

Feedback to consultation on Payment Times Reporting Legislation. March 2023.

#	Question	Feedback
1	How important are payment terms and practices to small businesses when considering a supply contract with a large business or government enterprise? Has their relative importance changed over time?	No feedback.
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?	<p>Large businesses are now more focussed on ESG initiatives.</p> <p>A lot of large business recognise the impact of their expenditure on the economy and have initiatives in place to encourage greater use of local and / or small suppliers.</p> <p>This flows on to changes in thinking around payment terms and practices that organisations have in place to support their engagement with local and/or small business.</p>
3	What is a 'reasonable' timeframe in which small businesses should be paid? Should 'reasonable' vary between different industries or sectors?	<p>Reasonableness will vary based on the supplier and what is being purchased.</p> <p>The <u>maximum</u> payment term should be 30 days.</p> <p>There is a wide range of businesses covered by the definition. Some particularly small business will need very short payment timelines to maintain their viability.</p> <p>The nature of the purchase is also a consideration. A purchase of goods which requires upfront investment from the small business may require upfront payment.</p>
4	<p>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?</p> <p>The objects of this Act are: (a) to provide for large businesses, certain government entities and volunteering entities to report information on their payment terms and practices in relation to their small business suppliers; and (b) to make that information publicly available in order to: (i) enable small businesses to make more informed decisions about potential customers; and (ii) create incentives for</p>	<p>To get the most benefit from the legislation, there needs to be a focus on making it easy for Reporting Entities to report.</p> <p>The best investment of time is in identifying where issues exist in payment processes and identifying the best way to action these.</p> <p>The best outcome will be reached when organisations do not need to invest significant time to manage reporting compliance, for example, identifying in scope and out of scope transactions and reviewing credit card data.</p>

	<p>reporting entities to improve their payment terms and practices.</p>	<ul style="list-style-type: none"> • Many organisations have complex organisational structures. There is no benefit for an entity to reporting where they do not make payments. - Simplification of the definition of trade credit rather than having to analyse data to determine what is in scope vs out of scope is time consuming. Payment times to small suppliers should be the priority, regardless of the nature of the purchase. - The inclusion of trade credit transactions paid via credit card creates difficulties in reviewing data. - Opportunity to simplify the process either by excluding credit card transactions or identify all transactions to small business via credit card. So long as the tools available support the identification of ABNs for credit card merchants. - In relation to the creation of incentives for reporting entities to improve payment terms. The current practice does not do this. Compliance relates to correct process.
5	<p>What, if any, changes should be made to the existing Scheme to improve its efficiency and effectiveness in meeting the objects set out in Box 2?</p>	<p>Simplify the reporting requirement.</p> <p>Our organisation engaged a consultancy to perform a compliance check on our reporting.</p> <p>That funding would have been better spent in identifying improvement opportunities.</p>
6	<p>What are the main questions the Scheme's data should be able to answer about payment terms and practices?</p>	<ol style="list-style-type: none"> 1. How well does large business pay small business? 2. Who are the top 10/bottom 10 payers in each industry. 3. What are the benchmarks in each industry. 4. Who has not responded to the reporting requirement.
7	<p>Are the Regulator's powers and approach to compliance and enforcement effective and fit-for-purpose?</p>	<p>If the reporting requirements are simplified then the compliance focus can be on those organisations who are not submitting reports.</p> <p>There needs to be the ability for the regulator to have discussions with those entities whose reporting data would show that they do not pay small organisations well and discuss ways to improve it as opposed to having compliance fines if data is incorrect, as an example.</p>

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 e-invoicing materially help reduce payment times?	<p>It is unlikely that e-invoicing would materially reduce payment times. Most large businesses have established processes for receipt of invoices, confirmation of goods/services receipt from business users, and payment of invoices.</p> <p>In terms of the Unfair Contract Terms, it would be useful for businesses if the definitions of small business were the same under both pieces of legislation.</p>
9	What are the disincentives for large business to offer improved payment terms and practices to small business suppliers? Are there other ways to more effectively incentivise improved payment terms and practices?	<p>The key disincentives/challenges:</p> <ul style="list-style-type: none"> - Knowing a company is a small business up front. - Established Accounts Payable processes which do not distinguish based on size of business. <p>The opportunities exist in the growing awareness of ESG initiatives and the importance of importance of supporting small and/or local business.</p>
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?	<p>The maximum period for paying small business should be 30 days.</p> <ul style="list-style-type: none"> - Include a provision that payments times less than 30 days, cannot be increased. - Provide an easy way for organisations to identify who is a small business at the time of onboarding.
11	What other measures could be considered to improve payment terms and practices of reporting entities in relation to their small business suppliers?	<ul style="list-style-type: none"> - Simplify reporting. - Proactively engage with businesses. Rather than have sessions to run through the rules and how organisations need to comply, have sessions where companies can talk about what they have done to improve payment to small business.
12	What international approaches to improving payment terms and practices for small businesses, including lessons learnt, should be considered in the Australian context?	No feedback.