



Monday, 19 August 2024

Government Response and Reform Unit
Small and Family Business Division
Treasury
Langton Cres
Parkes ACT 2600

Via [Email : PaymentTimesReformSMB@treasury.gov.au](mailto:PaymentTimesReformSMB@treasury.gov.au)

Payment Times Reporting Rules amendments

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback on the *Payment Times Reporting Rules 2024 (The Rules)* exposure draft and exposure draft explanatory statement to support the *Payment Times Reporting (Amendment) Bill 2024 (the Amendment Bill)*.

Outlined below is our feedback, which has been gathered through member and stakeholder engagement as well as our experience as a reporting entity under the *Payment Times Reporting Act 2020 (The Act)*. Due to the timing and limited length of this consultation, when many of our members and stakeholders are engaged in year-end reporting, we have been unable to obtain extensive feedback. As such, our comments have been limited to key areas that we consider to be critical to the exposure draft and exposure draft explanatory statement.

Legislative commencement

As noted in the exposure draft explanatory statement, the amendments to Payment Times Reporting will commence on 7 September 2024. However, the transitional provisions set a transition day of 1 July 2024 being the point in time where entities will transition to the 'new' reporting obligations (section 1.302 *Payment Times Reporting Amendment Bill 2024 explanatory memorandum*). The Rules are also to be effective for reporting periods beginning on or after 1 July 2024. Unsurprisingly, there is currently confusion in relation to the timing of the reporting periods as the Rules appear to require some organisations with 30 June reporting periods to retrospectively consider payment information from 1 July 2024 even though the Rules have yet not been finalised. Further, members have told us that the changes will take some time to implement as new fields will need to be added to accounts payable systems, and amendments made to processes used to generate reports.

We do not support the retrospective application of legislation and regulations and consider it fundamental that organisations are given sufficient time to implement changes or provide transition relief on the completeness and accuracy of the reported information.

Alignment with accounting standards

The exposure draft and exposure draft explanatory statement make specific reference to accounting standard *AASB 8 – Operating Segments* (AASB 8). However, The Amendment Bill, does not reference any specific standards to be used but points towards ‘accounting standards’, as defined in the *Corporations Act 2001*. The specific reference to AASB 8 has created some confusion amongst reporters.

For consistency with The Amendment Bill, we recommend specific references to accounting standards (i.e., AASB 8) are removed and replaced with references as defined by The Amendment Bill.

Consolidated reporting

Recommendation 2.1 of the *Statutory review of the Payment Times Reporting Act 2020* (Statutory review) recommended to simplify which entities must provide a payment times report and to require consolidated reporting for corporate groups on payment performance consistent with Australian Accounting Standards set by the Australian Accounting Standards Board (AASB).

“2.1 Consistent with standards set by the Australian Accounting Standards Board (or equivalent standards) - Require consolidated reporting for corporate groups on the payment performance of all members by the parent entity”

However, we consider some of the key definitions and concepts relating to consolidated reporting included in the exposure draft lack sufficient detail and are misaligned with the relevant Australian Accounting Standards (which the Amendment Bill defines to have the same meaning as in the *Corporations Act 2001* (section 9 - Dictionary)), such as the definition of control of an entity.

Members have told us that this misalignment is likely to unnecessarily add to their payment times reporting burden. We therefore recommend that the Rules be amended so that consolidated reporting is only required when the reporting entity provides consolidated financial statements under Australian Accounting Standards.

Section 9 of the *Corporations Act 2001* defines a consolidated entity to “mean a company, registered managed investment scheme or disclosing entity together with all the entities it is required by the accounting standards to include in consolidated financial statements”.

Further, there is a lack of clarity in relation to the applicability of existing exemptions for consolidated reporting which apply to certain corporate groups under the AASB standards. For example, some superannuation funds do not prepare consolidated group financial statements in accordance with *AASB 10 Consolidated Financial Statements* (AASB 10) as they meet the definition of an investment entity (AASB 10 paragraph 31). Under this standard, all controlled entities are recognised at fair value through profit and loss.

In these circumstances, it would be impractical and involve significant cost and effort to report consolidated information for the purposes of payment times reporting, when such a consolidation does not take place for financial reporting purposes.

However, if a reporting entity that has a controlling ownership is not included within the consolidated payment times report of the parent entity (when permitted under the Australian Accounting Standards), we recommend that a declaration be made and disclosed by the parent company that they have undertaken due process to confirm that the controlled reporting entity is reporting their payment times information separately.

Further, guidance and examples will be required for situations where corporate structures evolve during a reporting period and change the structure of a consolidated report. For example, entities added to a group due to acquisition or where entities have been divested and are no longer within a group. Clarity should be provided on *when* a reporting entity should consider the change. In particular, if an acquisition occurs on the last day of the reporting period, then it would not make sense for the acquired entities payment information to be included for that reporting period. Our recommendation would be for them to be included in the first full reporting period *after* the transition has occurred.

Further, consideration should also be given to how and what information reporting entities are expected to provide to the Regulator when these changes/situations arise.

Control

The definition of a 'controlled entity', as outlined in the exposure draft is 'a **controlled entity** of another entity if the other entity controls the entity'. We do not consider this definition, nor the details provided within the exposure draft and the exposure draft explanatory statement provide sufficient detail to cover the various types of consolidated structures and control that exist within the financial reporting ecosystem such as controlling shares held in a company or joint ventures.

We recommend that the definition of control be amended to align with the Australian Accounting Standards.

Access to information of controlled entities (section 15)

As noted above, the definition of 'control' lacks clarity and this may inadvertently result in misinterpretation of the exception provided in section 15. This allows consolidated reporting entities '*to exclude controlled entity information if the entity is unable to access that information as a result of limitations in its capacity to exercise control over the controlled entity*'. We recommend that section 15 be expanded to outline if additional disclosure information would be required, for example identifying information of the entity that has been excluded, if the excluded entity is required to report separately (and is or is not reporting), as well as illustrative examples to outline when this exception can be applied.

Supporting guidance

Illustrative and practical supporting guidance will be critical to support the rule changes, particularly in areas of consolidated reporting and obligations for different group structures. We highlight, the [official Modern Slavery Act Guidance](#) which provides clear guidance addressing key elements of reporting such as who is required to report and how to calculate consolidated revenue (including determining 'control' and who needs to report under a foreign parent company structure) accompanied with illustrative examples for reporting entities. We recommend the Payment Times Reporting Regulator provide similar guidance for payment times reporting entities once the rules are finalised.

In addition, we note that reporting entities or reporting nominees will need to provide one ANZSIC code as a part of its reporting of entity information content (attachment B of the exposure draft explanatory statement). Some consolidated entities operate in a diverse range of industries, meaning it is difficult for them to narrow down their business structures into one primary industry (and choose a single ANZSIC code).

We recommend that reporting entities be allowed to use multiple ANZSIC codes should that be an appropriate reflection of their operations. Since December 2021, the Australian Business Register allows entities to provide the ANZSIC code for their main business activity, plus an additional four ANZSIC codes for their other business activities. Allowing reporters to provide more than one ANZSIC code is important as 'standard' payment terms do vary between industries. Therefore, requiring reporters to only provide one ANZSIC code (especially very large business) may distort industry level payment times data.

If the government continues with only allowing one ANZSIC code, we recommend supporting guidance is provided to assist reporting entities to determine how to meet this reporting requirement.

Public awareness and education

We continue to hear through our engagement with small to medium sized businesses that many are still unaware that information on payment times is available for them to access and utilise. We encourage the regulator to raise awareness of payment times reporting, the information sheets which contain information on the trends of payment times and the searchable public register amongst small businesses and their trusted advisers. It may also be useful for the regulator to proactively engage with small businesses to educate them on how the information on the register can be practically used to improve their payment times. With the upcoming identification of slow and fast small business payers, the information on the register will be more useful for small businesses but only if they access it.

eInvoicing

We support the recommendation from the Statutory review (recommendation 13) that the Government continues its educational and outreach efforts to increase the uptake of eInvoicing in Australia. We see the adoption of eInvoicing as a process that could reduce errors and, as a result, potentially improve payment times to small business. A case study which is modelled on a reporting entity that implements eInvoicing and tracks the shift in its payment times could be an illustrative approach that the Payment Times Regulator could consider as a part of the information and education program.

Some of our members have noted that SAP Ariba is a common eInvoicing management system which is used by reporting entities. We note that the Rules require an organisation to report the percentage of PEPPOL enabled invoices to small businesses and it is unclear if other eInvoicing systems such as SAP Ariba would be required to be included within reporting.

We are concerned with the proposal to require organisation to report the percentage of PEPPOL enabled invoices received from small businesses as a part of their Payment Times Reporting obligations. Such a requirement adds to the reporting burden and sits outside the proposed changes to the objects of the Act.

We note in the exposure draft explanatory statement (page 16) that ‘the review agreed with stakeholders that information reported on the Register should identify entities that are PEPPOL enabled’. However, the proposed disclosure requirement was not a recommendation from the review.

We see this additional disclosure requirement as a way for Government to collect data on PEPPOL rather than meet the objects of the Act, which are to improve payment terms, times and practices to small businesses.

If you have any questions about our submission, please contact Karen McWilliams at karen.mcwilliams@charteredaccountantsanz.com

Simon Grant FCA

Group Executive Advocacy and International
Development

Karen McWilliams FCA

Sustainability and Business Reform Leader

About Us

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 139,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 16 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.