Clubs Australia Submission
Payment Times Reporting Framework

Clubs Australia thanks the Department of Industry, Science, Energy and Resources (the Department) for the opportunity to comment on the exposure draft of the Payment Times Reporting Bill 2020 and Minister's Rules (the draft framework).

Clubs Australia is the peak body for 6,400 not-for-profit (NFP) licensed clubs in Australia.

Some clubs have more than $100 million per year in turnover. Under the draft framework, these clubs would be required to give a *payment times report* to the Payment Times Reporting Regulator biannually.

For the reasons outlined below, Clubs Australia submits that the proposed obligations will impose a disproportionately large compliance burden on clubs.

Accordingly, **Clubs Australia recommends amending the meaning of *reporting entity* in section 6 of the exposure draft, so entities are expressly excluded if they are NFP.**

Alternatively, Clubs Australia recommends amending section 6 so that an NFP entity is only a reporting entity if its turnover exceeds $250 million, which would presently exempt all NFP clubs unless they reach the higher threshold in the future.

How the framework will affect clubs

Affected clubs have told Clubs Australia they have between 1,000 and 2,000 distinct suppliers. Moreover, the suppliers, rather than the clubs, typically set the payment times.

Clubs are NFP, community-owned organisations established for a social purpose. These features are manifested in constitutional objects which drive and obligate clubs to benefit their communities. Clubs are structured so that their operating and financial activities are transparent and subject to scrutiny by their members and governing bodies.

In practice, clubs commonly select smaller, local suppliers from their local communities as a mechanism to achieve these objects. Accordingly, the draft framework would require large clubs to report on most of their invoices and payments, as the transactions would typically involve a small business supplier.

Conversely, large for-profit organisations may be more likely to select larger suppliers with the logistical capability to deliver a high and variable volume of goods to diffuse geographical locations.

Moreover, the clubs who will be reporting entities under the draft framework tend to be invoiced separately for each of the licensed premises they occupy, *and* for each of the types of goods being delivered.

One of the clubs who would be a reporting entity under the draft framework has advised Clubs Australia that it has a food supplier who invoices the club up to 50 times per month, because the club is separately invoiced for each type of food *across* each club premises.

To compound the compliance burden, many clubs do not have a system capable of quickly producing the information required by Rule 4 of the draft Minister's Rules; particularly, the proportion (number and value) of payments made within various specified timeframes.

To work out these figures, a club would first need to check up to 2,000 suppliers on the Payment Times Reporting Small Business Identification Tool, and manually note whether each supplier is a small business.

The club would then need to separate the various timeframes within every payment. For instance, where a supplier invoices a club tens of times per month, the club will make periodic payments that correspond to several invoices. This means a single payment may be associated with some timeframes in the 1-20 days category and others in the 21-30 days category. Currently, many clubs do not need a system that produces the degree of granularity necessary to work out the figures required by draft Rule 4.

Affected clubs have told Clubs Australia that establishing new systems will be costly.

As NFP entities, clubs make significant community contributions. A KPMG census found large clubs give 19% of their net profit in cash donations to community groups. Where legislation increases red tape and additional costs on NFP entities, special consideration should be given to the flow-on effect onto their beneficiaries.

Clubs Australia submits that applying the payment times reporting framework to NFP clubs is not in keeping with the Government's deregulation agenda, nor the framework's objective of "[limiting] the compliance and administrative burden associated with the reporting framework". It is acknowledged that NFP entities face proportionately greater administrative and compliance costs than for-profit entities.

Should you wish to discuss further, please contact Anthony Trimarchi, Manager of Policy and Government, on 02 9268 3072, or by email at ATrimarchi@clubsaustralia.com.au.