

Xero Submission

Supporting business adoption
of electronic invoicing

1 March 2022



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To Whom It May Concern

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As advocates for the digitisation of small businesses across the country, Xero commends the Government on the Business eInvoicing Right (BER) proposal and welcomes the opportunity to provide feedback. Xero supports the market led approach of the BER, with a clear outcome of connecting small businesses with the administration and payment times benefits that will result from high rates of eInvoicing adoption. Xero's feedback on the BER is guided by three key principles we consider core to achieving policy objectives: simplicity, standardisation and timeliness. Core to these principles is leveraging eInvoicing capability and the Government's Payment Times Reporting Framework (PTRF).

Xero's research shows that invoice administration and late payments remain a frustration for Australia's small businesses. In a recent [Xero survey](#) of over 1,000 small businesses and sole traders, almost half (45 percent) found invoicing stressful, with the average small business spending 12.4 hours every month on invoicing alone. In addition, the stress of invoicing is compounded by late payments, resulting in one in four small businesses surveyed delaying payments to themselves and suppliers. eInvoicing offers a practical and effective solution to address many of these concerns. Indeed, high diffusion of eInvoicing has the potential to greatly reduce invoicing complexity, and indirectly, accelerate payment times.

Xero provides cloud accounting software to over 1.2 million small businesses in Australia, as part of over 3 million worldwide subscribers. Xero was one of the first eInvoicing Ready Providers accredited by the ATO, and is the only small business software provider accredited in Australia, New Zealand and Singapore. Xero is proud to be an eInvoicing leader following significant investment in our eInvoicing capability, including our [acquisition of Tickstar](#) in 2021 and our eInvoicing send and receive experience being available to customers with business editions today.

Xero will welcome any further opportunity to engage with the Government to discuss the design and implementation of the BER. Should this offer be of interest to the Treasury, please feel free to contact Angus Capel, Xero's Head of Government Experience - Australia, to facilitate a forum.



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Yours sincerely,

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Xero

External(np)



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Consultation Questions

1. Should a Business eInvoicing Right (BER) be introduced to accelerate business adoption of Peppol eInvoicing?

- 1.1. Xero strongly supports the introduction of the BER as we believe it will significantly benefit the small business economy.
- 1.2. Xero is confident the introduction of the BER will simplify bill management for small businesses while increasing eInvoicing registrations. Enhanced bill management will ensure a small business' bills are easier to pay on time, while allowing for more accurate cash flow projections. Xero expects these BER outcomes will reinforce the robustness of the small business sector.
- 1.3. Xero also expects the BER to drive small business eInvoicing registrations by making the benefits infinitely more tangible. With more businesses on the network, small businesses will benefit from the ability to send customers eInvoices. Sending eInvoices will simplify the process of invoicing and, indirectly, accelerate payment times. Increasing the efficiency of a small business' time and capital creates optionality to either invest in the business or themselves.
- 1.4. Xero commends the Government on the pragmatic, market led BER policy proposal. We expect offering the right for eligible small businesses to request eInvoices from large business suppliers will drive significant eInvoicing registration and give them the incentive they need to come on board. With more small businesses registered and increasing proportions of invoicing taking place over the PEPPOL network, we expect network effects to further drive registration.

2. Are there other regulatory methods that might increase eInvoicing adoption?

- 2.1. If eInvoicing is to gain traction, it's vital that businesses of all sizes come on board. With this in mind, Xero recommends that it is introduced with incentives or support for both big and small businesses to help them implement eInvoicing. These solutions will accelerate adoption as it has in other markets Xero operates in.
- 2.2. For example, to accelerate adoption, Singapore implemented two primary eInvoicing incentives: a direct grant for a business registration, and requiring business eInvoicing capability to receive the [Productivity Grant](#) (which was unrelated to eInvoicing). Xero research shows that more than 7 in 10 small businesses in Singapore have upgraded their technology as a result of a grant or subsidy. Xero suggests the Government should consider similar grant and grant qualification levers to incentivise adoption in Australia, or tax incentives, to accelerate the



utility of the BER.

- 2.3. If the Government were to mirror Singapore's approach, it could offer a one off grant to small businesses upon registering on the network. Complementing the direct grant, the Government could stipulate grants which require invoicing to the Government (for example the Export Market Development Grant or Department of Industry grants) be accepted only by eInvoice. Government agencies will have the capability to receive eInvoices from 1 July 2022, so the additional imposition would be light.
- 2.4. The Government should also consider leveraging the BER to enable the simplification – or automation – of a large business' obligations under the PTRF. For example, the Government could consider permitting big businesses to report on the payment times of eInvoices to small businesses only once the business hits a required threshold of eInvoices, compared to standard emailed invoices. This type of reporting could be automated, incentivising big businesses to not just implement invoicing capability under the BER, but actively encourage their small business suppliers to send eInvoices instead of emailed invoices.

3. What key implementation challenges or issues would businesses face if the Government introduces a BER?

- 3.1. Xero has enabled invoicing for our customers and included it in the existing subscription fee so it's an easy switch to make. The process for small businesses to register and begin invoicing requires very little time and is completed wholly within Xero's software. Simply, a representative of the business is required to confirm the business's details and nominate a business contact.
- 3.2. For large businesses, maturation of implementation partners is simplifying the process of integrating invoicing capability into existing systems. Xero has worked with a number of large businesses to advise on effective invoicing implementation. A number of examples show implementations are possible within weeks.
- 3.3. Xero enabled the ability to receive eInvoices through our enterprise grade Payables Software, implemented in four weeks. Despite the recent acquisition of Tickstar and our internal invoicing expertise, integrating invoicing send capability with legacy systems will be a challenge, albeit a challenge we are happy to overcome. Xero has already noticed the invigoration of invoicing implementation expertise available to big business upon the announcement of the BER. We expect the industry to continue investing in implementation expertise, which will inevitably improve the implementation experience for big businesses required to comply under the BER.
- 3.4. Awareness of invoicing may pose a challenge to significant adoption. Xero recommends the Government consider an education strategy to assist in increasing awareness of Peppol and the benefits of invoicing.

4. **Would Option 1 or Option 2 be more appropriate to set the scope for participation in the BER and why? Are there other approaches that may be appropriate?**

- 4.1. The BER should align with the PTRF under the Corporations Act and Public Governance, Performance and Accountability Act. However, consideration should be given to how the Government can bring federal and state government departments and agencies under the regime.
- 4.2. One of the success metrics of the BER is building momentum towards a critical mass of Peppol registrations. Xero is of the view that the critical private sector entities to drive eInvoicing scale fall under the PTRF, including utility and telecommunications service providers and high volume b2b suppliers. However, public sector entities which could drive scale would not fall under the BER if it were aligned with the PTRF alone.
- 4.3. Xero suggests in addition to Corporations Act and Public Governance, Performance and Accountability Act regulated entities, explicit consideration should be given requiring federal (and state) government agencies and departments to comply as BER regulated entities. The ability for a significant number of businesses to exercise the BER to request recurring government invoices be sent as an eInvoice, for example ASIC annual review fees and business name renewal fees, and state based licence and registration renewal fees, would be a very strong incentive for small businesses to implement eInvoicing capability. It would also allow governments to continue leading by example, following 'receive' capability being mandated for all federal agencies from 1 July 2022 as announced in the 2020-21 Federal Budget.

5. **What, if any, exemptions would a BER need to include (e.g. for on-the-spot or point-of-sale business-to-business transactions, not-for-profit organisations, newly created businesses, entities supplying taxi travel, recipient created tax invoices (RCTIs))?**

- 5.1. To accelerate implementation of the BER, Xero suggests standard invoicing use cases should be included in the first phase, with edge cases and complex processes considered in later phases.
- 5.2. Examples of exemptions to be considered in future phases of the BER include receipts labelled a tax invoice from a point of sale transaction and large businesses with a very low proportion of business debtors.

6. **a. Should the Government create a public register of businesses covered by the BER?**

- 6.1. No. The Government should harmonise the definition of businesses required to send eInvoices following a BER request with those required to comply with the PTRF (plus government departments and agencies), to leverage the pre-existing register. Businesses with the ability to exercise a BER – ie any business registered on the eInvoicing directory – do not need to be identified on a register. We also note that requiring all businesses to be

listed on a public register could potentially mean that Xero would need to obtain additional privacy consents from our customers. We would seek to minimise these requirements when there is an existing register mechanism that could be used.

6. b. Are there any other approaches that would be appropriate to identify businesses covered by the BER?

- 6.1. A business with eInvoicing capability can identify BER covered businesses on the PTRF. Upon receiving a request from an eInvoicing capable business, a BER covered entity needs to confirm the requestor's registration on the Peppol Directory. Once these processes have happened, the eInvoice request can be actioned.
- 6.2. Xero suggests the Government explore whether a small business may be able to make a BER request through the Peppol Directory. The PTRF already requires a big business' ABN, which is the identifier required to confirm the sending or receiving of an eInvoice. In essence, the PTRF is a ready-made list of businesses which should be covered by the BER, including the information a small business requires to identify them.
- 6.3. Aligning the BER with the PTRF presents a significant opportunity to limit compliance activity to one register only, while incentivising proactive big business eInvoicing adoption and use as outlined in question 2.

7. a. Would businesses be comfortable with being publicly identified as small, medium-sized, or large?

7. b. What key sensitivities or risks would such an approach present?

- 7.1. As a publicly listed company, and participant in the PTRF, Xero is entirely comfortable being identified as a big business.
- 7.2. Small business industry groups are best placed to explore small business attitudes to being identified as such. However, Xero notes this topic was discussed in great depth during the consultation for the PTRF.

8. Which of the potential approaches to create a register of small, medium-sized, and large businesses covered by the BER would be appropriate?

- 8.1. Xero suggests the PTRF (plus federal and state government departments and agencies) be viewed as an appropriate register of businesses to be covered under the BER in its first phase.
- 8.2. Xero suggests the 'medium' tier of businesses will add unnecessary complexity for marginal benefit and should be removed, with medium and small businesses treated the same. Creating three tiers will add complexity to the

BER and invites the potential for resentment of what should otherwise be a positively received regime. Previous complex projects including Single Touch Payroll and Superstream differentiate only between large businesses and “the rest”. Xero considers no reason to diverge from this approach with the BER.

9. What regulatory costs may be involved for businesses for these options?

- 9.1. Xero suggests that by harmonising the BER with the PTRF and exploring opportunities to automate small business payment times reporting obligations, a net reduction in compliance activity could be achieved for big businesses covered by the BER.
- 9.2. Other implementation costs are addressed in Question 3 above.

10. Should the BER apply to differently sized businesses at different times?

- 10.1. Yes. Xero suggests all eInvoicing capable businesses be offered the opportunity to exercise the BER and receive eInvoices from PTRF regulated businesses and state and federal departments and agencies in the first phase.
- 10.2. The second phase should enable any eInvoicing enabled business to receive eInvoices from all Corporations Act regulated businesses following a BER request.

11. a. Should turnover-based thresholds be used to differentiate business size under the BER? What alternative thresholds are available and would be appropriate and administratively feasible?

11. b. What levels of annual turnover would be most appropriate to differentiate small, medium sized, and large businesses under the BER?

12. a. Would a framework for turnover aggregation and related grouping rules be required for the BER?

12. b. If required, would a framework for turnover aggregation and related grouping rules like those in current tax laws be appropriate for the BER?

- 12.1. Xero strongly suggests only two thresholds are required: PTRF regulated entities (plus federal and state government departments and agencies) and “the rest”.
- 12.2. Xero is of the strong view that the BER should be designed with maximum simplicity as a guiding principle. Implementing the above thresholds would vastly reduce complexity and deliver certainty for small businesses from the launch of the regime.

- 12.3. By leveraging the PTRF legislation including entities regulated by the Corporation Act and the Public Governance, Performance and Accountability Act, Xero is aware that sole traders, partnerships and other microbusinesses would be exempt from BER compliance. Xero is comfortable with this approach as critical mass will be achieved without these businesses, which are likely to either adopt eInvoicing organically, or choose not to due to likely low volumes of invoices.
- 12.4. Phase 2 BER would see all businesses regulated by the Corporations Act and the Public Governance, Performance and Accountability Act send eInvoices upon a valid request. Xero considers this would only be a marginal impost after likely exercising their right in Phase 1, and existing ASIC and ATO obligations under the Acts.
- 12.5. Xero suggests no compliance activity be required for non-PTRF businesses when the BER is fully implemented.

13. a. What would be the appropriate implementation timeframes for the BER?

- 13.1. Xero suggests an appropriate implementation timeframe to be: PTRF listed big businesses on 1 July 2023 (Phase 1) to comply with the BER from this date; “the rest” (Phase 2) to comply from 1 July 2025.

13. b. How much advance notice would covered businesses need to be ready by their corresponding deadlines under the BER?

- 13.2. Xero suggests an appropriate timeframe for BER covered entities to implement and begin sending eInvoices is 12 months.
- 13.3. Federal Government Departments were given 12 months to implement the capability to receive eInvoices from small businesses. Despite being early eInvoicing adopters, Departments have done an admirable job in implementing eInvoicing capability.
- 13.4. With experience and competition increasing the sophistication of eInvoicing delivery partners, little reason exists to offer timeframes for BER covered entities which are longer than those which were granted to the Government.

13. c. What alternative timing approaches might also be feasible and appropriate?

- 13.1. An alternative approach is targeting high impact sectors such as utility and telecommunications service providers, high volume b2b suppliers and government agencies for BER compliance by 1 July 2023, while granting leniency for those outside identified priority businesses.

14. a. What should a valid request to receive Peppol eInvoices involve or include?



- 14.1. Any business with a valid and active ABN, who is registered on the Peppol Directory should be able to make a request to receive Peppol eInvoices under the BER. This would include businesses that would not be covered by the BER send requirement.
- 14.2. The ATO, as the Australian Peppol Authority, should work with OpenPeppol to determine an appropriate message framework that could be used to automate a BER request.
- 14.3. Businesses should be able to provide alternative methods for their customers to make a valid request to receive Peppol eInvoices, in a similar way to which many today provide the ability to elect to receive an emailed PDF invoice rather than through the postal system.
- 14.4. Requesting a big business to send eInvoices under the BER needs to be standardised, simple and timely. Xero considers this process as a specific point of risk if not designed appropriately. A request need not include more than a standardised instruction from the invoicing enabled business to the BER covered business, that it wishes to receive invoices via the Peppol network.

14. b. What communication and record-keeping requirements would the BER require for covered businesses, particularly in relation to communicating requests to receive eInvoices?

- 14.1. Xero suggests the PTRF be modified for BER businesses to report on the proportion of small business customers (as per PTRF identification) receiving eInvoices compared to traditional invoicing methods and the number of BER requests received over the reporting period. This reporting would mirror the Federal Government's [Pay On-Time Survey](#) which Xero considers to be highly valuable.
- 14.2. Xero strongly suggests the PTRF is leveraged to minimise BER (and PTRF) compliance requirements. While leveraging the PTRF will result in oversight of small businesses utilising the BER only (as opposed to small and medium), Xero considers the efficiency will outweigh the compliance burden of a new reporting framework which includes small and medium businesses.
- 14.3. In time, Xero suggests the Government explore how the BER and PTRF can interact to automate much of the PTRF requirements.

15. What mechanisms should be put in place to protect businesses that choose to exercise their BER (e.g. whistleblower protections)?

16. What key factors does the Government need to consider in relation to enabling Peppol compatible EDI networks?

17. a. How could the Government target a potential intervention on the procurement functions of EDIs, without affecting or targeting the non-procurement functions?
17. b. What definitions or criteria would be required to limit any requirement to only those EDIs operated by businesses that the Commonwealth can regulate and EDIs that are only used in procurement?
18. What are the key business considerations and impacts relevant to expanding from eInvoicing to a broader integrated P2P process (such as Peppol P2P)?
19. What are the barriers, if any, to businesses adopting more efficient and standardised P2P processes, including Peppol P2P?
20. a. Would broader adoption of Peppol P2P as a standard in Australia help businesses adopt more efficient and interoperable procurement processes?
20. b. What different approaches are available that may also be appropriate for Australia?

20.1. As an international eInvoicing leader, Scandinavia required a decade to implement Procure-to-Pay. Xero recommends the Government consider regime expansion after successfully achieving core objectives.

20.2. As a general comment in response to the preceding four questions, the first iteration of the BER should pursue simplicity as a priority. The first phase of the regime should be purely to drive registrations so small businesses benefit from less administration and indirectly, faster payment times due to the growing network. Once a critical mass of business registrations has been achieved, the momentum can be capitalised upon to engineer broader regime capability such as Procure-to-Pay.

21. What is the level of impact on business adoption that the integration of eInvoicing and payments would have?
22. Given the market is currently working to deliver solutions that enable integrated eInvoicing and payments, what (if any) further action or intervention is required to address any current barriers to greater integration and help drive this process?

