

21/01/2020

Attn: Matthew Sedgwick

Data Economy Unit
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Matthew,

With reference to the recent publication of the document 'Options for mandatory adoption of electronic invoicing by businesses', and in consultation with Snowy Hydro Limited's Accounts Payable Software provider, Diriger, I submit herewith our response to the consultation questions posed.

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

- Cost to implement;
- Time/cost for software providers to configure their systems to comply with Peppol standards;
- Time to complete appropriate levels of testing;
- Cyber-security concerns, cost of penetration testing that may be required; and
- Level of sophistication of businesses invoicing systems (particularly for small/micro businesses).

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

- Costs:
 - Cost to modify existing software;
 - Cost to procure Peppol access point & integration services; and
 - Reliant upon broad uptake in order to increase the likelihood of realising any significant benefits (need for incentives/penalties to encourage uptake)
- Benefits:
 - Helps to standardise invoice content & allows for more efficient transfer of data; and
 - Minimises some potential for errors arising from manual handling of data or from shortcomings of Optical Character Recognition (OCR) technology

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

- Care should be taken not to inadvertently discourage innovation in this area by mandating/enforcing a specific course of action;
- Consideration should be given to potential impact on current use of payment terms as one of the key variables typically flexed during negotiations on price

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

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?*
A reasonable definition of a large business should be assumed that which is above the threshold as is set out in the Payment Times Reporting Act 2020 (\$100 million turnover)
- *What would be a reasonable timeframe for large businesses to comply?*
Two years to comply.
Many large Australian businesses already have existing EDI (Electronic Data Interchange) technologies in use and transitioning to a different EDI standard could pose significant technical challenges.
- *What would be a reasonable timeframe before extending the mandate to all businesses?*
~10 years for all businesses.
Extending a mandate to all businesses, in particular, small and micro business cannot be achieved without low or no cost solutions that do not require significant investment in cost or time to utilise.
Potentially, the option to mandate could be reduced if the government provided or sponsored a common gateway or interface to send and receive invoices, Perhaps via the Business Portal or MyGov, similarly to the Small Business Superannuation Clearing House. Many small businesses have minimal software capability and only basic bookkeeping skills and an equivalent traditional invoice view (e.g. PDF) of the electronic document would still be required. Forcing the use of commercial software could potentially have a significant detrimental impact.
- *Should there be any exemptions to this mandate?*
Maybe 'micro' businesses should exempt from mandates.
- *If some small businesses are exempted, how should this class of businesses be defined?*
Perhaps some small businesses could be exempted based on a similar definition as that used in the initial STP (Single Touch Payroll) reporting exemptions of 19 or less employees, with no or low digital capability, unreliable internet service or other special circumstances. In addition, unincorporated business should arguably also be included in the definition of a small business.

Option 2: *The Government should mandate only that large businesses be able to send and receive Peppol e-Invoices.*

- *What would be a reasonable definition of a large business for this purpose?*
A reasonable definition of a large business should be assumed that which is above the threshold as is set out in the Payment Times Reporting Act 2020 (\$100 million turnover)

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

~2 years.

Many large Australian businesses already have existing EDI (Electronic Data Interchange) technologies in use and transitioning to a different EDI standard could pose significant technical challenges.

Option 3: *The Government should take a non-regulatory approach to Peppol e-Invoicing adoption by businesses.*

- *Are there specific non-regulatory action/s that you would/would not support the Government taking?*

Providing a sponsored gateway or interface for e-invoicing would strongly encourage small businesses to embrace e-invoicing, particularly if shorter payment terms are a guaranteed outcome. However, this will still leave marginal or vulnerable businesses at somewhat of a disadvantage.

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?**

The mandating of e-invoicing would not directly result in a reducing of payment times from large to small business for the following reasons:

- Peppol is only an invoice distribution network of a standardised invoice document;
 - Payment terms are written into contracts, directed by management, accountants or financial advisors (with a cashflow or other self gain for themselves or the organisation in mind) and embedded into business processes. Speeding up the transport of an invoice between parties should not be expected to directly result in decreased payment times;
 - There is an assumption that each party's existing software systems and internal review/approval processes are capable of processing invoices more efficiently;
 - Only regulation of payment terms to small businesses will directly lead to reduced payment times; and
 - Efficient business processes have the greatest direct relationship to shorter payment times.
- **How would this reduction occur?**

The most logical option to reduce payment times would arguably be to mandate specific payment terms for specific circumstances..

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

Offers of support or financial incentives would help to minimise any incremental cost to business associated with ensuring their preparedness to send/receive/process e-invoices.

Some additional level of standardisation of required information to be supplied on all tax invoices may also assist businesses to minimise inefficient internal processes that could result in invoices spending less time in the review/approval process.

Thank you for the opportunity to provide a considered response to the questions posed within the consultation document. Should you wish to discuss further, please don't hesitate to contact me.

Kind Regards,

Tom Bartlett

Senior Manager - Project Accounting & Finance Services
Snowy Hydro Limited



SAFETY IS ALWAYS OUR NUMBER ONE PRIORITY
