



Small Business
Development Corporation

Our ref: D22/1247

Data Economy Unit
Consumer Data Right Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Sir or Madam

SUBMISSION ON THE 'SUPPORTING BUSINESS ADOPTION OF ELECTRONIC INVOICING' CONSULTATION PAPER

The Western Australian Small Business Development Corporation (SBDC) welcomes the opportunity to provide feedback on the Australian Treasury's consultation paper 'Supporting business adoption of electronic invoicing'.

The SBDC is an independent statutory authority of the Government of Western Australia established to support and facilitate the growth and development of small businesses in the State¹. One of the agency's key strategic objectives is to advocate for a fair, conducive and productive regulatory environment affecting the small business sector. In this regard, the SBDC regularly contributes to Federal Government reviews and consultations to address national policy issues impacting small business.

Cash flow is the lifeblood of small businesses and the unfortunately common practice of late payments can affect the ability of business owners to cover operating expenses, including paying rent, staff, utilities and suppliers. Consequently, with its potential for cost savings and faster payments (resulting from more efficient administration), electronic invoicing (eInvoicing) represents a significant opportunity for small businesses. Moreover, eInvoicing's inherent reduction in human error and/or fraudulent activity will be of great benefit to time-poor small business operators.

With this in mind, the SBDC is strongly supportive of mechanisms that facilitate widespread business adoption of Peppol eInvoicing in Australia and a scope that minimises the cost and compliance burden on small businesses.

The following provides comments on the consultation paper which are focused on considerations that may be relevant to small businesses and are not intended to suggest expertise in eInvoicing matters.

¹ This submission outlines the views of the SBDC and does not necessarily represent the views of the Western Australian Government.

Business eInvoicing Right

Although businesses may appreciate that eInvoicing will generate efficiencies and faster payments, the requirement to potentially install new software, train staff and redesign processes may be perceived as a barrier, especially for smaller operators grappling with the significant changes in their operations and processes implemented in response to the impacts of COVID-19.

Further, the willingness of small businesses to adopt Peppol eInvoicing is intrinsically tied to the certainty that other businesses will also embrace the technology.

The SBDC understands the importance of widespread adoption of Peppol eInvoicing to realise its efficiency potential, and believes that mechanisms are needed to address small business barriers.

The introduction of a Business eInvoicing Right (BER) to accelerate business adoption of Peppol eInvoicing in Australia is therefore supported by the SBDC.

Who would be captured by the Business eInvoicing Right?

The SBDC recognises that adopting the BER is likely to be more burdensome for small businesses, particularly sole traders. For those small businesses that only issue a handful of invoices annually, the benefits of Peppol eInvoicing may not outweigh the perceived burden of having to install new software and undertake training.

The key will be for government and the business's suppliers/purchasers extolling the benefits of adopting eInvoicing.

In order to achieve this, the SBDC does not support the introduction of a new Commonwealth regulatory framework as proposed in *Option 1*. This would add to the compliance burden of time poor small businesses already struggling to understand all of their regulatory obligations.

The SBDC notes that the regulatory scope of *Option 2* as outlined in the consultation paper covers a broad range of businesses and excludes sole traders. This is the option preferred by the SBDC on the proviso that sole traders who are willing to can also opt in to the BER.

While strongly supportive of the broadest possible adoption of Peppol eInvoicing, the SBDC also recommends the introduction of scope exemptions to ensure the regulatory burden on some types of small business is minimised.

These exemptions should include at the least:

- On-the-spot/ point-of-sale business-to-business transactions (for example, taxi services);
- Newly-created businesses; and
- Businesses who can prove that they anticipate genuine difficulties in adopting the BER within requested timeframes.

Identifying businesses covered by the Business eInvoicing Right

For the BER to operate effectively, businesses will need clarity on whether they and the businesses they are transacting with are covered, and access to this information should be easy and instantaneous.

To this end, the SBDC supports the creation of a public register, with businesses preferably being able to self-assess whether they are covered by the BER and the size threshold they belong to. The SBDC is not supportive of identifying businesses covered by the BER based on tax data which tends to be sensitive and historical.

Due to the potential commercial sensitivities of being publicly registered, the SBDC also supports the incorporation of an opt-out mechanism.

Thresholds for business size under the Business eInvoicing Right

The SBDC recommends the option of *total business income thresholds* to define business size under the BER. This aligns with commonly accepted categorisations of business size, and is a more stable measure than number of employees (which can ebb and flow more readily for small employing businesses).

Phasing of the Business eInvoicing Right

As small businesses will need as much time as possible to prepare for and adapt to the BER, the SBDC supports its staggered introduction as proposed in the consultation paper. The Federal Government should monitor the adoption of eInvoicing and the BER by large and medium sized businesses in Phases 1 and 2, and extend implementation of Phase 3 (covering all businesses) beyond 1 July 2024 if required.

Integration with existing business processes

The SBDC does not support enabling Peppol-compatible EDI networks nor expanding eInvoicing into Procure-to-Pay as these options would likely add substantial compliance burdens on small businesses.

The SBDC's preference is for eInvoicing to be integrated with payments, as now offered by major accounting software providers in Australia. Should the expense of upgrading accounting software be a barrier to small business adoption of eInvoicing, the SBDC suggests that the Federal Government explore options to subsidise these costs, such as through the use of vouchers.

Other comments

The SBDC firmly believes that governments at all levels should lead broader adoption of eInvoicing by example. As such, the BER should apply to all government agencies across Australia and they should have the ability to transact using eInvoices. This would help build confidence in the system and encourage suppliers to government to adopt the technology.

Concluding comments

The SBDC believes that the successful introduction of Peppol eInvoicing will benefit many small businesses, with flow-on effects to the national economy, and would appreciate being kept informed of developments.

Please contact Karine Soares, Senior Policy and Advocacy Officer, on (08) 6552 3310 or at karine.suares@smallbusiness.wa.gov.au for any further information.

Yours sincerely



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