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December 2019

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E-invoicing is on its way



Along with a more automated exchange and processing of invoices, e-invoicing also promises reduced payment times and better cash flow.

The headline above may give the impression that electronic invoices are a futuristic concept, but of course even today there is a version of e-invoices – think PDFs and other electronic documents with the information that a standard tax invoice is required to display.

But what the ATO is working towards, and what it means by electronic invoicing (or e-invoicing) is more than a mere PDF. It is the automated direct exchange transmission of invoices between the software systems used by buyers and suppliers. E-invoicing removes the need to create paper-based or PDF invoices, scan, post or email them, and manually enter them.

E-invoicing is an automated process of submitting and processing an invoice in a digital format, integrating the supplier's accounts payable solution with the seller's accounts receivable solution. This process often includes validation of invoice information, acknowledgement of receipts and some specific business rules.

E-invoices can be sent directly to a customer's software if both systems are using the same standards, even if the buyer and supplier are using different software. For Australian use, the ATO is working with the local software industry to use what is known as the Pan-European Public Procurement On-Line (PEPPOL) standard, which is internationally established and is a proven approach used in over 32 countries to foster international trade.

E-invoices are received directly into the business's financial systems, minimising the risk of fake or compromised invoices. E-invoices are sent between the sender and receivers chosen service providers and software. The invoice doesn't transmit via the ATO's systems.

About this newsletter

Welcome to our monthly tax and superannuation update. We hope you find the content informative. Should you require further information on how any of the content could affect you, please do not hesitate to contact Ray or Neal on (03) 9428 1033 or

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What the ATO says about it

The ATO says that e-invoicing is more than a discretionary choice, but is rather a necessity, especially given that Australian small businesses are collectively owed \$26 billion in unpaid invoices at any given time. Of all late payments, the ATO says that over 20% are due to errors on invoices, and of those more than 20% are due to the invoice being sent to the wrong recipient following manual data entry.

With more than 1.2 billion invoices exchanged in Australia annually, the ATO has estimated that savings to the economy from a better and more efficient invoicing system would be around \$28 billion over 10 years. While e-invoicing brings efficiencies through simplifying and automating the exchange and processing of invoices, the biggest benefits to business are expected to be reduced payment times and improved business cash flow.

What you can do to get your business ready for e-invoicing

- Contact your software provider to see if you are digitally ready and if they plan to offer e-invoicing.
- Ask your software provider about how they will offer e-invoicing and what you need to do. For example, you may need an update to your existing software, or add an additional service.
- Find out what support they will offer you in making the transition.

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