

16 November 2018

Consumer and Corporations Policy Division
The Treasury
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Via email: eInvoicing@treasury.gov.au

New Zealand Business Number
Ministry of Business, Innovation and Employment
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Dear Sir or Madam

Early thinking: Operational governance for trans-Tasman e-Invoicing discussion paper

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission to the Australian Taxation Office (ATO) and the Ministry of Business, Innovation and Employment (MBIE) on the Early thinking: Operational governance for trans-Tasman e-Invoicing discussion paper.

We have focused our feedback on key areas where we consider we can add the most value. Appendix A provides our detailed submission and Appendix B provides more information about Chartered Accountants Australia and New Zealand.

Key Points:

- We consider it critical that compliance costs and complexity are minimised for business in order to increase participation of entities of all sizes.
- We suggest that all relevant legislation in Australia and New Zealand may need to be modernised in order to achieve a common trans-Tasman approach to e-Invoicing.
- At this initial stage we encourage, efforts to be focused on setting an appropriate framework and on establishing e-Invoicing options.

Yours sincerely



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Appendix A

Question 1: What do you consider to be significant policy or legal barriers to the implementation of e-Invoicing in Australia and/or New Zealand (including NIL confirmation)?

We note that the GST legislation differs in each jurisdiction. For full Trans -Tasman harmonisation to be achieved, there will need to be broad alignment of the information requirements for invoices. Exact alignment may not be necessary if systems can collect all information required in both jurisdictions, but the more diverse the requirements, the more difficult it will be to achieve systems configuration. Additionally, the New Zealand GST legislation does not allow for 'pure' electronic documentation for record purposes. We suggest that all relevant legislation in both countries may need to be modernised to accommodate electronic communication.

We note from the discussion paper that e-Invoicing will form part of the Single Economic Market agenda (SEM) which has been built on the A-NZ Closer Economic Relations (CER) agreement. We suggest that the Working group considers how the e-Invoicing project may fit into other national strategies, such as New Zealand's Digital work programme (Digital Business) or Australia's Digital Economy Strategy. In our view, considering how the project fits into national objectives could provide context and clearer objectives for these initial stages of the Trans-Tasman project.

Question 2: What do you think would be the best legal structure for the operational governance body? Please explain your answer.

We appreciate that the Working Group is seeking to develop advice for Ministers about the longer-term governance arrangements in an international context. We also note the arguments provided in the paper for the comparative benefits of an incorporated entity being responsible for the governance arrangements over an unincorporated entity. However, we consider it is premature to determine the best legal structure for the operational governance model before the initial scoping phase and liaison with the private sector has been completed or at least has commenced. This decision could be made on a more informed basis after the strategy has been developed and the relevant parties have agreed a way forward.

Question 3:

a) Beyond the initial establishment phase, who do you think should lead the operational governance of trans-Tasman e-Invoicing; and what functions and roles should the operational governance arrangement include? Please explain your answer.

The functions and roles outlined in the Paper appear broadly appropriate. We are supportive of the governments working collectively with industry on both sides of the Tasman to determine and establish longer-term operational governance arrangements for a common trans-Tasman approach to e-Invoicing.

We note the current trans-Tasman e-Invoicing Working Group includes representatives from some government agencies from both Australia and New Zealand. This composition seems appropriate for the trans-Tasman engagement aspect of the project, however we consider it critical for Inland Revenue to be involved from a New Zealand perspective.

We note that the membership of the Digital Business Council in Australia also includes the Small Business Ombudsman, industry associations and software developers. We consider this broader composition to be important in the establishment of a trans-Tasman e-Invoicing approach. We also

Appendix A

encourage the involvement of businesses as users of e-Invoicing as well as state owned enterprises in New Zealand. The engagement of a broad range of stakeholders will help ensure costs are minimised.

b) Do you see sufficient incentive in our proposal for you to consider participating in the operational governance body?

Accountants are a trusted and often the primary advisor to small business. Chartered Accountants Australia and New Zealand is a member of the Digital Business Council in Australia and we are happy to participate in a similar body if one is established in New Zealand. We would consider participating in the operational governance body.

Question 4:

a) How do you think the long-term sustainability of the operational governance of trans-Tasman e-Invoicing, with appropriate cost allocations, can best be assured; and what funding models do you suggest? Please explain your answer.

From our engagement with the Digital Business Council in Australia, we understand the Australian Government has funded the development of key aspects of the domestic e-Invoicing project.

We acknowledge that legal operating framework and funding model options will need to be identified as the Trans-Tasman framework is being established, however at this initial stage, we suggest that efforts are applied to setting an appropriate framework, strategy and long term vision and establishing e-Invoicing options. Additionally, we recognise that at this initial stage, resourcing and investment will be required from Governments in both Australia and New Zealand in order for the project to be viable beyond the preliminary establishment phase.

We also note that for e-Invoicing to be widely adopted, cost should not be a barrier to organisations' participating. We are concerned that the creation of an independent, self-funded operational body too early in the establishment process, could result in the operational costs being shared by only few participants and act as a disincentive to wider participation.

Question 5:

Do you have any additional comments or information to assist us with reviewing and further developing our early thinking and conclusions about a preferred option for operational governance of trans-Tasman e-Invoicing? If so, please provide your comments here and/or direct us to the additional information you would like us to consider.

E-Invoicing has already been embraced by some government agencies and large companies in Australia. It brings many cost-savings and efficiency benefits to those who embrace this technology. We consider it important that awareness of e-Invoicing is expanded to reach more small to medium businesses to enable them to enjoy the cost savings. We also note that e-Invoicing has an additional benefit of making the payment process easier, which could improve cash flow for small businesses.

In 2016, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) conducted a nationwide consultation of small businesses to determine the biggest issues impacting their business. This survey found that late payments, and other adverse payment practices, are a critical issue. This finding is consistent with what we have been hearing from members, that cash flow management is a major factor in the success and failure of small businesses and there are often great disparities in payments terms between small and large businesses.

Appendix A

As noted above, we consider that at this stage it is premature to determine the best legal structure for operational governance, however we understand that the Gateway Network Governance Body (GNGB) was established as a result of the ATO's SuperStream regulatory program in Australia. The framework adopted by the GNGB could be used as a basis for the working group to consider for a Trans-Tasman structure once the preliminary establishment phase has been completed.

Overall, we consider it critical that compliance costs and complexity are minimised for business. A focus on minimising compliance costs and on simplicity should increase the participation of entities of all sizes.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 121,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets. We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.