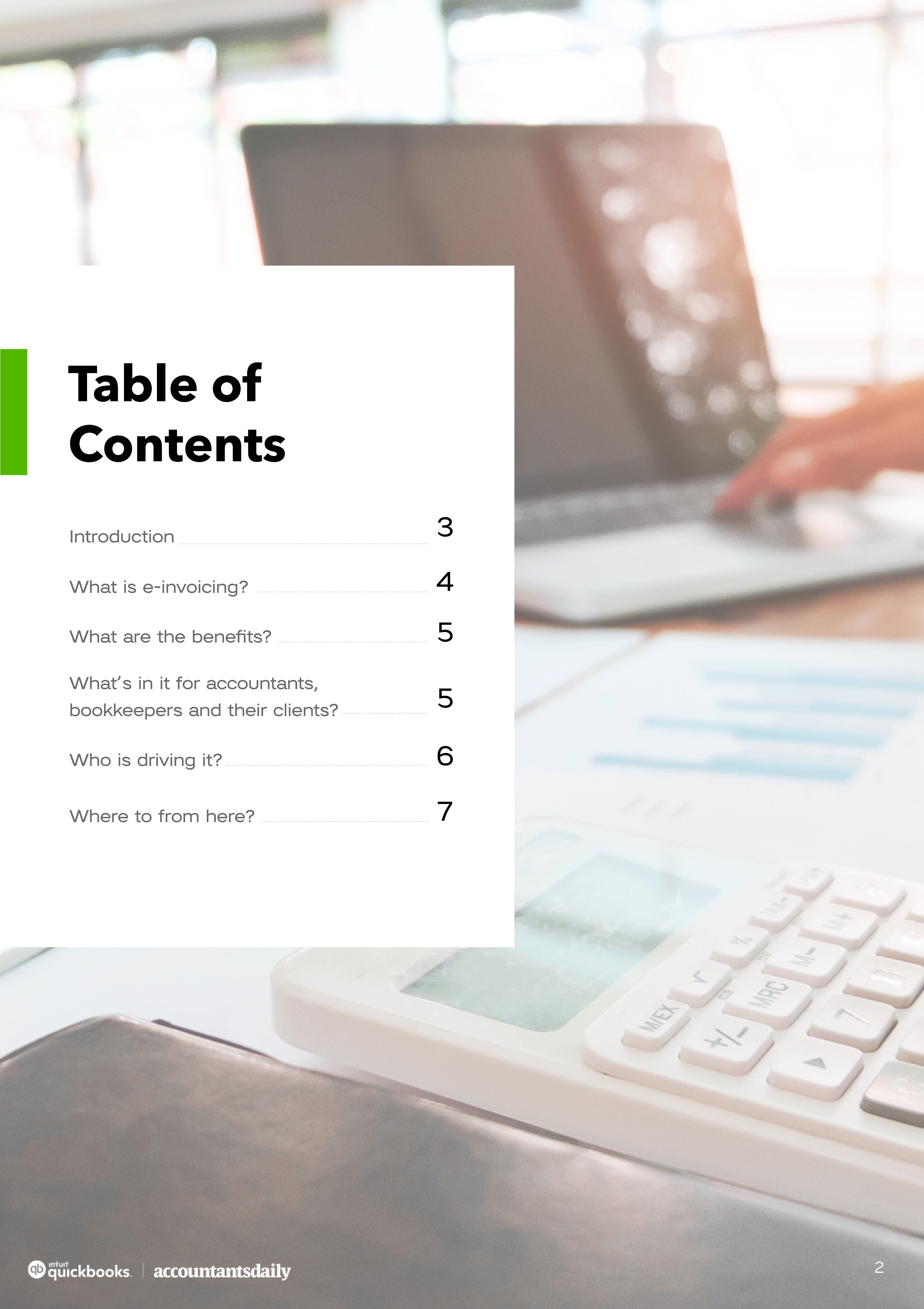
e-Invoicing:

What the change means for you and your clients



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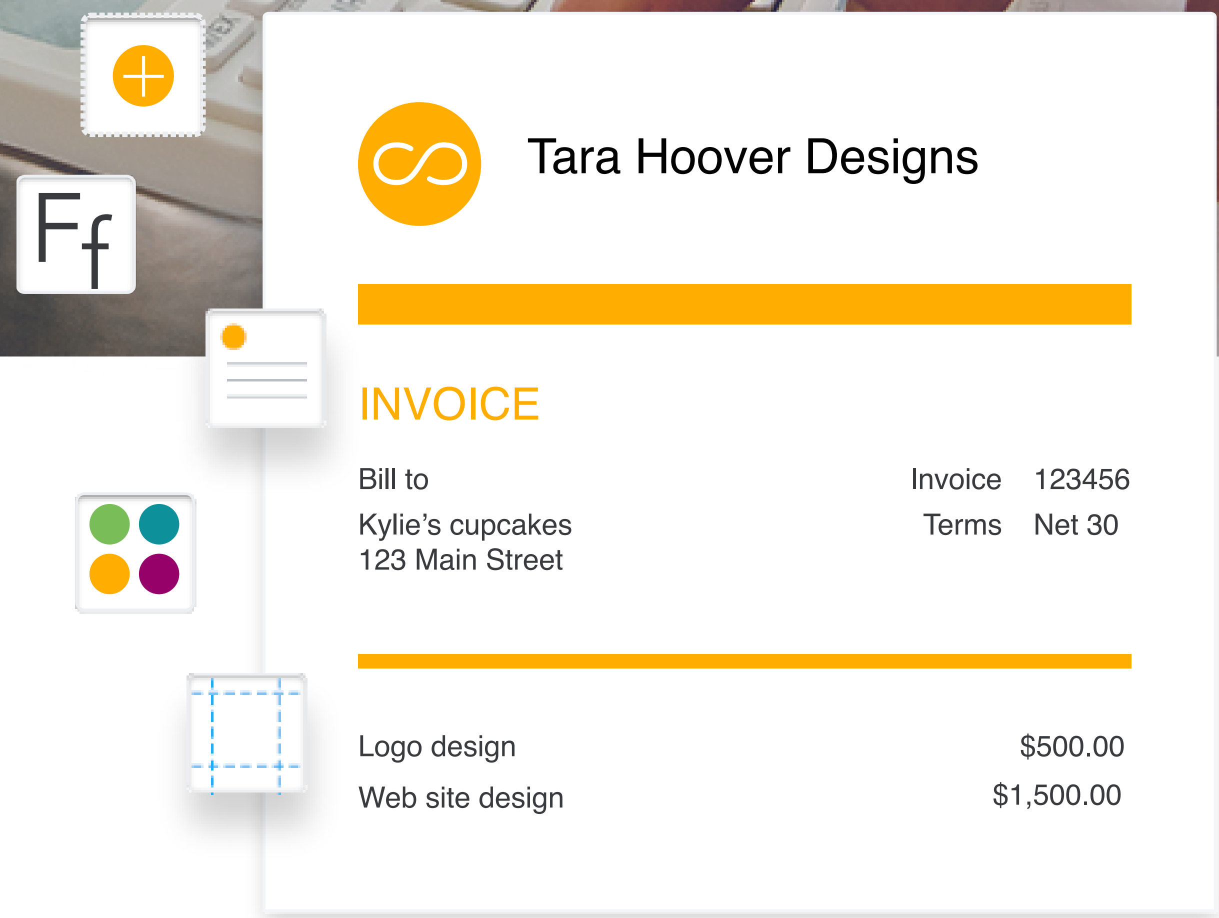
INTRODUCTION

The federal government is leading a push to accelerate the adoption of e-invoicing, recently announcing $15.3 million in funding to help businesses reduce costs and lift productivity[1]. The wide-spread use of e-invoicing has potential to simplify processes and help small businesses get paid faster. Here's what every small business accountant and bookkeeper needs to know about this initiative and public policy initiatives around this.



WHAT IS E-INVOICING?

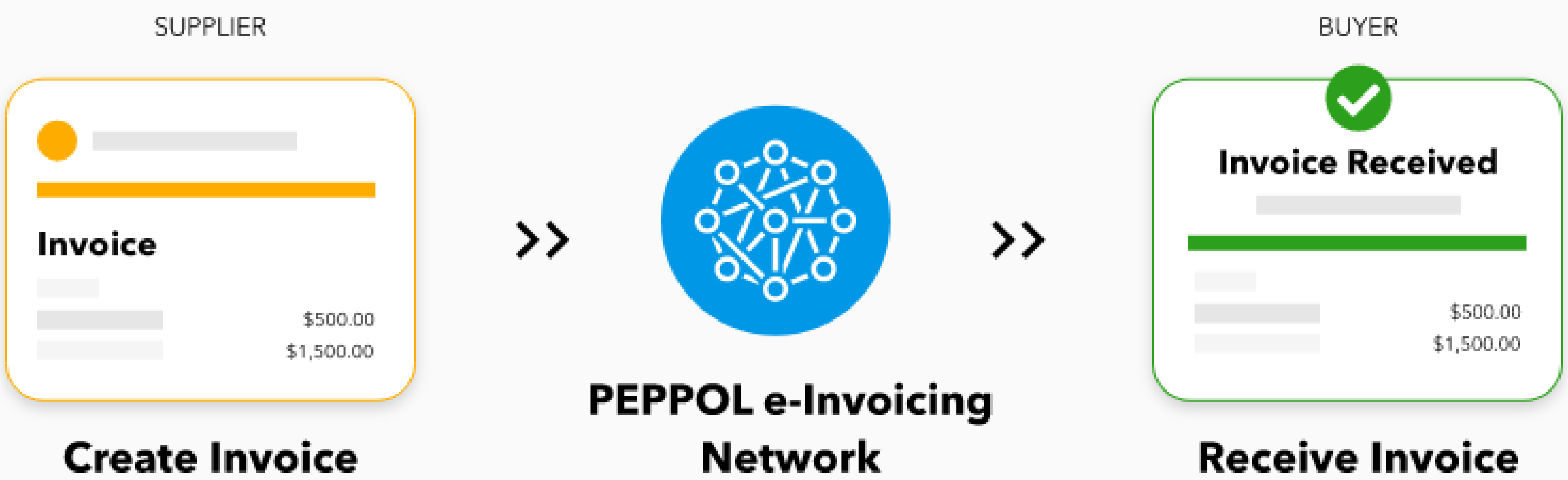
Electronic invoicing (e-invoicing) is the ability to send invoices directly from one organisation's financial systems to another. It's a quick and cost-effective way to ensure invoices are approved, processed and paid in an accurate and timely manner.

> *It does not involve emailing invoices, nor is it a PDF invoice, but rather a direct electronic transmission of data from one party's system to the other.*

It's become a particular priority given the rapid growth in e-commerce and other digital business processes in recent years, trends that have been accelerated by the COVID-19 pandemic. The federal government and the Australian Taxation Office (ATO) are undertaking a significant program of work around this.

For instance, the federal government has adopted the Pan-European Public Procurement Online (PEPPOL) standard for e-invoicing[2]. This standard enables organisations to exchange documents such as invoices and remittances between their respective finance systems, regardless of the software they use to create those documents.

PEPPOL is used in more than 30 countries including England, France, Germany, New Zealand and Singapore. In Australia, it identifies an invoice recipient using an Australian Business Number (ABN). With more than 1.2 billion invoices sent around Australia every year, Deloitte Access Economics estimates[3] e-invoicing has the potential to deliver $28 billion in savings to our national economy over 10 years.



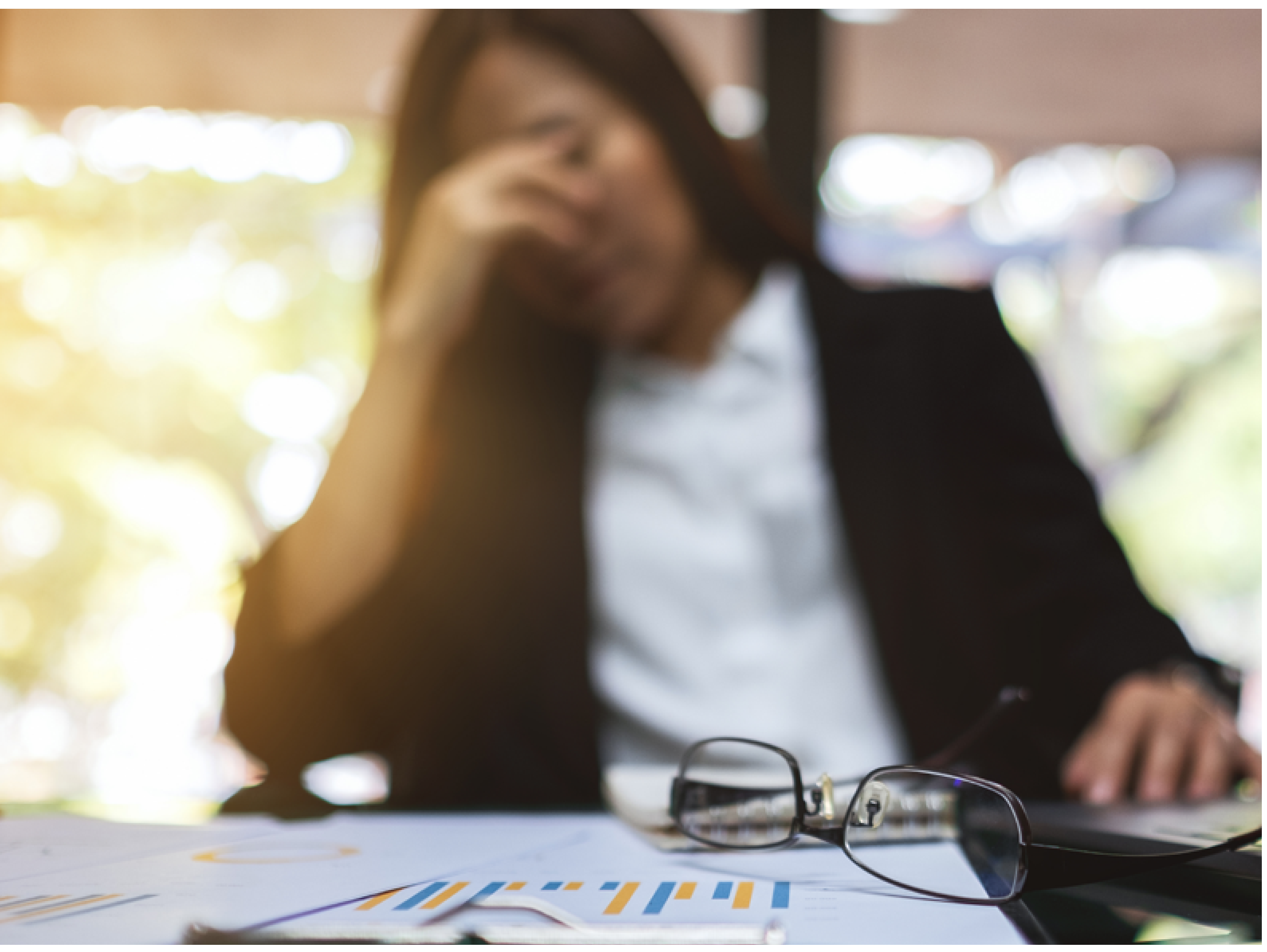
E-invoices are transmitted through PEPPOL

WHAT ARE THE BENEFITS?

Processing invoices manually is expensive. The ATO estimates it costs more than $30 on average to process a paper invoice and almost $28 for an emailed PDF version[4]. Not having to manually handle invoices means the cost of processing an e-invoice is less than $10.[5] This makes it up to three times more cost-effective, with those savings shared between buyers and sellers, as well as their accountants and bookkeepers.

Australian Small Business and Family Enterprise Ombudsman (ASBFEO) research estimates more than half of invoices are paid late (53 per cent) and are 23 days overdue on average. These overdue invoices are worth $115 billion, or $52,000 for every small business in Australia[6].

Manual processes can also include hidden costs like late fees and missed discounts for early payment. These financial penalties chip away at hard-earned small business profits. E-invoicing helps small businesses to avoid these costs.



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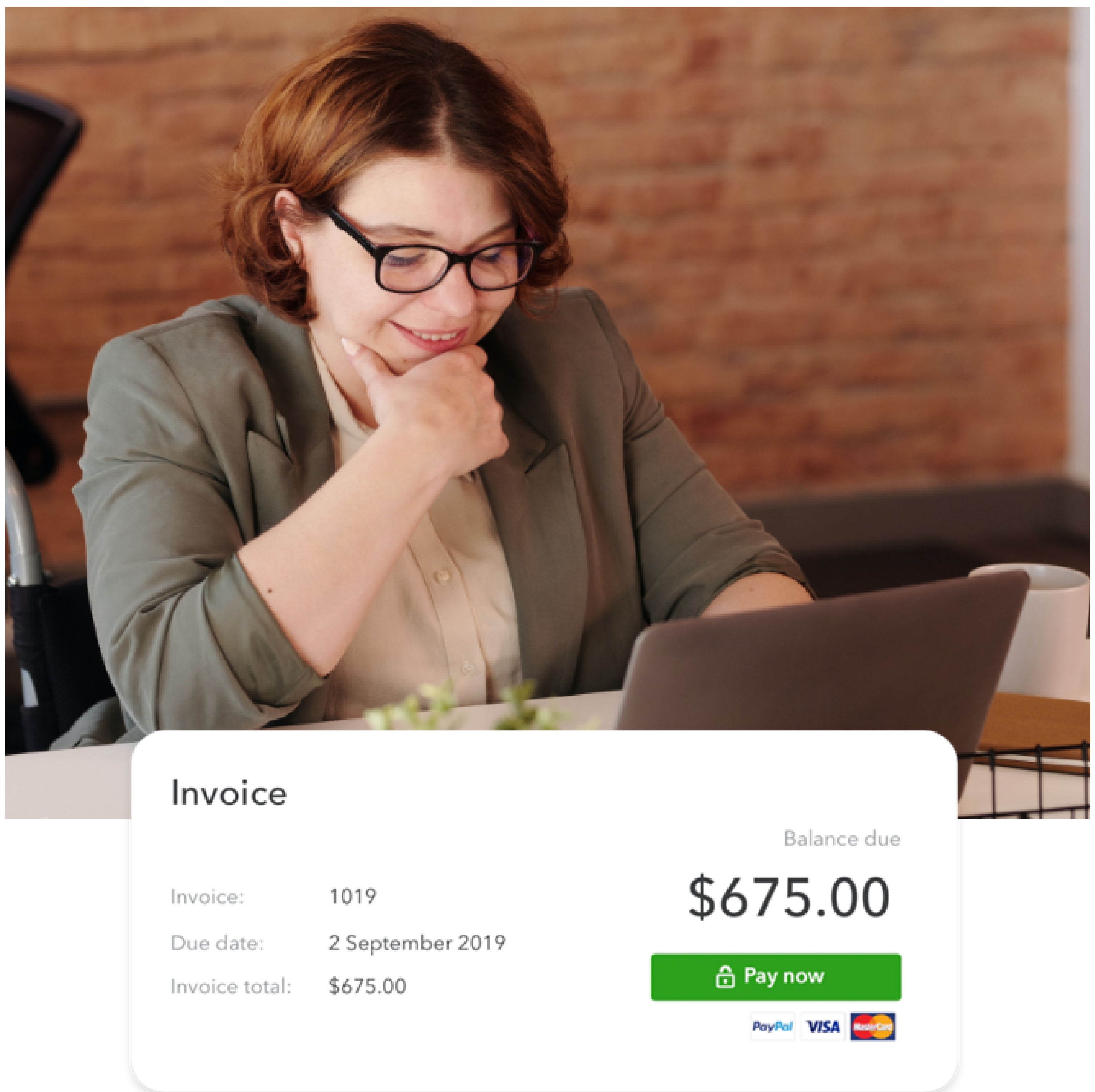
E-invoicing also significantly reduces the risk of paying fraudulent invoices, because all Australian businesses using the PEPPOL network are registered and identified using their ABN. This is important, given the high cost associated with fraud. The Australian Competition and Consumer Commission (ACCC) estimates fraudulent invoices cost businesses $132 million in 2019.[7]

WHAT'S IN IT FOR ACCOUNTANTS, BOOKKEEPERS AND THEIR CLIENTS?

E-invoicing also delivers significant efficiency gains. It removes the need to manually rekey or scan invoices into financial systems, make corrections or chase missing information. Working to a common standard such as PEPPOL helps ensure data is correct before an invoice is sent.

Faster payment is one of the biggest benefits associated with e-invoicing. Sending invoices straight from one financial system to another removes the opportunity for them to get lost in the post, overlooked or inadvertently missed in an inbox. It's also an environmentally-friendly option as it reduces the need to print paper invoices.

E-invoicing also assists local firms to buy and sell across international borders, most notably into New Zealand through the Trans-Tasman Electronic Invoicing Arrangement[8], through which both nations have agreed to pursue common approaches to e-invoicing. Australia also has an agreement to work with Singapore on e-invoicing[9] and will be able to work with other countries using PEPPOL in the future.



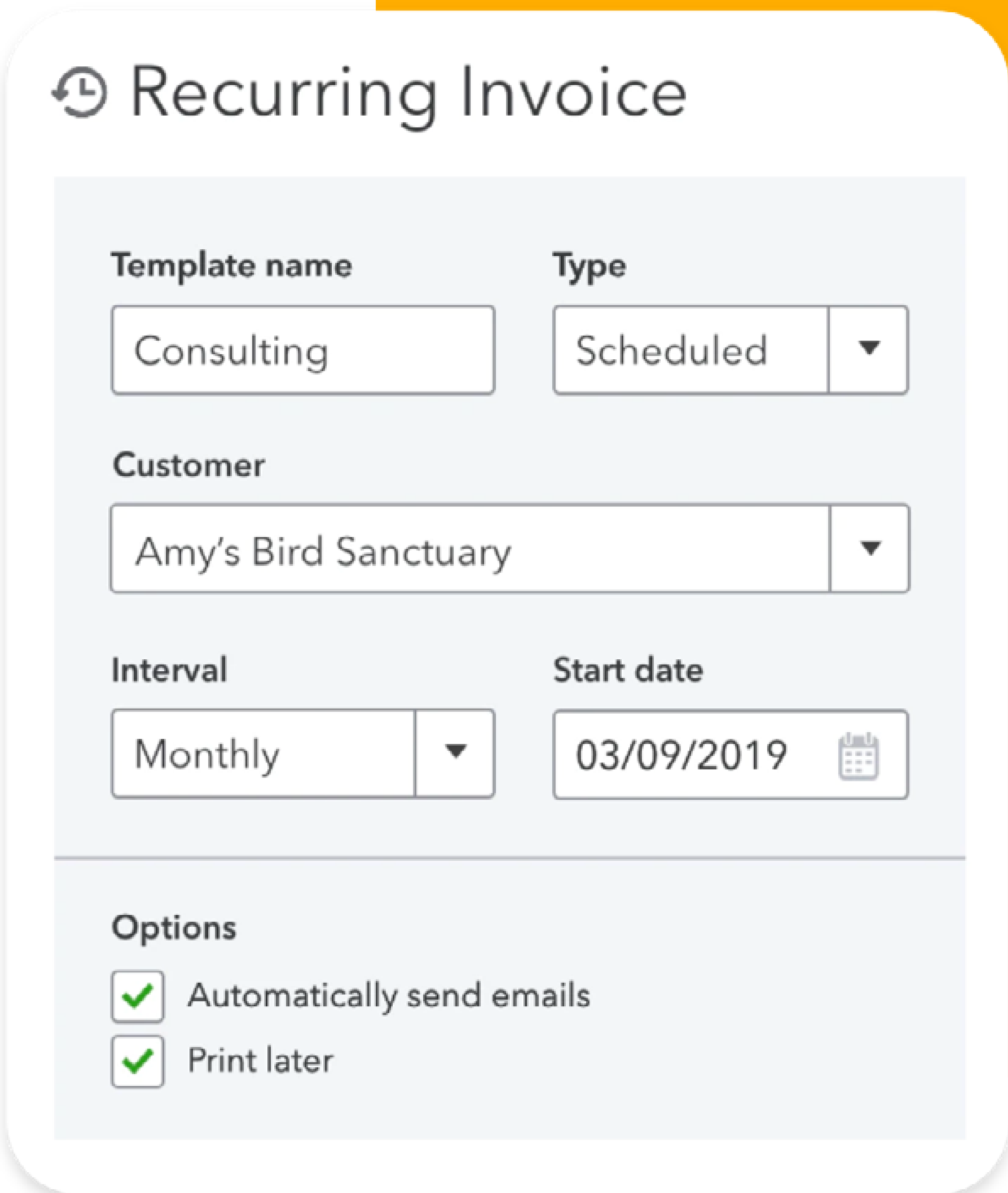
WHO IS DRIVING IT?

The ATO is the lead agency driving government and business adoption of e-invoicing in Australia, developing local specifications based on the PEPPOL standard. It has worked closely with the New Zealand government to ensure a common approach that advances the creation of a single digital economic market between the two nations.

The federal government is aware of the need to lead by example. This is why it introduced five-day payment terms for e-invoices on contracts of up to $1 million submitted using PEPPOL e-invoicing systems[10]. NSW is encouraging e-invoicing through its Faster Payment Terms Policy[11], with other state governments also reviewing payment policies.

The federal government has committed to processing 80 per cent of invoices electronically by the end of this financial year, and all invoices by June 2022.[12] It is consulting with large enterprises and small businesses on broader adoption of the use of technology for invoicing at the moment.

Given the success the ATO has had in rolling out support for small business, the government has tasked the ATO to promote the implementation and adoption of e-Invoicing. Like current invoicing arrangements, the ATO does not have access to e-invoicing contents and details[13].



WHERE TO FROM HERE?

Telcos and utilities will play a key role in rolling out e-invoicing around the country, given they touch such a high percentage of businesses. Accountants and bookkeepers also have a crucial role to play as trusted advisors of small business owners.

Consultation on potential mandatory and non-mandatory adoption options is also underway, with Federal Treasury flagging three potential outcomes: a mandatory adoption requirement for all businesses phased in over time, a mandate for large businesses only and a flexible non-regulatory approach so businesses can choose when to adopt e-invoicing[14].

Moving to e-invoicing is part of a wider shift to digital services that will improve productivity, freeing up small businesses' and their advisors' time for more valuable work. It will help them improve record keeping, track bad debtors, meet reporting obligations and increase cash flow.

The first step is for accountants and bookkeepers to encourage clients to adopt e-invoicing as it starts to gain traction. This will necessitate clients using legacy accounting systems to begin using modern cloud-based client accounting tools such as QuickBooks that are working to support PEPPOL. Businesses will then need to start validating business customer ABNs and entering this data into systems so e-invoices can be sent. They should also remind clients that supply to government to ask contract managers if they support e-invoicing.

There is a huge amount of work in train at a government and private sector level to move to e-invoicing. It's an important transition that will reap benefits right across the economy.

How Quickbooks can help?

By encouraging your clients to move to newer accounting systems and ensuring their data is up to date they will be able to start using e-invoicing as its capabilities emerge across the market.

Intuit QuickBooks can help accountants & bookkeepers prepare for e-invoicing by keeping your clients' data organised, secure and compliant with our cloud-accounting software and compliance tools.

Visit QuickBooks Online Accountant to learn more about our suite of smarter business tools designed to keep you ahead of the same.

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