

18 January 2021

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

Via email: e-Invoicing@treasury.gov.au.

Dear Mr Sedgwick,

Re: ABSIA's Submission to Options for mandatory adoption of electronic invoicing by businesses

The Australian Business Software Industry Association (ABSIA) welcomes the opportunity to make this submission on behalf of our members and the software industry. This submission has been prepared with input from ABSIA members and other industry stakeholders.

ABSIA has been closely involved in Australia and New Zealand's e-invoicing journey since 2015 with the inception of the Digital Business Council. During this time, ABSIA has worked with the Australian Taxation Office (ATO) and New Zealand's Ministry of Business Innovation and Employment (MBIE) on adopting Peppol and involved in the creation of industry standards for adopting A-NZ Peppol e-invoicing amongst other work.

Overall, ABSIA supports the introduction of a mandate and its ability to generate awareness for e-invoicing amongst Australian businesses. From what the industry has seen to date from international experiences, mandates and subsequent incentives have been the best drivers of adoption across large and small businesses. ABSIA's recommendation is to apply the mandate to software products and make it compulsory to have the capability to both send and receive Peppol e-invoices. This enables businesses, especially small businesses, to adopt at their own pace. In our view, this type of mandate needs to come hand in hand with an incentive program for small businesses to encourage adoption here.

In summary, this submission covers the following:

- Barriers to adoption include not enough incentives and the amount of work required to change business processes. Further, there is still a lack of knowledge about what e-invoicing is and what it involves within the industry;
- We expect that a mandate will assist in reducing payment times for small businesses. To assist here, e-invoicing should be tied to the Payment Times Reporting scheme to also make it easier for large businesses to undertake this reporting;

- The Government should be considering international experiences with mandating e-invoicing to better understand different approaches and how they have worked. Overall, we have found that countries with no mandates in place experience very slow adoption rates. Incentives to encourage adoption, especially for small businesses, should also be considered. Examples of both international mandates and incentives are provided throughout this submission;
- We support the introduction of a mandate and note that for a mandate to truly work, the e-invoicing capability needs to be made available first;
- Large businesses should be defined in line with the Payment Times Reporting scheme threshold of \$100 million;
- If a mandate is introduced in mid 2021, we would expect that small businesses should be able to comply by 30 June 2023; and
- Exemptions should be granted to avoid disadvantaging small businesses and handled in a similar manner to Single Touch Payroll (STP) exemptions for small businesses.

Further, ABSIA would like to see both send and receive capabilities be mandated for the Government.

ABSIA would appreciate the opportunity to engage further on the points laid out in this submission. For further information, please contact Simon Foster.

Yours faithfully,

Simon Foster,
President & Director
Australian Business Software Industry Association, Limited

Peppol E-invoicing Adoption

1. What are the barriers to businesses adopting Peppol e-Invoicing?

Without many of their suppliers or buyers on the network, a majority of small businesses will not see enough incentives for them to adopt e-invoicing. There are also small businesses who send or receive few invoices meaning they may not be interested due to the lack of benefits for them.

On the other hand, a barrier for large businesses is a reluctance to replace or modify highly specialised systems that already have e-invoicing functionality. If a large business were to adopt Peppol e-invoicing, another barrier is the work that will need to be done to change businesses processes and map these from their existing solutions to Peppol enabled solutions.

Across the industry, there is still a lack of awareness about what e-invoicing is and how it actually works. Such misconceptions include privacy concerns about who can read e-invoices as they are being delivered and how much e-invoices cost to send and process. These factors are important to consider while deciding on a mandate option alongside the fact that more education will be needed in the private sector before some businesses look to adopt e-invoicing.

2. What would be the costs and benefits of mandating Peppol e-invoicing?

ABSIA believes that a mandate, irrespective of the chosen option, will bring greater awareness to e-invoicing overall. Involving large businesses and placing the mandate on them first will enable them to assist in raising awareness especially amongst their small business suppliers and buyers. This will result in far greater coverage than if the Government were to complete this work on their own.

A mandate would also be beneficial for reducing payment times for small businesses. It is increasingly difficult for small businesses to do business with large businesses considering the lengthy payment terms and complex procurement processes they face. E-invoicing, especially when tied in with the Payment Time Reporting scheme, could assist in reducing payment times.

As mentioned above, the time and costs for large businesses to map their systems over will be a barrier to adoption. However, for other businesses, there may be little to no costs with a number of free or low cost solutions currently available.

3. What other factors should be considered when mandating Peppol e-Invoicing for businesses?

The Government should consider international experiences with mandating e-invoicing as well as incentives to encourage adoption when deciding on the best option for a mandate.

International Experiences with Mandates

In Europe, it is mandatory for governments to have the capability to accept e-invoices, however this has been implemented differently depending on the country. Germany, Italy and Spain have all mandated e-invoicing economy wide. In Belgium, due to how their government functions, some regions have mandated while others are yet to mandate. Belgium also mandated

e-invoicing for their top 50 companies who send 60-70% of the country's invoices to generate more reach and volume.

Singapore has tied e-invoicing with tax lodgement using their equivalent to Australia's Standard Business Reporting (SBR). Accounting and ERP systems must have Peppol e-invoicing capabilities to be included in the Inland Revenue Authority of Singapore (IRAS) Accounting Software Register.

There have also been discussions in New Zealand about only mandating e-invoicing for the New Zealand equivalent of work cover, the Accident Compensation Corporation (ACC).

In discussions ABSIA has had with our members and other industry stakeholders, we have found these to be interesting approaches and note the positive outcomes they have created. However, in putting forward these examples, we have acknowledged that some would not translate well to Australia's business environment but we would like to note the overall positive effects they have had. It has been well acknowledged that adoption rates are very slow in countries and regions where no mandates have been put in place.

Incentives to encourage adoption

One of the most successful incentives to drive e-invoicing adoption amongst small businesses is the Singapore Government's E-invoicing Registration Grant. The aim of the incentive was to reach 50,000 small businesses and provide them with S\$200 upon adopting a Peppol ready solution. This resulted in Singapore reaching over 30,000 small businesses in 12 months which equates to 8% of their market at a grant cost of around S\$6,000,000. In comparison, it took the Netherlands six years to reach that level of adoption with no incentives or economy-wide mandates. This incentive essentially created a market for e-invoicing in Singapore's small business community and with large businesses seeing their suppliers or buyers on the network, it then made them quite interested. A similar approach could be adopted here considering that Singapore's market is quite similar to Australia's with both countries being small business centric.

Another method to incentivise adoption is to tie e-invoicing in with other business initiatives. If we look at the impact that JobKeeper had on Single Touch Payroll (STP) adoption throughout 2020, the ATO saw a major increase in businesses reporting through STP in order to receive JobKeeper payments. Including e-invoicing as a prerequisite for similar initiatives would be a good incentive for businesses to adopt with one example being the Payment Times Reporting scheme for large businesses. Indeed, the Singapore Government did precisely this, tying one of their COVID-19 stimulus programs, the Digital Resilience Bonus (DRB), to e-invoicing by requiring an active registration for Peppol e-invoicing as an eligibility requirement to receive the DRB.

Other incentives include reducing payment times or offering discounts on invoices for small businesses. Find more information in the next section about reducing payment times.

4. Which of the options outlined in this consultation paper would you support and why?

Overall, ABSIA supports the introduction of a mandate and is supportive of both Option 1 and Option 2. With the mandate not prohibiting businesses from continuing to send and receive non-Peppol invoices, ABSIA would like to make the following recommendation: the mandate should be on capability only, especially for small businesses. This would involve send and receive capabilities being mandated across business software thereby enabling small businesses to adopt when it suits them. We see no reason for large businesses to be exempt.

ABSIA agrees with the approach to mandate for large businesses first. This mandate would bring utilities and telecommunications providers on to the network and as they send a large volume of e-invoices to small businesses, it would assist in reaching these small businesses and introducing them to e-invoicing and the benefits. This would then positively influence small business to small business transactions that make up the majority of the 1.2 billion invoices sent in Australia annually.

What has been made clear through conversations with ABSIA members and in Peppol working group discussion is that for a mandate to truly work, the capability needs to be available first. However, even if the capability is made available on small business focused software products, it will probably not be enough for them to actually register. We have seen this in Singapore and to drive adoption, they provided registration incentives. ABSIA believes that to successfully implement this mandate and drive small business adoption, incentives should be considered for small businesses alongside the mandate on capability.

Irrespective of the option that is chosen, a mandate will have a positive impact on raising awareness amongst the over two million potential participants in Australia and New Zealand. We understand that raising awareness around e-invoicing is a difficult task for the Government to undertake on its own. Bringing large businesses into the mix will assist in this education and help raise awareness much faster.

On top of a mandate for businesses, ABSIA would also like to recommend that the Government should have the capability to both send and receive e-invoices. This would further assist in driving adoption and allow the Government to send invoices directly into their customer's accounting systems.

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

Large businesses should be defined in line with the Payment Times Reporting scheme threshold of \$100 million.

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

The Federal Government mandate introduced on 29 September 2020 provides a deadline of 30 June 2022 for all agencies to be Peppol e-invoicing capable. It is reasonable to expect large businesses would be able to implement in a similar timeframe. Therefore, if a mandate is introduced in mid 2021, a deadline of 30 June 2023 would be appropriate.

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

Small businesses that are trading with large businesses will have to implement e-invoicing in line with the large business mandate. There are already free and low cost e-invoicing solutions available for small businesses and we do not see any impediment to a small business mandate being implemented on the same timeframe as large business provided appropriate exemptions are made available.

Should there be any exemptions to this mandate?

Exemptions should be granted to avoid disadvantaging small businesses. This should be handled in a similar manner to how exemptions are distributed for STP. However, having the mandate on software capability should assist in giving flexibility to small businesses to adopt e-invoicing when the time or incentives are right for them.

E-invoicing and payment times

1. In your view, if the Government mandates the adoption of Peppol e-Invoicing for businesses:

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

Yes, where those large businesses wish to improve payment times to their small business suppliers. However, as has been evident in reports from the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and others, many large businesses do not pay their small business suppliers in a reasonable timeframe and an e-invoicing mandate is not going to improve this on its own.

How would the reduction occur?

Implementation of Peppol e-Invoicing will often be accompanied by a review of payables processes and new automation tools that will improve efficiency and therefore payment times. A reduction in processing errors will also have a significant impact.

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

ABSIA believes that there is a huge opportunity to tie e-invoicing in with the Payment Times Reporting scheme to make the reporting simpler for large businesses. The tie-in with e-invoicing would assist in delivering the aims of Payment Times Reporting and potentially create a positive change in payment times and practices. While payment times have not generally been linked with e-invoicing, the Australian Government could make this a reality by linking the two parallel initiatives.