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Trans-Tasman E-Invoicing Governance and Operational Framework

Matthew Sedgwick
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

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Dear Matthew

Trans-Tasman E-Invoicing Governance and Operational Framework

The recently proposed interoperable, trans-Tasman E-Invoicing Framework presents an exciting opportunity to transform the daily lives of more than 981,000 Australian and New Zealand small businesses on the Xero platform today. Xero fully supports the development of digital invoicing frameworks that connect small business, enterprise and government suppliers to one another in a transparent, cost effective and real time manner.

Properly supported, widespread adoption of e-invoicing can become a step change that unleashes a new wave of productivity and digital efficiency for small business that can only result in greater compliance, more jobs and a significant and sustained improvement in the cashflow of millions of small businesses in Australia and New Zealand.

Throughout the region, multiple jurisdictions are introducing e-invoicing frameworks and access points and making them available to government agencies, businesses and digital service providers. As a global platform, Xero is a key partner for many of these initiatives across the region.

Both Australia and New Zealand are at the beginning of a shared e-invoicing journey.

The recent creation of the Trans Tasman E-Invoicing Board and the announcement of a joint Trans Tasman Digital Capability Locator (to be provided by the Australian Tax Office) represent significant concrete steps towards a widespread and pervasive e-invoicing network. It is also apparent that the first 2-3 years of e-invoicing will be a “transitional” period as e-invoicing will not be mandated for either business to government (B2G) or business to business (B2B) invoicing.

Similarly, the software and technology landscape will grow and change during the transitional period. We believe that new providers will enter the market and that small to medium businesses will continue to embrace digital platforms that reduce friction and save time.

We are concerned about the possibility of unforeseen and unintended consequences of entrenching a permanent governance process or model on the adoption of e-invoicing by small business and the subsequent technical and security roadmap at such an early stage of the e-invoicing journey in Australia and New Zealand.

Consequently, we believe that it is premature to develop a final and permanent governance framework for Trans Tasman E-Invoicing at this time and propose that whatever solutions and mechanisms are chosen should be reviewed and revised within three years to better reflect the future state of the digital economy.

The initial success of e-invoicing is dependent upon small to medium business

The success of e-invoicing in Australia and New Zealand (in the absence of a legislative mandate) is entirely reliant upon widespread adoption by digital service providers and digital small businesses. Digital invoicing is significantly more efficient for procurement but the efficiency gains must be equally shared with small businesses and software



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developers.

For the e-invoicing network to be successful it must be very easy for a small business to authenticate, connect, send and receive electronic invoices to both government and non-government customers in Australia, New Zealand and around the world. Consequently, the success of e-invoicing is entirely reliant upon the collective efforts of the business software industry to develop easy to use and cost effective solutions for small to medium business.

We fundamentally believe that access to the e-invoicing network must be free for small business and that there can be no additional compliance costs for software developers to create access points or access the DCL. If there is a financial cost for small businesses to register on the network or for software developers to setup a gateway or send e-invoices through the network, then adoption will be significantly reduced.

If material costs are imposed by government or by access point providers then shadow networks will continue to operate and exchange electronic invoices between businesses or software platforms outside the proposed Trans-Tasman DCL framework. This will scatter the economic benefits of e-invoicing for business, significantly increase complexity and reduce security, productivity and economic efficiency.

Software developers and business will have significant upfront costs to develop the necessary solutions and infrastructure to connect to the e-invoicing network. Moreover, software developers will bear significant costs to promote the benefits of e-invoicing to small business customers. This investment in customer education will be significant and software developers will be required to assist small businesses with change management to support e-invoicing.

We believe the cost of operating and maintaining the e-invoicing network should be borne by Australian and New Zealand governments for the first three years.

Government is the largest purchaser of goods and services from Australian and New Zealand businesses today. In the absence of a whole of economy legislative mandate, the initial efficiency gains and benefits of e-invoicing will be disproportionately received by government procurement - and the initial development costs will be predominately worn by businesses who provide goods and services to government and the software developers who produce business software or operate access points.

Imposing costs on small businesses or software developers will cripple the e-invoicing network from its inception and risk the economic benefit to the overall AU/NZ economy.

We believe that an interim OpenPEPPOL based governance framework is most appropriate for the initial 2-3 years.

As stated previously, market forces and emerging business process requirements should be allowed to influence the development and characteristics of a more permanent governance framework in 2022/23 once the initial roll-out has been completed.

The newly created Trans-Tasman E-invoicing Board consists of representatives from Australian State and Federal and New Zealand Governments. We believe this body and its current, entirely government membership is most appropriate to steer the legislative and policy framework for e-invoicing for the initial period. From a technical and process standpoint, we believe that Australia and New Zealand are in position to take advantage of the learnings and approaches of other jurisdictions in Europe, Latin America and South East Asia.

Singapore has adopted the PEPPOL framework and governance process for an initial period (up to 5 years) and plan to gradually transition to a more localised approach once adoption has significantly increased - and the future commercial landscape is clearer to both business and government.

We would like to suggest that Australia and New Zealand adopt a similar approach and use OpenPEPPOL governance structures and technical specifications for the initial period. This can greatly reduce the barriers to adoption and enable an open, transparent and consistent governance approach. Moreover, this approach will allow Australia and New Zealand to take advantage of emerging and established international best practice - and ensure



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both international competitiveness and international compatibility.

Adopting a PEPPOL-like messaging standard will create export opportunities and allow Australian and New Zealand businesses to connect with interoperable e-invoicing networks in Singapore, Europe and Latin America and easily exchange valid invoices with new markets. This will increase adoption and boost exports of goods and services from Australia by digitally enabled small to medium businesses.

Long term governance approach

It is our position that in three years time, it will be appropriate to design a more representative governance structure that reflects the wider market and better represents the Industry, Government, Financial and Technology sectors.

We feel that is not presently appropriate to develop a final governance structure without a clearer understanding of its real world adoption and utilisation across the economy and the world. There is a significant risk that the wrong structure, membership or process will permanently entrench certain players, reduce innovation and competition and significantly reduce widespread adoption of e-invoicing in the near term.

Unlike SuperStream and Single Touch Payroll, it is not proposed to mandate e-invoicing for either Australia or New Zealand. Consequently, drawing comparisons to SuperStream and Single Touch Payroll are not appropriate.

SuperStream and Single Touch Payroll both relate to highly sensitive taxpayer information and payment initiation. This is outside the scope of B2G and B2B invoices - which are currently trusted to fax machines, paper and post - and could impose arduous financial, technology and security costs that will prevent adoption.

The focus for government and industry for the next three years must be widespread adoption and uptake of e-invoicing by small to medium business.

We thank you for the opportunity to raise these points with Treasury. We would be delighted to provide further information, or practical examples if Treasury, or any working group requires.

Yours sincerely

A handwritten signature in black ink, appearing to read "Trent Innes".

Trent Innes
Managing Director, Xero Australia & Asia