Payment Times Reporting Guidance

for Large Australian Enterprises

The Payment Times Reporting Scheme is now up and running in Australia.

There are significant compliance requirements associated with the scheme, resulting in many organisations seeking Payment Times Reporting guidance.

This guide will answer all your key questions, so your organisation can ensure you remain fully compliant.

What is the Payment Times Reporting Scheme?

The Payment Times Reporting Scheme (PTRS) was launched by the Australian government on 1 January 2021.

The purpose of the scheme is to help ensure that small businesses receive timely payments for invoices issued to large enterprises. PTRS recognises that delayed payment of invoices can severely impact small business cash flow, resulting in a range of detrimental consequences.

When small businesses experience delayed payments for goods or services rendered, it can result in severe financial hardship. They may find themselves unable to meet their payroll, ATO or other financial obligations. Without a large financial buffer, small businesses usually don't have the capacity to maintain business operations for extended periods of time whilst waiting for outstanding invoices to be paid.

PTRS aims to address this problem by compelling large enterprises to pay small business invoices in a timely manner.

Why has the Australian government introduced the Payment Times Reporting framework?

The Australian government is committed to assisting the small business sector.

The 3.5 million small businesses in Australia contributed almost $418 billion to the national economy in 2018-19, which represents over 32% of Australia's total GDP. In addition, the small business sector employed over 4.7 million people, representing 41% of the workforce in 2018-19.

This makes small business one of the most significant driving forces behind Australia's employment rates.

Small business will have a critical role to play helping Australia rebound from the COVID-19 lockdowns, which have disproportionately impacted the small business sector.

Ensuring large enterprises pay their small business suppliers in a timely manner will address one of the key risks the sector faces. It will improve small business cash flow and liquidity by providing greater transparency over how large enterprises are managing their relationships with small business suppliers.

Which organisations need to comply with Payment Times Reporting?

PTRS applies to any large businesses or government enterprises with annual revenues exceeding $100 million in the previous income year. Furthermore, a corporation that controls multiple entities with combined total annual revenues exceeding $100 million in the previous income year must also comply with PTRS.

Such enterprises need to submit biannual reports on their payments to small business suppliers with annual revenues under $10 million.

What data needs to be reported to comply with the Payment Times Reporting rules?

Enterprises covered by PTRS must submit reports on their payment terms and practices for their small business suppliers.

The Payment Times Reporting Act 2020 defines the criteria that an invoice must satisfy in order for it to be reported on:

- The invoice relates to supply of a good or service from a small business supplier.
- The entity procured the good or service from the small business supplier under a trade credit arrangement.
- The reporting entity is contractually obliged to pay the invoice.

Even in cases where a large enterprise has not received any such invoices from small businesses in the reporting period, they still need to submit a report under PTRS showing nil values.

The following items need to be included in the reports:

- The large enterprise's name and ABN (where applicable).
- The name of any controlling corporation/head entity and ABN.
- The primary industry.
- The reporting period (see below).
- Details of the enterprise representatives who submitted and approved the report.
- A declaration by a responsible member, such as a board member, director or senior officeholder.
- The shortest and longest standard payment periods for small business suppliers, as well as any changes made to these payment periods, so small business suppliers have transparency around how quickly they are likely to be paid. There are no penalties for not sticking to these time periods.
- The number of small business invoices paid as a proportion of total invoices paid (reported both by number and dollar value) within each of the following bands:
  - within 20 days after the issue day
  - 21-30 days after the issue day
  - 31-60 days after the issue day
  - 61-90 days after the issue day
  - 91-120 days after the issue day
  - more than 120 days after the issue day.
- Supply chain finance arrangements in which the enterprise agrees to pre-pay a small business invoice, usually in exchange for a discount.
- Details of small business invoicing arrangements, such as:
  - only accepting invoices on certain days of the month or at the end of the month.
  - requiring a total amount to be spent before an invoice will be paid.
  - imposing arrangements for progress payments.
  - making payments dependent on the entity selling the goods or services provided by the small business.
- Details of other arrangements, such as requiring the small business to pay a fee to be considered for procurement.

When are Payment Times Reports submitted?

There are two PTRS reporting windows each year. The initial covers the first 6 months of the income year, the latter covers the second 6 months of the income year.

Following the introduction of PTRS on 1 January 2021, it was declared that the initial reporting window would commence on 1 July 2021.

How are Payment Times Reports submitted?

The government has established a portal for submitting reports. There are report and declaration templates available for reporting enterprises in the portal.

Reports submitted through the portal are publicly accessible.

There is also a Small Business Identification tool that helps large enterprises know which of their suppliers are small businesses.

What are the consequences for not complying with the Payment Times Reporting rules?

Large enterprises that fail to comply with the Payment Times Reporting rules may face financial penalties:

- Failure to submit a PTRS report may incur a fine valued at up to 0.2% of annual turnover, up to a maximum of $1 million.
- Submitting a false or misleading PTRS report may incur a fine valued at up to 0.6% of annual turnover, up to a maximum of $3 million.

Entities that are not compliant may be publicly named and shamed.

How can eftsure help your organisation comply with Payment Times Reporting rules?

When onboarding your suppliers into the eftsure platform, your suppliers will be able to self-identify as a small business in accordance with the definition of a small business in the Payment Times Reporting framework.

This makes identifying which of your suppliers need to be included in your biannual reporting easy.

It allows you to streamline the process of preparing and submitting your PTRS reports – saving you considerable time and effort.

The scheme can be onerous, with many enterprises requiring Payment Times Reporting guidance. With eftsure sitting on top of your accounting processes, you have an automated way to identify all small business suppliers – considerably easing any compliance burdens associated with the Payment Times Reporting Scheme.

Contact eftsure today to learn how we can help your organisation comply with the Payment Times Reporting Scheme: get.eftsure.com.au/