



18 January 2021

Data Economy
The Treasury
Langton Court
Parkes ACT 2600

Email: e-Invoicing@treasury.gov.au

To Data Economy Team:

Re: Options for mandatory adoption of electronic invoicing by business

1. Introduction

1.1 The Motor Trades Association – Queensland (MTA Queensland or The Association) submits views pertaining to the Australian Treasury's *Options for mandatory adoption of electronic invoicing by business* consultation paper (the Paper). The MTA Queensland's comments are confined to issues on the consultation which relate to the interests of the Queensland's automotive value chain.

2. Overview

2.1 The Association notes the following statements in the Paper:

- Electronic invoicing (e-Invoicing) allows the digital exchange of invoices between a supplier's and a buyer's software or systems using a secure network and a common proven standard.
- Australia in 2019 adopted Peppol e-Invoicing after legislation established the Australian Taxation Office as the Australian Peppol Authority which is responsible for developing and administering the e-Invoicing framework in Australia.
- As part of Budget 2020-21, the Government announced that it will seek to accelerate the adoption of Peppol e-Invoicing, starting with the public sector.
- The Commonwealth will mandate e-Invoicing for all agencies by 1 July 2022, with over 80% of invoices being able to be received electronically 1 July 2021.
- The Government will work with the States and Territories on how state and local governments can also accelerate e-Invoicing adoption.

2.2 The focus of the Paper turns from the public sector to actions to accelerate the adoption of Peppol e-Invoicing in the private sector, including the option for mandatory adoption by businesses.

2.3 The Association has consulted with industry on the adoption of the Peppol e-Invoicing, including the option for mandatory adoption by businesses. A range of general views were expressed (see below) and these, in summary suggest a cautionary and educational or tutorial approach is required to counter security, technological, administrative and data management concerns arising from Peppol e-Invoicing. The Association would be pleased to participate in any such educational initiative, having had experience assisting small businesses to engage with digital technology as one of 15 industry associations designated by the Australian Government as a Small Business Digital Champion.

Motor Trades Association Queensland

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3. Option Preference

3.1 The MTA Queensland considered the information in the Paper referring to 'Options to accelerate adoption of e-Information': undertook desk-top research on Peppol -e-Invoicing and consulted with members and operators in the automotive value chain. The information and views expressed, suggests on balance, 'Option 1, a phased approach to introducing a requirement that all businesses adopt Peppol e-Invoicing (without prohibiting paper invoices)'.

3.2 The phased in approach has the benefit of businesses having time to consider the adoption and plan the integration of Peppol -e-Invoicing into their system. At present, many businesses are still transiting through the pandemic recovery stage and there remains considerable uncertainty about future sharp lockdowns. The phased approach will allow for the scheduling of software purchases, technology upgrades, financing, resources, and administration adjustments. The Paper acknowledges many businesses will need to invest time and resources to understand e-Invoicing and changes to their software or systems.

3.3 As expressed in the Paper there are potential disadvantages. Many businesses in the automotive value chain will have to continue with their current accounting systems to invoice purchasers of goods and services without digital access or prefer paper-based invoices.

3.4 In the short/medium term, technological influence, and strategic digital competence, may initiate the uptake by most businesses of Peppol e-Invoicing e.g., similar to the mobile phone as a business device. (We note that any mandate would not prohibit businesses from continuing to send and receive non-Peppol invoices such as paper and PDF invoices.) There is a potential risk of Legislative and other compliance obligations resulting in a cost drag.

4. General Issues and Comments

4.1 The Association acknowledges the factors affecting adoption as outlined in the Paper and suggests additional views for consideration:

Accreditation, Security and Risk

The Association notes in the Paper that the Peppol Authority has tailored the Peppol standards to support Australian requirements (e.g., tax invoice) and set the appropriate security requirements for local service providers. Over 20 local service providers are accredited and trusted to provide essential e-Invoicing services in the Peppol network. As a business-to-business system international and other analysis indicates Peppol e-Invoicing, creates efficiency and transparency that overall reduces the risk of fraud, user error and human / capital resources to send/process invoices. It does, however, create an onus on all businesses to use an accredited system to run their business.

- There are many organisations that run custom or highly customised versions of out-of-the-box software, what would be the cost to become accredited / maintain accreditation?
- The fraudulent use of a business's Australian Business Number (ABN) to send an invoice for ordered goods and services and receiving that invoice into your accounting system is a possible risk.
- Corner 3 would need a secure File Transfer Protocol (FTP) site at a minimum.
- Currently there is no provision for real time monitoring of transactions from the Australian Taxation Office (ATO), but as sighted with On Time Payment (OTP) this may occur. What overhead auditing risk does this unnecessarily place businesses in?
- Businesses which do not run an accredited system or digital invoicing / procurement systems would have the financial onus of the change if made mandatory, as well as any associated costs with hardware, services or connectivity required to drive those systems.

Imposts

- Hardware, software, servicing, connectivity, and licensing costs for businesses. (As indicated in the Paper these are tax deductible but for some, immediate cash flow to install the system may be a limiting factor).

Administration

- Additional time to upload and download all invoices to the Peppol network for both small and large businesses.
- Most large businesses already have automated systems, this will be another processing layer until resolved.
- How does the system automatically match an invoice to a purchase order raised in the system?
- If invoices are transferred automatically to an accounting system (Corner 4) how does the invoice get approved by the appropriate authoriser.
- How does the General Ledger (GL code) get allocated to the invoice if (Corner 4) occurs?
- If a period has been closed in your accounting system, some systems will not accept an invoice date in another period.
- The file format in which the invoice is received would need to be able to be viewed for audit purposes.
- It may be more efficient to process invoices if the system occurred up until Corner 3 and not directly interacted with the Accounting Software system.

Scenario 1

One large automotive group receives all invoices via email and prints the invoices for approval and processing. Large automotive value chain enterprises or groups could be severely impacted if processing of an invoice in and out became administratively confusing.

Scenario 2

A large service provider receives invoices via email and creates various batches for the approver and the invoice is attached to the creditor electronically. If the service provider received the invoices directly into its accounting system, it would have to delete the batch and create individual batches so it could approve the invoice electronically.

Technology

- Can businesses transact under adverse conditions where technology / connectivity is down or not practicable?
- Peppol -e-Invoicing would require operators to legitimately run with a correct ABN, reducing the impact of the black economy
- Will business be required to support e-Invoicing or exclusively use e-Invoicing under mandatory arrangements?
- The detail behind the **Peppol** security standard is well documented, but who bears the risk, the business, the software provider?

Mandate

- It would seem Peppol e-Invoicing could not be mandated until the majority of electronic data interchange (EDI) or enterprise resource planning (ERP) systems providers are ready.
- If it is mandated, it would seem the timeframe should be at least 18 months for implementation.
- If large organisations were mandated and small aren't, how would they interact with invoices (e.g., how would a small business send an invoice to a large organisation that is using Peppol to receive all invoices)?
- If big business is first on the list for mandatory adoption, does that require their small customer base to also be compliant?

Contestable digital transition grants

The Association notes the Australian Small Business and Family Enterprise Ombudsman (ASB&FO) has called for an industry-specific R&D Tax Incentive or the creation of a dedicated software development incentive to promote investment and growth in the sector. Such an incentive could be beneficial particularly in encouraging further accredited service providers to provide essential e-Invoicing services. The Association suggests, in addition, consideration be given to contestable digital transition grants for small/medium business for the uptake of Peppol e-Invoicing.

Conclusion

The Association recognises the objective to accelerate the adoption of Peppol e-Invoicing in the private sector, including the option for mandatory adoption by businesses. We will provide the leadership to members and the wider automotive value on the Peppol e-Invoicing benefits and encourage its uptake for reasons that include to improve business technological and administrative efficiencies and reduce costs.

5 E-Invoicing and payment times

5.1 The MTA Queensland has followed and supports the ASB&FO's advocacies about late payment times pre and during COVID-19 and the need for legislative protection to ensure long and late payment times from large businesses are within a standard time. We recognize the Government has responded with:

- the Supplier Pay On-Time or Pay Interest Policy which applies to Commonwealth agency payment times to a supplier, and
- the Payment Times Reporting Scheme which from 1 January 2021, establishes that businesses and government enterprises with an annual total income of over \$100 million will be required to report their payment terms for small businesses (entity with less than \$10 million turnover) every 6 months. The Paper states the policy aims to provide transparency to small business suppliers around the payment practices of large businesses,
- including their past payment performance, so that small business suppliers can make more informed decisions about their potential clients.

5.2 The Association responds to Question 1: 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? Within the motor trades, payment times to small/medium businesses and by small/medium businesses to suppliers are often influenced by external factors beyond their control such as the national or state economy, drought, or industry downturns e.g., transport, mining, agriculture, and tourism. Anecdotally, members who supply goods or services to purchasers in these sectors often experience long to late payments. In such instances, the purchaser is often experiencing cashflow difficulties, but the business relationship is such that the supplier knows payment will be made within 60 -90 days.

5.3 In the longer term, Peppol e-Invoicing will emerge as the predominant method for the payment of invoices, due in part to technological influences, similar to the National Broadband Network has almost phased out asymmetric digital subscriber line, (ASDL). To achieve this outcome, we encourage consideration of an Peppol e-Invoicing educational support program and contestable digital transition grants for small/medium business for the uptake of Peppol e-Invoicing.

6. The MTA Queensland background

6.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State.

6.2 There are some 15,000 automotive value chain businesses employing approximately 88,500 persons generating in excess \$20 billion annually. It is an industrial association of employers incorporated

pursuant to the *Fair Work Act 2009*. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

6.3 Australia's first automotive hub, the MTA/Q, has been established in specifically designated accommodation at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

6.4 The Association is the leading automotive training provider in Queensland offering nationally recognized training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing with trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTA Institute last financial year provided accredited courses to in excess of 1,600 apprentices and trainees.

Thank you for your consideration

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ron Camm', with a stylized flourish at the end.

Ron Camm
MTA Queensland Group Chief Executive Officer