

Submission: Mandatory e-Invoicing Adoption by Businesses

About Link4

Link4 are an Australian e-Invoicing provider that has been active since 2016 in Australia. E-Invoicing is all we do, in both the 3 Corner and 4 Corner (PEPPOL) models. Our marketing focus is around providing simplified e-Invoicing for Small and Medium Enterprises (SMEs). However, we do provide e-Invoicing services for any sized business.

Currently, Department of Treasury and Department of Industry, Science, Energy and Resources are using Link4 for e-Invoicing. We are unaware of any other commercially available e-Invoicing services that are active with the Australian Federal Government at this time. Additionally, Link4 Enterprise users include BOC Australia and BGW Group of companies. Along with this, we have several thousand individual SME businesses actively using Link4 for e-Invoicing.

Link4 also provide e-Invoicing services throughout New Zealand and Singapore. We are a part of the Business Payments Coalition in North America to be a part of the consultation around how e-Invoicing should be rolled out in that market. And the Link4 team have been called upon by other governments for our advice on how SMEs should be included in an e-Invoicing roll out.

With nearly 5 years of e-Invoicing experience within Australia, and given our diverse customer group, we feel in a good position to provide this submission for your consideration.

Barriers to Adopting e-Invoicing

Most business people in Australia do not know what e-Invoicing is. They haven't been made aware of it. While one opinion is to leave it to the e-Invoicing Access Points to educate the market, this is problematic within itself. If we approach a business with a new concept, we are viewed cautiously and as a sales organisation. Education on this topic would be best coming from an entity like ASIC or the ATO. If every business was sent communications about the benefits of e-Invoicing and where a list of approved providers could be found, it would carry a lot more value. Importantly, educating them on the benefits and safety of e-Invoicing would be of most value.

For those who have been exposed to e-Invoicing, have been reluctant to join the network. They know that the network of businesses active with e-Invoicing is currently not large enough for them to benefit. For example, your local take away shop could sign up to e-Invoicing right now, and likely not be able to connect to any suppliers on the e-Invoicing network. But, if most of their suppliers were on the network then it would be a no brainer to join as well. Mandating e-Invoicing is the only way to ensure the network will grow to a size that will provide real benefits.

Take for example Singapore. They created an e-Invoicing network but businesses did not join it. Not until they offered all businesses \$200 each to sign up to e-Invoicing did they get any significant traction. It is much cheaper and more effective to mandate it than to go that route in Australia.

Government Only is Limiting

The path Australia is currently on appears to be having the Federal Government able to receive e-Invoices. This is severely limiting the adoption of e-Invoicing. Having all Federal Government agencies (or even local or state governments) mandated to have e-Invoicing in place by July 1, 2022 is a recipe for failure. There will not be much adoption by businesses in general with this approach.

At one point, we thought people would flock to e-Invoicing when they discovered they could be paid within 5 days from the Federal Government. This fact alone did not make much of an impact on businesses in general. We had a couple of businesses sending invoices to Services Australia since January 2020, but many other suppliers to the Department did not feel incentivised enough to use e-Invoicing.

Link4 firmly believes that all businesses registered for GST should be mandated to do e-Invoicing from July 1, 2022. The vendors are in the market. The solutions and services exist. An SME with a cloud accounting system can be active within 2 mins. Large departments can be live within 4 weeks. Costs are low or even free for SMEs. We feel there are more reasons to mandate e-Invoicing by July 1, 2022 than reasons against it.

The longer it takes to mandate e-Invoicing, the longer it will take for businesses, and the economy, to experience the benefits of e-Invoicing.

In 2018, the Prime Minister put out a press release stating that the Australian economy could benefit to the tune of \$3 billion per year if just 15% of businesses were active with e-Invoicing. If that is the case, why delay benefits to the economy of that magnitude?

Sending and Receiving

In this submission we refer to e-Invoicing as being sending and receiving. E-Invoicing should never be restricted to one or the other. The Federal Government need to be mandated to send invoices just as much as they are to receive e-Invoices. SMEs benefit greatly from being able to receive invoices directly into their accounting system.

Faster Digital Adoption

“We have vaulted five years forward in consumer and business digital adoption in a matter of around eight weeks.” – McKinsey Digital

COVID-19 has encouraged many businesses to adopt digital solutions. Several commentators have noted that X amount of years of technical adoption has been compressed into a few weeks or months because of the pandemic. e-Invoicing is one more aspect that will receive widespread adoption as we all move forward. Now is the time to mandate its adoption as it will be received more easily at this time.

The costs and benefits of mandating Peppol e-invoicing

SMEs will experience the greatest benefits from e-Invoicing. They have the most to gain.

Many Enterprise and Government (local and state) organisations have already spent time and funds improving their invoice processes, so they are reluctant to spend more. They are already seeing some benefits, and often don't feel the need to change to e-Invoicing.

SMEs on the other hand, can't afford ERP systems (or the associated consultants) so their invoice processes are often poor. These SMEs will experience the greatest benefit from adopting e-Invoicing, but only once the network is active with Enterprise organisations.

Link4 currently services thousands of small businesses with e-Invoicing. This includes many that rave about how good it is for their business. However, we can see that the benefits are limited because they have so few of their trading partners on the e-Invoicing network. And yet their desire is strong to want to do more with e-Invoicing.

"It is a real time saver for me to not have to enter invoices. All I do is a double check when a Statement comes in, so easy."

Helen Hall
Administration
Hirth Plumbing Solahart
3 Anthony Street
Mount Gambier

SMEs have access free e-Invoicing tools to start them on the network. The more SMEs there are on the network, the more all trading partners will benefit. Even the enterprises will save money, increase efficiency and reduce fraud with greater adoption from SMEs.

Email Interception Threats

Email intercept schemes are becoming more prolific in Australia. Emails are intercepted, invoice details are changed and the customer pays to the wrong account. One example is from Victoria was recently in the media: <https://www.abc.net.au/news/2020-11-24/business-email-scam-tradies-computer-hacked-costs-51000/12817584>

Invoice Scams were the biggest scams affecting Australians in the past year. E-Invoicing helps mitigate that risk and protect Australian businesses.

Whilst scammers are becoming more active with invoice interception scams, e-Invoicing can nullify the threat. Scammers will not delay one or two years. They are active now. e-Invoicing needs to be mandated as soon as possible. The more businesses that move away from sending PDF invoices via email, the better. We have the alternative. It will protect businesses to have this mandated.

PDF Invoices Cost More

Not only are PDF invoices more dangerous, but they also cost more to handle. It is more efficient to be transacting e-Invoices.

“Research shows it costs \$30.87 to process a paper invoice, \$27.97 per PDF invoice and only \$9.18 per e-invoice; a significant saving.” - Kate Carnell, The Australian Small Business and Family Enterprise Ombudsman.

<https://www.asbfeo.gov.au/news/news-articles/ombudsman-e-invoicing-will-improve-small-business-cash-flow>

Mandate All Businesses

Link4 strongly supports the Government mandating all levels of government to be able to send and receive invoices through the Peppol network. We also believe it is in the best interest of the everyone for all businesses to be able to send and receive Peppol e-Invoices.

Any business that is registered for GST is professional enough to be able to adopt e-Invoicing. And as small businesses will benefit greatly from it, we recommend that all businesses are included in the July 1, 2022 mandate.

As a minimum, we believe all businesses with more than \$10 million in turnover should be mandated for e-Invoicing, with the small and micro ones to follow. But all GST businesses will do well once they are all mandated.

Small businesses can adopt e-Invoicing very quickly. The cloud accounting firms have been aware the e-Invoicing push in Australia since 2016, so they have projects in place to support SMEs already and they are making further improvements to make it easier for the end users.

SMEs that use desktop accounting systems (non-cloud) have a year to find a solution. That could be upgrading to a cloud accounting system, having their desktop accounting software provider implementing an e-Invoicing work around, or the SME using an online portal for e-Invoicing. No matter what an SME is using, they can adapt to e-Invoicing by choosing one of several options.

There is no need to delay the adoption of e-Invoicing.

Payment Times

It has long been recognised that payment terms in Australia are an issue. Traditionally there may have been a need to delay paying for goods and services, but that need has lessened in modern times.

BOC Australia has been using e-Invoicing in recent years (3 corner model) and found a 50% improvement in on-time/early payments from their customers. The SMEs that paid their invoices faster were independently surveyed, and 82% were happy because e-Invoicing was more convenient and saved them so much time and other pains.

Businesses will pay faster because e-Invoicing makes it easier to do so. That is what our experience is.

Enterprises on the other hand, have internal mandates to delay payments for as long as they are allowed to. E-Invoicing will make it easier for them to pay their invoices faster, but they will not do it if they don't have to.

We believe the goal for payment times should be 0-5 days. Enough technology and services exist to support that already. Payment times of longer than 20 days do cause hardship on SMEs and should not exist.

One enterprise organisation in Australia sends 2 million invoices a year. Most are to SMEs and have 21 days payment terms. That same Enterprise pays their supplier invoices on terms of "end of month plus 30 days". This is very unbalanced considering both sides of the trading relationships.

Mandating e-Invoicing and making 20 day (maximum) payment terms compulsory would solve several issues at once. It will allow SMEs to survive, thrive and employ more people, while injecting cash into the business cycle and economy.

20 Days

The Government should mandate payment times to 20 days maximum. This payment times mandate will also force adoption of e-Invoicing among enterprises. There is no need for longer payment terms than 20 days - if reasons for longer payment terms exist then they can apply for an exemption, rather than it be the other way around.

The Australian government can pay invoices in 5 days. The NZ government are considering 3 days. Savvy businesses should also be able to do it in that time as well. Therefore, 20 days is a very long time. It can be adopted by businesses - and it needs to be done to benefit the economy.

July 1, 2022 Mandate

A stated goal is to have most of the Federal Government receiving e-Invoices by July 1, 2021 (80%). The rest will be active by July 1, 2022. All businesses should also be mandated to be live with e-Invoicing by July 1, 2022 – both sending and receiving. It won't work if only the government are active at that time. It will be like putting a telephone in every Government department but not having any phones for the rest of Australia. The phones will not ring. Sure, it will be a good PR message to say we have a new phone system, but it won't be achieving the results. To get results from e-Invoicing, all businesses need to be mandated by July 1, 2022.

Other governments have mandated e-Invoicing. The number of countries putting mandates in place continues to grow. Australia should follow suit.

e-Invoicing can be up and running in a few weeks for any size business. SMEs can be online within 2 minutes. There is no need to delay this roll out for years. Our economy needs the benefits now, as do our businesses.

Additional Thoughts

Sending AND receiving e-Invoices should be mandated. Not just one way. Sending and receiving go hand in hand. Both aspects need to be activated for all to benefit.

The Government also needs to budget for marketing. It will save money in the long run if they do appropriate marketing early on. Do not leave it to the industry as the public will just see this as self-

promotion. Educate business owners to the benefits of e-Invoicing and the efforts of the industry will be more effective.

Many enterprise organisations and government agencies pay multi nationals for software solutions. It is easy to adjust a current contract and adopt e-invoicing from an international company. But we strongly ask that Australian e-Invoicing providers are considered in the review process, as they can be better, more robust and cheaper than the internationals. We are not saying you have to buy Australian, but please, consider Australian e-Invoicing providers in the review. This will support local jobs while allowing our e-Invoicing providers to grow both locally and internationally.

Summary

Current invoice processes are costly and open to abuse from malicious players. e-Invoicing will provide immediate benefits to the Australian economy and especially to small business owners. SMEs currently doing e-Invoicing love it and want more of it. The network of active e-Invoicing trading partners is too small right now. It won't grow organically. We have seen that in Australia and internationally. We need to mandate all GST registered businesses to be able to send and receive e-Invoices by July 1, 2022.

Link4 supports an altered version of Option 1 of the consultation.

- **Option 1: ~~a phased approach to~~ introducing a requirement that all businesses adopt Peppol e-Invoicing (without prohibiting paper invoices)**