition of small, medium, and large business for the purpose of defining the regulated entities under the BER, and government using existing data to determine who is in scope.
5. Additional measures be taken to lift the Australian business' access to skilled digital talent, not only to support the rollout of eInvoicing (through the BER or otherwise), but also as part of wider measures.

3. Overview

The Treasury is seeking views on further options to support business eInvoicing adoption. This includes through the introduction of a Business eInvoicing Right (BER) and helping businesses to integrate eInvoicing into their other business practices (such as procure-to-pay and encouraging the adoption of Peppol-compatible networks).

Overall, we support further measures that will encourage businesses – large, medium and small – to adopt eInvoicing. As has been highlighted in our previous submissions, eInvoicing can provide cost savings of up to \$20 per invoice (compared to a paper invoice).

We consider eInvoicing will support both improvements to payment times and help accelerate Australia's digital transformation. It can support improvements to cashflow and reduce human errors such as lost invoices or incorrect addresses. If properly implemented, eInvoicing systems can also help protect against scams, with 'Business Email Compromise' making up seven per cent of cybercrime reports received by the Australian Cyber Security Centre in the 2020-21 financial year.

The businesses that offer accounting and bookkeeping software for small businesses have made substantial progress in developing products and services that will make it easier for small and medium enterprises (SMEs) to adopt eInvoicing. MYOB has shown that it can take less than two hours for an SME to get set-up for eInvoicing, from choosing a software provider to sending their first eInvoice. This compares to a set-up time of up to two days for Single Touch Payroll.

To assist with this, we welcome the government working with businesses to provide clear, simple guidelines to help SMEs choose and connect to a provider. It may also be helpful for government to focus their efforts on working with the major vendors and software providers (who supply many large businesses across the economy) to support them becoming Peppol-enabled. This may deliver the best 'bang for buck' of Peppol-enablement across the economy, given the major enterprise software vendors work with many large businesses across the economy.

Businesses are ready to support government to encourage business adoption of eInvoicing. Many of our members are also working with the ATO on piloting eInvoicing trials in their businesses and have been enthusiastic supporters of the Champions Adoption Network, co-chaired by the ATO and the Business Council. To help more businesses understand the government's drive for adoption of Peppol eInvoicing, we also would support government continuing to work with large businesses to highlight why the Peppol standard has been chosen and how the costs of adoption can be driven down (including drawing on the lessons from the federal government's decision to mandate eInvoicing for its agencies). This will help address business concerns about requiring the use of a particular platform, given it has complex and wide-ranging effects.

While we strongly support more government measures that help businesses adopt eInvoicing, we also do not want to see measures introduced that would introduce costs greater than the expected economic gains. Many of our members do not support a mandate for Peppol eInvoicing as they already exchange invoices electronically via other platforms. Peppol should be an alternative to other exchange platforms already adopted by businesses. It would be sensible for government to consider how Peppol can be made interoperable with these other standards. There are elements of the proposed BER which are unclear how government expects this approach will work in practice for businesses. The specific platform used by individual businesses should remain a business-led decision, with Peppol being integrated where it makes sense. We outline some of our detailed concerns in later sections.

While moving to Peppol eInvoicing is a relatively straightforward process for SMEs, for larger businesses the process is more complex, potentially requiring substantial investments in upgrading large enterprise systems and changes to business practices.

The likely costs for larger businesses to deploy Peppol-compliant systems (or systems that are interoperable with the Peppol network) will be variable across businesses and challenging to quantify. It will depend on a number of factors, including their existing software providers, and how they currently engage with their suppliers and customers. It will be further compounded by the limited skills available to businesses, particularly digital skills.

Most large businesses have made considerable investments in their EDI (electronic data interchange) systems or in industry portals for many their B2B suppliers, many of which have proved successful as exchange platforms for documents such as invoices. It will be a very costly exercise for businesses that have a wide array of systems (both internally developed and procured through software vendors) to ensure these systems are able to interface correctly with Peppol. Given the substantial investments already made by businesses in their networks and systems to help their suppliers transact online and to reduce payment times, a scheme that requires businesses to become Peppol enabled may be a commercially inefficient and expensive proposition that doesn't necessarily match the resultant economic returns.

Further, the Commonwealth should work with the states and territories to avoid the imposition of inconsistent requirements on eInvoicing. Any measures the Commonwealth takes should encourage not only standardisation of technical formats domestically and internationally (ie Peppol), but also in any legislative or regulatory frameworks between the Commonwealth, state and territory jurisdictions.

This submission outlines some of the areas we consider government could clarify and our suggested approach. We understand the government's intention with this proposal and look forward to continuing to work closely with the government to develop a scheme that supports the adoption of eInvoicing without imposing inefficiencies and unnecessary costs. We also look forward to working with government to support the take-up of eInvoicing, both through this process and in other forums.

4. Specific comments

4.1 Phasing of the rollout

The discussion paper suggests a phased rollout. Large businesses would be required to provide a Peppol eInvoice if requested by July 2023, medium businesses by July 2024, and small businesses by 2025.

This suggested timing would not be possible for all large businesses. As we note below, there are constraints to businesses becoming Peppol-enabled. While our members support greater adoption of eInvoicing, any new requirements need to be done in a realistic manner. It will need to acknowledge the additional financial costs large businesses will need to incur to upgrade their systems, particularly given the recent enhancements that have been needed to comply with the Payment Times Reporting Scheme.

Moreover, many businesses have worked with their supply chains to update their systems and operating practices to meet the requirements of the Payment Times Reporting Scheme. Given this, we expect that there may not be an appetite for further changes in the near future from many businesses in the supply chain.

If the government wishes to proceed with the BER, we recommend considering a timeframe for the rollout to businesses of all sizes that aligns with the approach taken in the European Union (which has set a deadline of 2025), at the earliest. This would allow larger businesses appropriate time to build Peppol integration into their future programmes of work and to find appropriately skilled staff. Businesses typically operate within a 3-to-5-year CAPEX horizon – requiring investments prior to 2025 will be premature, particularly if a large number of businesses have to compete for a small number of staff. It would also allow some of the issues with cross-border treatment of invoicing standards (including within Peppol) to be resolved.

This would also give time for the standard to evolve to meet the varied needs of businesses. Many EDI networks have evolved to allow automation and other functionality, such as the transmission of purchase orders or additional documents requested or required by trading partners that are not currently supported by Peppol (eg in the legal profession). It would be sensible – before any BER is enforced – for the Peppol network to be brought up to the same standard as existing systems. Providing additional time before a BER came into force would support this.

Rather than taking an approach focused on the size of the business, the government could also contemplate the possible benefits of phasing a rollout by industry or business classification.

4.2 Definitions and identification of regulated entities

The discussion paper canvasses a number of ways of defining various business sizes. We do not make a specific recommendation on which option would be preferable, as we note there are a wide range of varying definitions used by various Commonwealth entities, including the RBA, ABS, Treasury, ATO, APRA, ASIC and Fair Work Commission. Government should not establish a new set of eInvoicing-specific definitions for the purpose of the BER.

The Discussion Paper asks about differing ways of identifying which businesses would be covered by the BER. We strongly caution against using the Small Business Identification (SBI) Tool established for the Payment Times Reporting Scheme. There are numerous flaws with the SBI Tool, in both methodology and data, and its use would lead to very poor outcomes, as it is only designed to separate businesses into 'small' and 'large', which is not sufficiently graduated for the purpose of the BER as proposed (which suggests categories for large, medium and small businesses).

The discussion paper also asks how the government could assist entities to identify themselves as being covered by the BER. The specific mechanisms used to identify which businesses are covered will need to be based on the definitions government ultimately decides should be used. The use of taxable income data would not be a

sensible measure if the thresholds for small, medium, and large businesses are based off the number of employees, for example.

It may be sensible to consider whether a definition based on historical taxable income would provide certainty for businesses – this would mean there would be little doubt about who is in or out.

We support government using existing data it holds where possible. Additional reporting requirements for businesses would not be appropriate or represent the lowest cost option to deliver a potential BER. It would also not be an efficient regulatory approach (or use of Commonwealth resources) to develop a new register specifically for the purpose of the BER. Building a new register of all businesses in Australia that is intended to only be used for a relatively small period would not appear worthwhile, given the intention is to bring all businesses into scope.

It will also be important to take a sensible and very clear approach to how a definition deals with businesses that are groups or have other constituent entities of varying sizes and with quite different operating models and businesses structures.

4.3 Regulatory approach

We believe there are important lessons that can be drawn from previous related regulatory measures. Government should not rush into regulating a BER – even if it is rolled out with the best intentions, a rushed approach will increase the risk of unintended implementation problems.

If the government decides to proceed with the BER, we support government undertaking a thorough and genuine consultation process, with a best practice Regulation Impact Statement to ensure the approach meets its objectives at least costs.

It will be critical that an appropriate regulator is identified, who is equipped, able and willing to engage with affected businesses and respond in a timely manner. The designated regulator will need to be resourced to work with businesses on a day-to-day basis, including to address implementation questions or concerns and respond to concerns about whether a particular business is in or out of scope.

Given how important a potential change of this nature will be to both cash flows for small businesses and the digital transformation of the Australian economy, the designated regulator will need to maintain open and clear channels of communication with all businesses.

4.4 Skills constraints

Australia is facing acute skills and workforce shortages across a wide range of industries. This is particularly the case for digital skills, where many businesses are finding it challenging to find and retain staff to fill existing needs, let alone to build new systems, like those that will be needed for eInvoicing.

We reiterate our recommendations made in our pre-Budget submission on the need for more action to address urgent skills needs across the economy. Given the current difficulties in building and maintaining a skilled workforce, it will be challenging for businesses to upgrade or implement digital systems like those needed for eInvoicing in a short timeframe.

BUSINESS COUNCIL OF AUSTRALIA

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