Tech Council

Tech Council of Australia
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Thank you for the opportunity to respond to the consultation paper on options to support business adoption of eInvoicing in Australia. The Tech Council of Australia (TCA) supports measures that accelerate the digitization of Australia's economy, recognising the broad-based productivity gains this stands to unlock. As such, we welcome engagement to implement a Business eInvoicing Right (BER) in a practical, informed and effective manner.

About the Tech Council of Australia (TCA)

The TCA is Australia's peak industry body for the tech sector. The Australian tech sector is a pillar of the Australian economy, contributing $167 billion per annum, and employing 861,000 people. This makes the tech sector equivalent to Australia's third largest industry, behind mining and banking, and Australia's seventh largest employing sector.

Representing a diverse cross-section of Australia's technology sector, including transaction platforms, suppliers of digital services to wide-ranging Australian businesses, and small and medium enterprises (SMEs). This means the TCA has unique insights from both the intended beneficiaries of a BER, and businesses that will face regulatory imposts.

Supporting Business Adoption of eInvoicing

The TCA supports the practical implementation of a broad-based Business eInvoicing Right (BER) in Australia. Recent reforms such as digital identity reform and proposals to modernise document execution will improve Australia's regulatory environment and help to spur business and job growth. Reforms to accelerate the adoption of eInvoicing will build on this momentum, and are a vital part of digitising Australia's economy. Once a critical mass is reached, eInvoicing stands to offer broad-based productivity gains.

As Deloitte noted last year, each eInvoice that takes the place of a paper-based invoice will save the involved business up to $20.[1] With well over a billion invoices issued in Australia each year, eInvoicing stands to deliver up to $23.5 billion in annual cost savings to Australian businesses. Small businesses will see a meaningful and direct part of this gain. Given Australian small businesses process an average of 168 invoices per month, eInvoicing stands to save the average SME up to $40,320 each year.[2]

We are of the view that a BER can be implemented in a manner that is productive and mitigates the regulatory costs through practical implementation and complementary measures. We support Government focusing its eInvoicing efforts on business to business transactions, noting the disproportionate complexities and costs that the involvement of consumer-facing transactions could impose.

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[1] https://www2.deloitte.com/content/dam/Deloitte/au/Documents/tax/deloitte-au-tax-insights-5-e-invoicing-310321.pdf
[2] https://news.sap.com/australia/2021/10/20/sap-study-finds-e-invoicing-could-save-aussie-smbs-over-40000-a-year/

We welcome that the proposed approach is more interoperable and targeted than eInvoicing mandates in some other jurisdictions. We also welcome a mandate that targets senders of invoices (accounts receivable), as targeting this side of transactions is by far more practical than the alternative.

The TCA is pleased to provide feedback for Government consideration under three headings of issues and implementation challenges:

1. **Alignment and scope**: adoption will be as fast and cost-effective as possible through consistency with international standards, and with existing regulatory obligations.
2. **Investment incentives**: the network effects of successful implementation and upfront costs - particularly for SMEs - warrant pairing regulation with support.
3. **Timing**: prioritising particular large business cohorts for obligations will deliver upfront benefits while providing flexibility and insights into unforeseen issues.

Alignment and scope

The TCA supports establishing a Business eInvoicing Right through a regulatory framework that aligns with the Payment Times Reporting Scheme (PTRS). The scheme is known to business, and stands to simplify implementation by eliminating the need for another business register. Aligning with the PTRS would mean grouping implementation into two rather than three steps (PTRS and non-PTRS entities), greatly reducing complexity.

As noted above, we support focusing the scope of these efforts on business to business transactions. In considering exemptions (question 5), Government may wish to consider exempting Point of Sale and Platform sales. With high volumes of transactions, extending a mandatory requirement to these transactions would quickly encounter implementation and technology constraints.

We also support Government exploring how to align a BER with international norms. With variations of eInvoicing being adopted around the world, alignment and simplification of standards and interoperability of e-invoicing platforms must be considered, particularly for Australian headquartered SaaS companies with global sales.

If implemented in an practical, interoperable and internationally consistent manner to drive significant small business Peppol registrations, a BER will be welcomed by both sides of business to business transactions. However, from the perspective of in-bound SaaS vendors, poorly targeted eInvoicing requirements may be viewed as a deterrent to trade in the Australian market due to high costs and/or complexity in implementing eInvoicing.

Australian SaaS headquartered companies may only derive a small proportion of their revenue from Australian sales. Equally, many costs will be incurred from non-Australian resident businesses, which in the absence of an internationally harmonised eInvoicing framework, risks limiting efficiency gains in the short term.

Investment incentives

The network effects of a widely adopted BER, once implemented, stand to offer widespread productivity benefits to Australians. However, the initial implementation phase will involve significant upfront regulatory costs on Australian businesses, including businesses that establish once a BER rollout is complete. This risks creating unintended barriers to entry. A staggered approach to implementation is welcome, but will defer these costs rather than prevent them.

In our pre-2022-23 Budget submission, the TCA proposed an innovation credit to support Australians, particularly SMEs, to invest in digital capabilities and services. This credit would operate as a tax offset (refundable for SMEs) for expenditure that results in the automation, digitisation or upgrade of existing business systems and processes.

An innovation credit - or a scheme targeted at encouraging BER investments in its absence - would manage the regulatory costs of an eInvoicing Right, ensuring all businesses benefit from this change. Singapore used both broad digital investment incentives and targeted support to adopt eInvoicing (its 'E-Invoicing Registration Grant') with positive effect.

Government may also wish to consider compliance-based incentives, particularly during the initial outset of BER changes. An incentive-based approach would manage any need to resort to penalties during a BER scheme's earliest stages, when implementation issues are most likely to arise.

Such incentives could include pre-filled BAS returns (similar to a GST clearance model adopted by many eInvoicing enabled countries), streamlining or removing the requirement for businesses to undertake Taxable Payments Annual Reporting, as well as Payment Times Reporting. Aligning a BER with the PTRS would also create potential to automate key elements of PTRF compliance, which would offer significant benefits to larger businesses.

Timing

The TCA welcomes the proposal of a staged approach to implementation of a BER. Rolling out such a scheme will inevitably involve implementation costs and unexpected challenges. A staged approach that focuses first on the largest businesses with the most scale will allow Government to work closely with these businesses to manage issues. In turn, this will allow others a more flexible timeframe that supports both businesses and Government to take on earlier lessons learned.

However, even the proposed timeframes for regulatory enforcement would be challenging for Australian businesses. There is a real risk that the timeframes would prompt a BER to cannibalise broader innovation efforts - businesses would have to interrupt or deprioritise other impactful and transformative initiatives to adopt eInvoicing in time.

We recommend considering a more flexible regulatory timeframe for most businesses with three key factors in mind:

1. Much of the sought network effect can likely be achieved by prioritising particular large businesses with large scale - i.e. significant numbers of business to business invoices. Prime examples would be utilities and high volume business suppliers.
    a. Moving ASIC and state government licence fees to eInvoicing would also help to drive network scale.
2. As noted above, aligning the rollout of a BER with the PTRS would merge the proposed regulatory rollout for SMEs into a single, final step.
3. International examples such as Singapore highlight that an incentive-based approach can deliver substantial progress.

To recognise these factors, the TCA recommends the following approach to rollout of a BER:

Phase	Description
Phase 0 ***(ASAP)***	Initial pilot phase with incentives for early adopters. The TCA recommends direct eInvoicing registration incentives (e.g. Singapore's E-Invoicing Registration Grant) and a broad-based innovation credit.
Phase 1 ***(from 1 July 2023)***	All businesses would have the right to request and receive Peppol eInvoices from selected large businesses with high volumes of business-to-business transactions (e.g. business supply wholesalers).
Phase 2 ***(from 1 July 2024)***	All businesses would have the right to request and receive Peppol eInvoices from large businesses only, as identified by the Payment Times Reporting Scheme.
Phase 3 ***(from 1 July 2025)***	All businesses would have the right to request and receive Peppol eInvoices from all businesses (excluding exemptions such as Point of Sale transactions).

We appreciate the opportunity to contribute feedback to the proposed implementation of a Business eInvoicing Right and look forward to ongoing dialogue.

Yours sincerely,

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