Australian Government

Australian **Small Business** and **Family Enterprise** Ombudsman

18 December 2020

Mr Matthew Sedgwick
Data Economy Unit
Treasury
Langton Cres
Parkes ACT 2600

via email: *e-Invoicing@treasury.gov.au*

Dear Mr Sedgwick

Options for mandatory e-Invoicing adoption by businesses

Widespread adoption of e-Invoicing is an important digitisation initiative that will deliver considerable economic benefits, including for small and family business. We appreciate that Treasury has considered the international experience with e-invoicing adoption in framing your approach of mandating business adoption. While we are broadly supportive of that approach, we make the following general comments:

1) Treasury should take a 'think small first' approach to adoption of e-invoicing that puts small business at the centre. While we agree that targeting large business adoption initially should prove an effective way to incentivise small business adoption, given that small businesses represent over 97% of businesses in Australia, widespread adoption will require getting small businesses onboard with a phased introduction.

2) To that end, Treasury should consider using a mix of both pull (incentives) and 'push' (mandates) to expedite small business adoption. Singapore has demonstrated the power of well-designed incentives, such as its Digital Resilience Bonus and E-Invoicing Registration Grant, to boost adoption and Australia should learn from Singapore's experience.

In terms of the specific options presented in the paper, my Office supports option one: government mandating that all businesses be able to send and receive Peppol e-invoices, starting with large businesses. We provide the following suggestions in response to your other consultation questions.

- *Definition of large business*. For consistency, we suggest using the same threshold as the Payment Times Reporting Act 2020 ($100 million turnover or more).

- *Timeframe for large business to comply*. The consultation paper says a number of major accounting providers have indicated they will be able to support Peppol e-invoicing by mid-2021. On that basis, we would consider a timeframe of 1 January 2022 should be sufficient for large business. However, we understand that the software industry may struggle to meet its mid-2021 deadline as it prioritises supporting other government initiatives, such as JobMaker. This should be taken into account in setting the timeframe for large business and then for extending the mandate.

- *Timeframe for extending the mandate*. We believe an additional year to comply is an appropriate allowance for smaller businesses. As such, we suggest a deadline of no earlier than 1 January 2023 for extending the mandate to all businesses. The deadline for small business should also not be earlier than the deadline for government adoption (1 July 2022).

T 1300 650 460 **E** info@asbfeo.gov.au
www.asbfeo.gov.au

Office of the Australian Small Business and Family Enterprise Ombudsman
GPO Box 1791, Canberra City ACT 2601

- *Exemptions*. Our view is that no businesses should be exempt from the mandate as e-Invoicing is an important digitisation initiative in the long-term interest of all businesses, provided it is available at low or no cost. Without comprehensive adoption, the significant benefits will not be realised. We note Treasury is unable to confirm at this stage whether any mandate would in fact apply to unincorporated businesses, and this should be addressed as a matter of urgency.

The consultation paper also asked about e-invoicing and payment times. My Office agrees that e-invoicing stands to improve payment times by addressing common causes of delayed payment, such as lost or incorrect invoices. Government should also mandate maximum 30 day payment terms for payments to small business (i.e. less than $10 million turnover) from government and large business (i.e. $100 million turnover or more).

If you would like to discuss this matter further, please contact Mr Alex Maskiell on [redacted] or by email to [redacted].

Yours sincerely

Kate Carnell

Kate Carnell AO
Australian Small Business and Family Enterprise Ombudsman