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Supporting business adoption of electronic invoicing

The Property Council welcomes the opportunity to provide comments on the *Supporting business adoption of electronic invoicing* Consultation Paper.

The Property Council of Australia represents a broad group of members, including owners, managers, and developers of commercial, industrial, residential and tourist accommodation. The property sector employs 1.4 million Australians and shapes the future of our communities and cities. Our members invest in, design, build and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism, and hospitality venues and more.

Whilst we applaud and support the modernisation agenda from Government to assist businesses in harnessing new technologies effectively, the rapid proposed move to eInvoicing for large businesses will involve considerable changes to existing IT systems which are timely and costly to implement.

Given the COVID related skills shortage, and the myriad suite of regulatory reforms underway while the industry is still recovering from the economic disruption, any introduction of a Business eInvoicing Right (BER) should be undertaken by a phased approach, over a longer timeframe.

Skilled shortages will impact ability to implement reforms

The COVID-related skills shortage being felt across many industries is particularly acute in the IT sector. Members have reported difficulty in sourcing skilled IT staff for their business requirements.

Additional updates to internal IT systems will be required to accommodate for eInvoicing, as will discussions and negotiations with existing and potential providers of eInvoicing, who face their own skills shortages and limitations.

While businesses understand the importance and usefulness of new technologies, every new system requires investment of time and cost, both of which have been exacerbated from the COVID pandemic settings.

Myriad suite of regulatory reforms underway

Given the suite of regulatory changes that have been introduced in recent years, and global changes underway regarding climate reporting, businesses are grappling with an increase in

compliance and reporting obligations many of which require changes to finance and other corporate software systems.

This also includes the recently introduced Payment Times Reporting Scheme, which required significant effort to incorporate into existing internal systems.

Longer lead time required to implement reforms

Industry cannot commence implementation of the BER until the regulatory framework has been put in place. Our members have raised concerns about the proposed start date of July 2023 for large businesses. This start date will not provide businesses with sufficient lead time to integrate eInvoicing with their existing processes. Applying a BER to large businesses will take time for all relevant parties to be BER ready, as there are internal implementation requirements as well as ensuring compatibility with processes provided by external suppliers.

As indicated in the consultation paper, adoption of eInvoicing by Australia's private sector is low, and the software market is still to introduce more products that would support greater adoption of eInvoicing. Given the uncertainty of what products will be available, how they will integrate and interact with existing business systems, and the costs involved in upgrades, it is difficult to understand how businesses could be sufficiently BER ready by July 2023.

We recommend a minimum of 18 months lead time from legislation passing to commencement of a BER applying to large businesses. We also suggest that given the BER is a new initiative, Phase 1 should be optional at first, with a later mandated date.

* * *

We have provided further responses to the consultation questions in the attached table.

If you would like to discuss any aspect of this submission further, please contact Adele Lausberg on 0415 225 638 and alausberg@propertycouncil.com.au, or myself on 0400 356 140 and bngo@propertycouncil.com.au.

Yours sincerely

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Property Council response to Consultation Questions

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

Property Council supports the modernisation of business practices, including delivery of invoices, provided they are done in a consultative manner with sufficient lead time for appropriate and cost-effective implementation. There is still an awareness campaign needed in the finance community and potential providers (including IT experts) as to what invoicing is, how it works and what the ultimate benefits are.

Further, as indicated in the consultation paper, the software market is yet to provide diversity in products that would support greater adoption of invoicing. Until there is a sufficient market to support widespread adoption, mandatory obligations cannot be imposed.

2. Are there other regulatory methods that might increase invoicing adoption?

No comment.

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

The first key area of difficulty is the scarcity of IT resources in the Australian marketplace at present, which has been exacerbated by COVID border policies. Many businesses are struggling to secure enough IT resources for basic operational needs, let alone a new project of scale. This includes large businesses, which cannot secure technology and training services from third parties without some difficulty. As a result of this difficulty, the current proposed timeframe to require large businesses to comply with the BER are far too short.

It is difficult in system configuration to ensure that all situations can be covered by system generated invoices, particularly when they are linked to industry specific billing systems. There have been cases where members have had to raise manual (Word) based invoices, and manually journal these into the accounting software in order to get around these issues. The literature on invoicing does not seem to indicate that this is accommodated by the platform.

Once small businesses are also included in this requirement, many micro-businesses who do not currently use an accounting package would struggle to comply.

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?

In order to reduce the burden of regulatory compliance, the classification of businesses subject to the BER might be best modelled around the requirements for reporting under the Payment Times Reporting Act. Large businesses have recently worked through these requirements, and therefore have already classified group companies as reporting entities or otherwise (which can be complex for corporate groups which contain a mixture of constitutionally covered entities and entities which fall outside federal jurisdiction). The requirements applicable for Payment Times Reporting also take into account in their definitions of Large and Small businesses the impact of offshore entities, including offshore subsidiaries and parents.

An alternative definition of entities covered by the BER would increase complexity both for those who are subject to its requirements, and for entities requesting invoices, as this would require them to consult different listings for their customers and their suppliers.

If the BER requirements were to follow the Payment Times Reporting definitions of Large and Small etc, then this would potentially imply that Option 1 would be the better option for establishment of a BER, as it would make sense for both pieces of legislation to be administered by the Department of Treasury.

<p>We note the suggestion of using ATO data to determine which businesses were classified as large, however we understand there may be privacy requirements in relation to tax data that make this difficult.</p>
<p>5. <i>What, if any, exemptions would a BER need to include (eg. for on-the-spot or point-of-sale business to-business transactions, not-for-profit organisations, newly created businesses, entities supplying tax travel, recipient created tax invoices (RCTIs))?</i> As previously noted, micro-businesses should be permanently excluded from the requirement.</p>
<p>6. <i>a. Should the Government create a public register of businesses covered by the BER?</i> As previously noted, if the same register as the Payment Times Reporting is used (which lists those not covered by the reporting requirements), this would be unnecessary. However, as small businesses can opt-in to report under the Payment Times Reporting Act, the opt-in for BER should be separate, allowing small businesses to opt-in to one or the other of the BER and Payment Times Reporting separately.</p> <p>6. <i>b. Are there any other approaches that would be appropriate to identify businesses covered by the BER?</i> See suggestion above.</p>
<p>7. <i>a. Would businesses be comfortable with being publicly identified as small, medium-sized or large?</i> We believe this would be problematic for many businesses, particularly if they move between categories. This was also considered for Payment Times Reporting and allowed small businesses to opt-in to the requirements of the Payment Times Reporting Act, and therefore be removed from the listing of small businesses.</p> <p>7. <i>b. What key sensitivities or risks would such an approach present?</i> We believe there would be useful feedback given as part of the Payment Times Reporting consultation, where this issue was discussed.</p>
<p>8. <i>Which of the potential approaches to create a register of small, medium-sized and large businesses covered by the BER would be appropriate?</i> See suggestion above.</p>
<p>9. <i>What regulatory costs may be involved for businesses for these options?</i> See above.</p>
<p>10. <i>Should the BER apply to different sized businesses at the different times?</i> Yes. There is a strong case for the BER to be implemented by large businesses first. Were a penalty system to be developed for non-compliance, there should be a no-action period implemented to ensure that any procedural or implementation issues can be worked through, and allow lessons learned from these issues to inform implementation for smaller businesses.</p>
<p>11. <i>a. 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?</i> See comments above. Note, one current issue with turnover based thresholds is that entities formed for a major project, or which for other reasons can be subject to significant year on year fluctuation in turnover, can move in and out of turnover thresholds regularly. Giving entities an "opt in" function can help resolve this, and similarly, allowing entities to apply for an exemption based on temporarily inflated revenue can help to resolve these issues.</p> <p>11. <i>b. What levels of annual turnover would be most appropriate to differentiate small, medium-sized and large businesses under the BER?</i> See above.</p>

<p>12. a. <i>Would a framework for turnover aggregation and related grouping rules be required for the BER?</i></p>
<p>See the Corporate Group requirements used for Payment Times Reporting.</p>
<p>12. b. <i>If required, would a framework for turnover aggregation and related grouping rules like those in current tax laws be appropriate for the BER?</i></p>
<p>See above. The tax rules often do not take into account the turnover of foreign parents and subsidiaries.</p>
<p>13. a. <i>What would be the appropriate implementation timeframes for the BER?</i></p>
<p>An extensive education and consultation of businesses should be undertaken prior to the drafting of any legislation to ensure that the requirements are practical for business to implement and achieve the desired outcomes. With significant focus, we believe this could be achieved in 1.5-2 years. The legislation should then allow at least 2-3 years for implementation by businesses, similar to the implementation timeframes for new accounting standards, to allow businesses to adapt their systems and processes to enable compliance.</p>
<p>13. b. <i>How much advance notice would covered businesses need to be ready by their corresponding deadlines under the BER?</i></p>
<p>See above.</p>
<p>13. c. <i>What alternative timing approaches might also be feasible and appropriate?</i></p>
<p>Early adoption should be allowed and encouraged. This could be assisted by a register of businesses offering eInvoicing, which may allow businesses to use this as a marketing tool to prospective customers.</p>
<p>14. a. <i>What should a valid request to receive Peppol eInvoices involve or include?</i></p>
<p>Businesses should be able to specify a set of requirements for a valid request, similar to the practice of many businesses specifying a set of requirements for receipt of a valid invoice from suppliers. Limitations could be placed on this to ensure that businesses cannot make these requirements excessive or unreasonably onerous. For example, businesses may require that a request for an eInvoice must be sent to a specific email address and contain the requesting businesses ABN (or other identifier) in the subject line. This would allow for automatic processing of these requests where businesses have large volumes of customers. These requirements could be displayed on the business's standard invoice.</p>
<p>14. b. <i>What communication and record-keeping requirements would the BER require for covered businesses, particularly in relation to communicating requests to receive eInvoices?</i></p>
<p>Standard document retention requirements (currently between 6 and 7 years for various legislation) could be applied, to enable an audit of compliance by a government body at a later point in time.</p>
<p>15. <i>What mechanisms should be put in place to protect businesses that choose to exercise their BER (eg. whistle blower protections)?</i></p>
<p>This area should be carefully considered, as businesses must be able to refuse customers and may have many reasons to do so. A refusal to transact with a customer who has requested an eInvoice may not be related to that customer's eInvoicing request.</p>
<p>16. <i>What key factors does the Government need to consider in relation to enabling Peppol compatible EDI networks?</i></p>
<p>No comment.</p>
<p>17. a. <i>How could the Government target a potential intervention on the procurement functions of EDIs, without affecting or targeting the non-procurement functions?</i></p>
<p>No comment.</p>

<p>17. 17b. What definitions or criteria would be required to limit any requirement to only those EDIs operated by businesses that the Commonwealth can regulate and EDIs that are only used in procurement?</p> <p>No comment.</p>
<p>Questions 18 -20b Expanding invoicing into Procure-to-Pay</p> <p>18. What are the key business considerations and impacts relevant to expanding from invoicing to a broader integrated P2P process (such as Peppol P2P)?</p> <p>19. What are the barriers, if any, to businesses adopting more efficient and standardised P2P processes, including Peppol P2P?</p> <p>20. a. Would broader adoption of Peppol P2P as a standard in Australia help businesses adopt more efficient and interoperable procurement processes?</p> <p>20. b. What different approaches are available that may also be appropriate for Australia?</p> <p>While a long-term goal may be to utilise the P2P functionality of the Peppol network, the focus should first be placed on the implementation of invoicing. Lessons learned from this implementation process could then be applied when considering the broader P2P functionality. Education on these additional capabilities should also be conducted with the business community, as some may choose to voluntarily adopt if they see benefits to their business.</p>
<p>21. What is the level of impact on business adoption that the integration of invoicing and payments would have?</p> <p>Our understanding is that it will take a minimum of 6 months to build an interface that can loop in with Peppol. This may be shorter or longer depending on business requirements. This reinforces the need for a minimum timeframe of 18 months to commence a mandated BER, as it will take time for all businesses captured to make relevant changes and upgrades, especially in an environment of many businesses competing for suppressed IT resources.</p>
<p>22. Given the market is currently working to deliver solutions that enable integrated invoicing and payments, what (if any) further action or intervention is required to address any current barriers to greater integration and help drive this process?</p> <p>No comment.</p>