

25 February 2022

Data Economy Unit
Consumer Data Right Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: eInvoicing@treasury.gov.au

Dear Sir / Madam,

Submission on Supporting business adoption of electronic invoicing

CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) welcome the opportunity to respond to Treasury's public consultation on *Supporting business adoption of electronic invoicing*. Together, we represent over 300,000 professional accountants in Australia, New Zealand and around the world. CPA Australia and CA ANZ see significant value in the adoption of eInvoicing. However, we do not support Treasury's proposed mandatory approach to eInvoicing adoption.

We recommend that the Government:

- does not introduce the Business eInvoicing Right (BER) or any other policy that effectively mandates the adoption of eInvoicing
- encourages the adoption of eInvoicing through incentives, free education and training, and raising awareness of its benefits
- builds in a comprehensive review process after each phase of the implementation process before medium and small businesses are included, if the BER is introduced
- considers rolling out eInvoicing across sectors and/or running eInvoicing pilots along end-to-end supply chains consisting of large, medium-sized and small businesses.

If you have any queries about this submission, contact Dr Jana Schmitz (CPA Australia) on jana.schmitz@cpaaustralia.com.au or Karen McWilliams (Chartered Accountants Australia and New Zealand) on karen.mcwilliams@charteredaccountantsanz.com.

Yours sincerely,

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

No.

We do not support the introduction of a BER. We believe that eInvoicing will have benefits for many businesses, however, as noted in our [previous submission](#) to Treasury's *Consultation paper on options for mandatory adoption of electronic invoicing by business (2021)*, we favour allowing business to choose whether they adopt this solution, with government incentives and support to encourage uptake. In our previous submission to Treasury, we highlighted some examples of existing incentive-based approaches to eInvoicing adopted by other jurisdictions, such as [Singapore's e-Invoicing Registration Grant](#) and [Digital Resilience Bonus](#) program.

However, if the Government chooses to pursue the BER approach, it will be pivotal that easily accessible complimentary education and training resources are provided to support adoption. We suggest this comprises a variety of education and training resources such as downloadable materials as well as targeted sessions (for example, by industry) that can be accessed both live and OnDemand. Leveraging the expertise of eInvoicing service providers with the support of accountants as trusted advisors will be important to support uptake, especially amongst small business.

We are aware that the Australian Tax Office (ATO) has been actively engaging with the business community through the Champions Adoption Network Communication Community (CANCC) to raise awareness and understanding of the benefits of eInvoicing. Independent of the proposed BER, we suggest Treasury collaborates with the ATO to accelerate business adoption in line with the Digital Economy Strategy 2030, which proposed "a series of education activities to raise business awareness, and eInvoicing pilots across key supply chains to test and drive [eInvoicing] adoption". See also our response to Q10.

Recommendations:

- **The Government not introduce the BER or any other policy that effectively mandates the adoption of eInvoicing.**
- **The Government encourages the adoption of eInvoicing through incentives, free education and training, and awareness raising of its benefits.**

2. Are there other regulatory methods that might increase e-Invoicing adoption?

No.

E-Invoicing is a business to business (B2B) transaction which we consider to be outside the regulatory scope of Government. Adoption of eInvoicing should be driven by businesses seeking to take advantage of the benefits it provides, in a similar way to the broader digitalisation of business processes.

We note that [Commonwealth agencies](#) are mandated to adopt eInvoicing by 1 July 2022. As many agencies have already started using eInvoicing, those agencies should publicly share their experiences. Sharing the lived experiences of eInvoicing is another way to encourage businesses adoption. Investment in raising awareness and understanding of the short- and long-term benefits will be critical to increasing adoption.

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

The last two years have significantly disrupted the business community and in particular, small and medium-sized enterprises (SMEs). Ongoing labour shortages coupled with supply chain issues, mental health challenges and the uncertainty posed by further COVID-19 disruptions make it questionable whether the proposed timeframe for the BER implementation is feasible (see also our response to Q13a and our previous submission).

We also question whether certain advertised benefits of eInvoicing, such as reduced invoice processing costs, will be enjoyed by all businesses. Businesses that process large volumes of invoices will benefit from expected cost savings, whereas those processing only a few invoices per month may not. From our experience, many businesses do not have high invoice volumes.

Depending on the scale of invoicing by a business, the service cost charged by the eInvoice software provider and the associated implementation costs may exceed the expected cost savings.

We further note that some larger businesses have already implemented their own eInvoicing solutions. Such businesses are likely to face additional costs to change their eInvoicing solution to comply with the PEPPOL standard. They must also balance the time, cost and resources needed to implement this potential mandated change with other regulatory, systems and business issues they may be managing. This would mean many would find it difficult to meet the proposed timeframe. We suggest the Government awaits the outcomes of the ATO's [Supply chain pilots with large business](#) and reassesses the suitability of its proposed mandatory approach as well as the implementation timeline.

Lastly, some of our members have expressed concerns about security and control over the eInvoicing process. It is critical that all parties have confidence in the security and integrity of eInvoicing systems. The government may assist in addressing such concerns by raising awareness and providing explanations of how the security and integrity of eInvoicing systems is monitored and enhanced over time. See also our responses to Q1 and Q10.

4. Would Option 1 or Option 2 be more appropriate to set the scope for participation in the BER and why? Are there other approaches that may be appropriate?

We do not support either option.

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))?

As noted in our previous submission, a non-mandatory approach to eInvoicing adoption avoids the need to design exemptions.

If the Government decides to pursue the BER, we suggest exemptions should be similar to the [Single Touch Payroll exemptions](#).

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

No.

We do not consider a public register to be appropriate as it may pose several risks and/or challenges. We reflect upon the implementation of the Payment Times Reporting Scheme (PTRS) and highlight the issues that were encountered when determining the best way in which a small business should be identified via the small business identification (SBI) tool. We are aware that the negative screening approach of the SBI tool has provided some incorrect small business identification information, such as Local Government Agencies. Therefore, we are concerned that the creation of another public register may not provide the correct information required. Furthermore, it will result in another system for businesses to interact with and creates additional cost for Government to maintain.

Further, creating another register does not align with the Government's deregulation workplan to reduce the burden of overlapping regulations and streamlining interactions with Government. Our understanding is that it is the Government's objective to move towards a single point of contact (the 'tell us once' approach) via the Australian Business Registry Services (ABRS). We recommend Government considers how the ABRS can be utilised to provide the relevant information sought, instead of creating a separate business register.

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

As stated in our response to Q1, we do not support a mandated approach.

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

No.

Publicising the size of the business could lead to some businesses unfairly not considering a supplier because it is publicised as small, rather than judging that business on its merits.

We highlight again the similarities in these questions to those asked during the design of the Payment Times Reporting Scheme. We therefore recommend Treasury engages internally to better understand the relevant issues identified during that consultation.

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

See our response to Q7a.

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

See our response to Q6a.

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

Large businesses with sophisticated accounting and technology capabilities will likely receive greater benefit from the introduction of the BER, particularly through achieving economies of scale.

SMEs with limited resources to dedicate to invoicing and purchasing functions may be subject to an initial increase in associated implementation costs to meet the BER requirements. SMEs will need to ensure that they have the right systems in place to be able to integrate eInvoicing and also develop processes to ensure that information is recorded correctly in their systems.

See also our response to Q10.

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

We do not support a phased approach to the BER for several reasons:

We note that the phased approach does not take into consideration that large, medium and small businesses are all part of the same business ecosystem. Businesses of different sizes transact with each other along the same supply chains. If larger businesses implement eInvoicing first, they most likely will have to run at least two invoicing systems during the transition – one for eInvoicing for larger businesses and another one for medium-sized and small businesses not adopting eInvoicing.

The phased approach also adds a layer of unnecessary complexity with businesses having to identify with whom they can enforce their right to request eInvoices during the transition period. In our view, this highlights a very real concern with Government mandating business to business transactions using eInvoicing.

Another adverse effect of the proposed phased approach is that large businesses, as the first adopters of eInvoicing, will also be the first to enjoy the intended benefits of eInvoicing.

In addition, we note that no review process is built into the phased implementation. Without first assessing whether eInvoicing adoption was successful among large businesses, implementation should not proceed to other businesses. If the Government decides to proceed with the proposed phased approach, we suggest that large businesses' eInvoicing adoption is followed by a comprehensive review process, which allows for the identification of challenges and improvements, before eInvoicing is rolled out to medium-sized businesses. Another review process should be undertaken after medium-sized businesses have adopted eInvoicing.

We consider the trickle-down effect of the proposed review process as an opportunity to share 'best practices' and 'lessons learned'. Our proposed comprehensive in-built review mechanism should be expected to prolong Treasury's eInvoicing rollout across different tiers.

We believe that eInvoicing trials and implementation need to occur almost at the same time across different tiers. Therefore, we propose a more holistic approach to the non-mandatory rollout of eInvoicing. For instance, in a similar way to the Consumer Data Right, specific sectors that are comprised of large, medium-sized and small businesses could be encouraged to implement eInvoicing through voluntary participation in end-to-end supply chain pilots and other incentives.

Recommendations:

- The Government builds in a comprehensive review process after each phase of the implementation process before medium and small businesses are included.
- The Government considers rolling out eInvoicing across sectors and/or running eInvoicing pilots along end-to-end supply chains consisting of large, medium-sized and small businesses.

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?

Currently, the definitions and criteria used across Government agencies (and across different reporting requirements) to differentiate between business sizes are inconsistent and confusing. For example, the [ATO defines a 'large business'](#) as those entities (part of an economic group) with combined turnover greater than \$250 million whereas under the PTRS a large entity is considered to have a total annual income of more than \$100 million. On the other hand, small businesses are defined by ASIC using different criteria (consolidated revenue, consolidated gross assets and/or number of employees) to that used by the ATO (aggregated turnover).

When considering proposed regulatory frameworks, we suggest that Government simplifies and aligns, where possible, to definitions under existing relevant frameworks and legislation.

We recommend that Government considers potential exemptions for businesses that have low invoice volumes as a part of this BER proposal.

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

As noted above in our response to 11a, it is important that where feasible there is consistency amongst relevant definitions across Government.

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

No comment.

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

Yes, however, we note that grouping rules can be complicated. If the BER wasn't mandated, these complexities would be avoided.

We note that this may add complexity to a business seeking to identify others in the BER regime during the phase-in period. This is likely to add to the cost burden if BER is adopted.

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

The timing of the BER needs to be carefully considered. While the Government may be seeking to accelerate the adoption of eInvoicing, it will need to ensure compliance costs and red tape are minimised and that any push to adopt eInvoicing comes at the appropriate time, given the difficult time and ongoing uncertainty faced by business.

In addition to our response to Q10, we note that since the release of eInvoicing in Australia, businesses have not had the required capacity and resources – due to COVID disruptions – to adopt eInvoicing and were not incentivised to do so. Further, as mentioned earlier, the ATO’s supply chain pilots have not yet been finalised and therefore, neither examples of what has worked and what hasn’t worked, nor ‘best practice’ guidance, has yet been released. Implementation timeframes for non-mandatory eInvoicing should be adjusted based on pilot results.

Considering the PTRS compliance priorities and our preference for a non-regulatory approach, we recommend Treasury not consider mandating eInvoicing adoption until the conclusion of the legislative review of the PTRS.

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

See our responses to Q1 and Q10.

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

We believe that the proposed starting date of Phase One (large businesses), 1 July 2023, is too early considering the current economic environment and the time needed to implement necessary system and process changes. As outlined earlier, we do not support the phased approach but instead recommend incentivising businesses to participate in supply chain pilots and/or trialling eInvoice adoption in specific sectors.

It is our view that such pilots/sector-specific trials should not commence before 2024 to allow for the economic recovery of businesses following the pandemic. The proposed timeframe provides the Government with sufficient time to raise public awareness around eInvoicing and allows businesses – particularly SMEs – sufficient time to hire and train staff. See also our response to Q10.

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

As e-Invoicing is a B2B transaction, it will be difficult to outline standard requirements for a valid request due to the unique nature of each business and its operations.

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

As noted in 14a, e-Invoicing is a B2B transaction. Communication and record-keeping practices are unique to each business and are based on current processes and resource capabilities. It will therefore be difficult to outline a standard that will apply to the wide range of businesses anticipated to be covered by the proposed BER.

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

If mandated, there should be a process for individual entities to lodge complaints anonymously.

Consultation questions 16 through to 19:

No comment.

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

We believe it is too early to make assumptions about the broader adoption of Peppol P2P. The current focus should be on facilitating the non-mandatory adoption of eInvoicing across businesses of all sizes and raising awareness of eInvoicing.

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

No comment.

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

See our response to Q22.

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?

As outlined above, there should be incentives to encourage the uptake of eInvoicing – not a mandate.

We believe that more solutions need to be readily available to businesses. Once the ATO's pilots are finalised, results should be shared with businesses and identified barriers should be addressed by the Government.

Whilst emerging technologies such as blockchain have not yet experienced mainstream adoption, they promise faster and more efficient and transparent payment settlement. eInvoicing adoption and regulation should not stand in the way of new and emerging technologies but instead embrace such developments.



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