



1 March 2023

Payment Times Reporting Act Review Secretariat  
Small and Family Business Division  
The Treasury  
By email: [PaymentTimesReview@treasury.gov.au](mailto:PaymentTimesReview@treasury.gov.au)

**Submission in response to:**

**Consultation paper - Statutory Review of the Payment Times Reporting Act 2020**

Thank you for the opportunity to provide a response to the Consultation Paper on the *Statutory Review of the Payment Times Reporting Act 2020* ("the Act").

Rest is a major profit-to-member industry superannuation fund with nearly 2 million members – or around one-in-seven working Australians – that manages assets of around \$73 billion<sup>1</sup>. Since the Act commenced on 1 January 2021, Rest has been required to comply with the requirements and is supportive of the intent to reduce payment times from large to small businesses.

This submission addresses the relevant consultation questions in the pages following and seeks to reflect on our experience as a superannuation fund, that is also considered a large business.

To discuss any aspect of this submission, I invite you to contact me directly.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Sarah O'Brien".

**Sarah O'Brien**

General Manager, Regulatory and Technical Services

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<sup>1</sup> As at 31 January 2023

## Responses to relevant consultation questions

### **Question 2: What factors are driving current and emerging trends in payment terms and practices? How do they affect large businesses, small businesses, and the economy?**

In our experience, automation and the emergence of new technologies are driving trends in payment terms and practices across both large and small businesses. Although there is a trend towards faster processing times due to automation, it is important to be mindful that not all large businesses have invested in these new technologies. Additionally, while solutions may exist, often integration challenges make implementation lengthy and, in some cases, may deter businesses from proceeding.

### **Question 3: What is a 'reasonable' timeframe in which small businesses should be paid? Should 'reasonable' vary between different industries or sectors?**

The current industry standard across both large and small businesses, is generally 14 - 30 days. From the perspective of a large business, we support this timeframe as reasonable it provides us the opportunity to follow appropriate approval processes and to complete due diligence prior to making a payment. We do not see a need for different payment terms to be established across different industries or sectors.

### **Question 4: Having regard to the goal of the Review and the three principles, how effectively is the operation of the Act meeting the objects set out in Box 2?**

The guiding principles of the Act seek to incentivise improved payment terms and practices, ensure the compliance and administration burden on large businesses is not unnecessarily high and to make the information about payment terms and practices transparent.

One of the main ways to assess the effectiveness of the Payment Times Reporting scheme is to determine if there has been an improvement towards payment terms and practices. From the trends included in the consultations paper, it appears payment times have stayed generally consistent since reporting was introduced.

In complying with the requirements in the Act, Rest has incurred considerable compliance and administration expense. As a superannuation fund, we are legally obliged to consider our members best financial interests, so it is vital for expenses we incur to be essential, and to seek efficiency in managing compliance costs. We therefore encourage the Review to consider how the costs of complying with the Payment Times Reporting scheme could be better utilised, and potentially reduced, to support an improvement in payment terms and practices.

### **Question 6: What are the main questions the Scheme's data should be able to answer about payment terms and practices?**

Small businesses should be able to identify large businesses who are repeat offenders in terms of making late payments. While the Payment Times Reporting scheme currently publishes all respondent's data, it is difficult and time consuming to navigate. We feel that small business would benefit more from having access to reported trends and/or being able to more quickly identify repeat offenders.

**Question 7: Are the Regulator's powers and approach to compliance and enforcement effective and fit-for-purpose?**

In the current regime, the cost of compliance is less than the penalty of non-compliance, so large businesses are incentivised to comply. However, if mandated maximum payment periods were introduced, the situation may change, due to the increased cost to meet a set mandate. This could lead to unintended consequences or non-compliance.

**Question 8: Excluding the Payment Times Reporting Scheme, to what extent have, or will, related Government policies improve payment terms and practices for small businesses? Would a substantial increase in eInvoicing materially help reduce payment times?**

Rest believes greater usage of eInvoicing services would likely see an improvement in payment times. However, we note that to date, uptake of eInvoicing has been limited. To see higher levels of uptake, a compelling business proposition that provides incentives for small business – such as subsidies or support with rollout - is likely to be necessary.

Additionally, experience tells us that regardless of business size, implementing new processes or systems is often challenging. This along with the associated cost to invest in the technology, is likely to hinder uptake.

**Question 10: Would mandating one or more maximum payment periods for the payment of small business invoices by reporting entities be more effective in improving payment terms and practices? How should a mandatory maximum payment period(s) best be designed and implemented?**

Should a mandate be required, we encourage policy makers to consider, when determining the maximum payment period, that not all reporting entities will have the necessary systems and processes to uniquely identify and pay small businesses separate to the larger population of suppliers. Maximum payment periods should penalise outliers, rather than creating greater challenges for those reporting entities that meet currently acceptable periods. Rest believes any mandatory mandate should therefore align with the accepted economic standard – that being 14 to 30 days.