



18 January 2021

Delivered via email: e-Invoicing@treasury.gov.au

NPP Australia's submission on options for the mandatory adoption of electronic invoicing by businesses

NPP Australia welcomes the opportunity to provide a response to the consultation on the options for mandatory adoption of electronic invoicing by businesses. NPP Australia is the company established to oversee the operation of the New Payments Platform (**NPP**), the country's real-time payments infrastructure.

The NPP was designed to support a digital economy. The platform enables Australian consumers, businesses and government agencies to make and receive data-rich payments in real-time between bank accounts, 24 hours a day, 7 days a week, 365 days of the year. More than 72 million accountholders can now make and receive payments via the NPP, and this number continues to grow. The platform now processes around 2 million payments a day, accounting for 25% of all account-to-account credit transfers in the market.

Reducing payment times for Australian businesses and opportunities for more efficient processing

Whilst invoicing and payments processing typically occur in separate domains, there are benefits in being able to link the two together for more seamless processing of invoices and their associated payments. The New Payments Platform (NPP) can play an important role in supporting and enhancing eInvoicing in the Australian market. As real-time payments infrastructure, the NPP can be instrumental in helping to ensure Australian businesses get paid faster.

There are considerable benefits in using the NPP for eInvoicing:

- Speed:*** payments are processed in real-time with funds being immediately available in the recipient's bank account, helping to maximise businesses' cashflow
- Availability:*** the platform is always available, processing payments 24 hours a day, seven days a week, 365 days a year, with no cut off times
- Data enriched:*** data can be carried through from the invoice into the payment message for faster payment processing and more efficient reconciliation
- PayID:*** enables simpler addressing and confirmation of payee

For small businesses, optimising cashflow is critically important. In order to benefit from real-time payments via the NPP, all a small business needs is a bank account that is enabled to receive NPP payments. Today, there are over 72 million NPP enabled accounts at more than 100 participating financial institutions. Small businesses can also choose to register a PayID with their bank, enabling organisations sending them payments to confirm the payment is going to the right place before the payment is made, which helps to reduce mistaken payments and fraud.

Bringing eInvoicing and payments together for maximum efficiency

eInvoicing presents a significant opportunity for the Australian economy. However, this opportunity can be further optimised by combining NPP functionality together with eInvoicing to deliver maximum processing efficiencies for Australian businesses. As outlined in NPP Australia's whitepaper on eInvoicing and the NPP¹, this can be achieved in two ways:

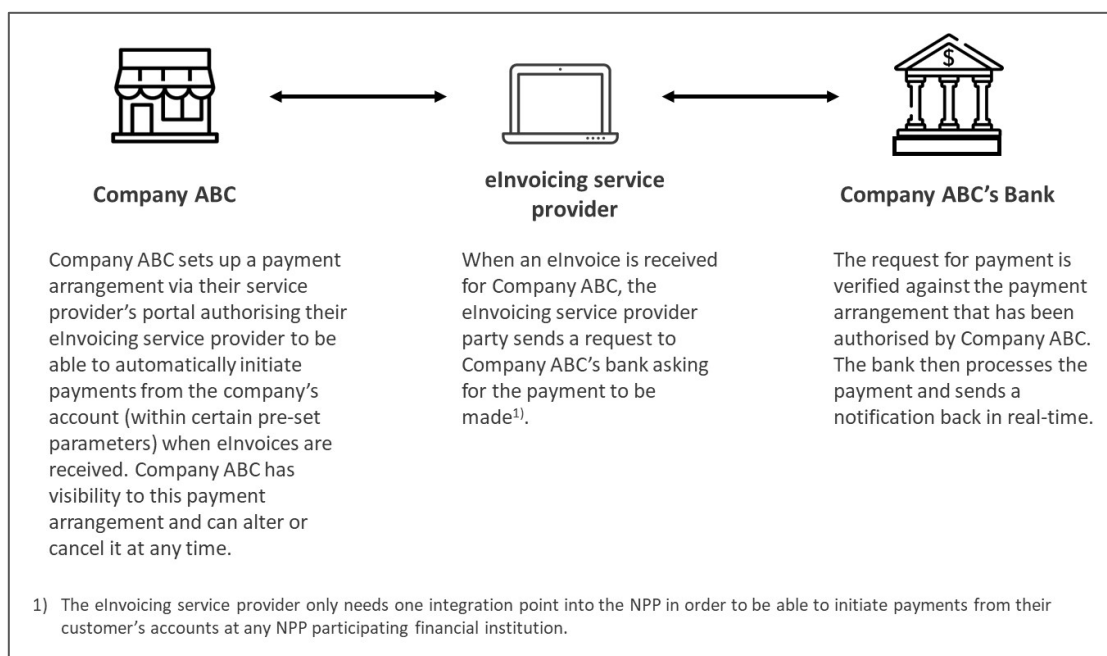
1) Enriching the payment message with structured invoice-related data

By leveraging the NPP's data capabilities, additional invoice related data elements, such as Peppol document references, can be included in the NPP payment message. This enhances the reconciliation process for the invoice sender and further streamlines the entire procurement process.

NPP Australia has developed standards for the NPP payment message that defines which Peppol invoice data attributes should be included in the NPP message. Market participants involved in eInvoicing, such as software companies and service providers, can incorporate these NPP data standards into their product and service offerings for processing eInvoicing payments via the NPP. As part of the NPP capability roadmap, NPP participating institutions are obliged to be able to **receive** NPP payment messages with these additional defined data elements for eInvoicing payments by April 2021².

2) Automated processing of payments via pre-authorised payment arrangements or 'mandates'

NPP Australia is currently developing capability, referred to as the 'Mandated Payments Service'³, which will enable customers to authorise third parties to initiate payments from their bank accounts. This capability will enable eInvoicing payments to be automatically processed, within certain pre-set parameters authorised by the customer, as illustrated below:



¹ See [NPP Australia's whitepaper](#) on the NPP and eInvoicing

² See [NPP roadmap published in October 2020](#)

³ See overview document on the [NPP Mandated Payments Service](#)

Analysis of overseas markets who have adopted eInvoicing shows that usability and a simple user experience are critical in getting large numbers of small and medium sized businesses to take up eInvoicing. The delivery of the NPP's Mandated Payments Service capability presents an opportunity for banks as well as third party service providers to offer a seamless customer experience for businesses when paying their invoices, thereby helping to drive adoption.

Whilst mandating eInvoicing should help to drive adoption, maximum benefits will come when the payment of invoices can happen immediately, any time of day or night with funds immediately available to the recipient. Interoperability of the Peppol eInvoicing network with the payment system and integration of the payment flow will result in a more seamless end to end 'Procure to Pay' process.

NPP Australia would encourage government and the ATO to play a role in encouraging relevant eInvoicing solution providers, such as online accounting software providers and ERP vendors amongst others, to look at both eInvoicing and payments together as they upgrade and enable their solutions and systems to support eInvoicing. This could include bringing the relevant stakeholders together to further discuss this opportunity in more detail in the appropriate forums. NPP Australia would also encourage Commonwealth government agencies, state and local governments to explore how they can use the NPP for the payment of their invoices to their suppliers.

NPP Australia has worked with the ATO to ensure that the NPP is included as a payment means for Peppol eInvoicing⁴ and the re-introduction of the PaymentMandate in the ATO Peppol guidelines⁵ will further assist in aligning both networks and opportunities for interoperability.

However, in order to ensure maximum interoperability between the Peppol network and the NPP, NPP Australia would encourage the ATO to take into consideration the following aspects:

- PayID – ensuring that PayID is accounted for in the ATO Peppol framework, thereby enabling businesses to use their PayID to receive payments from their customers.
- PaymentMandate – incorporating guidance for Peppol members in how to utilise the PaymentMandate, enabling debit like transactions to be linked to an invoice and working with industry and NPP Australia to ensure consistency and guidance on implementation timelines.
- Multiple invoice IDs within a payment – developing guidance, and working with larger businesses in particular, to enable future capability to capture more than one invoice reference in a single payment.

NPP Australia would be happy to work closely with the ATO and with the broader industry to further explore these opportunities and assess how they can be catered for within both the Peppol and NPP networks.

NPP Australia does not have a firm view regarding mandating the adoption of eInvoicing except to note NPP Australia's experience as it relates to payments. Like eInvoicing, payments requires a network effect and sometimes action is required in order to deliver this network effect in a timely manner. In NPP Australia's experience, there has been the need to mandate that participating financial institutions deliver specific capability on the receive side in order to create the network effect to support (optional) senders.

For example, as noted above, NPP Australia has mandated that participating financial institutions must be able to **receive** NPP payment messages with additional eInvoicing data elements by April 2021. NPP participating financial institutions can choose whether or not they want to support sending these payment message types according to the needs of their customer base and their individual commercial offerings – this is purely a commercial decision for them. However, by ensuring that there is a network that has been uplifted to be able to receive these payment messages, gives banks and other market participants, such as software companies and service providers, confidence that whoever the eInvoicing payments need to be sent to are able to receive and process them.

⁴ See https://github.com/A-NZ-PEPPOL/Guidance-documents/blob/master/GuidanceNote02_Payment%20Means%20Code_1.1.docx

⁵ See https://github.com/A-NZ-PEPPOL/A-NZ-PEPPOL-BIS-3.0/blob/master/Specifications/A-NZ_Invoice_Extension_v1.0.4.docx

Waiting for such a network to evolve organically over time can be challenging given organisations have different commercial objectives and priorities.

In creating a network for eInvoicing, the readiness of government and large businesses, as the receivers of large volumes of eInvoices will be critical. It will also be important to have a range of providers offering solutions that will support businesses of all sizes to send and receive eInvoices in order to maximise adoption. Ensuring sufficient competition in this space will be important and a broad range of providers, including banks, ERP providers, cloud accounting software providers should be encouraged to see how they can support their customers, where synergies exist, between the existing services that they provide and eInvoicing.

Integration between payments and eInvoicing will deliver benefits for both senders and receivers of eInvoices, and the capabilities and modern architecture of the NPP can make this possible. NPP Australia would welcome the opportunity to continue to work closely with the ATO to ensure interoperability between the Peppol network and the NPP, with one of the key benefits being extended payment system availability 24/7/365 but particularly reduced payment times for all Australian businesses.

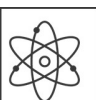
Yours faithfully

A handwritten signature in black ink, appearing to read 'Lovney', with a stylized flourish at the end.

ADRIAN LOVNEY
Chief Executive Officer

About the New Payments Platform (NPP) and NPP Australia Limited

The New Payments Platform (**NPP**) is designed to support a 24/7 modern, digital economy. It provides a fast, flexible and data-rich payments system that enables Australian consumers, businesses and government agencies to make real-time account to account payments.



Speed

Real-time movement of funds and immediate funds availability



Always on

Always available, processing payments 24 hours a day, seven days a week, 365 days a year with no cut off times



Data enriched

Extensive data capabilities with the ability to carry additional data with the payment using the ISO 20022 message structure.



Simpler addressing

An easy-to-remember identifier (a PayID) which has been linked to an underlying bank account. Also provides confirmation of payee.

Utility payments infrastructure

Operating as non-profit maximising utility payments infrastructure, the NPP is owned by 13 shareholders⁶ (both large and small financial institutions and including the Reserve Bank of Australia) for and on behalf of the Australian payments industry. NPP Australia is the public company established to oversee the development and operation of the NPP.

Open access philosophy

NPP's access framework has a range of access methods, balancing broad participation while maintaining safeguards needed for a real-time payment system, and ensuring the ongoing protection of consumers.

Operates on a cost recovery basis

NPP Australia operates on the guiding principle of being economically self-sustaining aiming to recover its operating costs with wholesale charges levied on NPP Australia's shareholders.

NPP Australia governance

The NPP Australia Board has 12 voting Directors including three independent Directors and the RBA. Each Director has one vote – and collectively the Directors appointed by the four major banks have only one-third of the votes. Decisions regarding access, pricing and other governance related matters are determined by the independent Directors and NPP Australia management.

For further information, please visit www.nppa.com.au or email info@nppa.com.au

⁶ Current shareholders: Australia and New Zealand Banking Corporation, Australian Settlements Limited, Bendigo and Adelaide Bank Limited, Citigroup Pty Ltd, Commonwealth Bank of Australia, Cuscal Limited, HSBC Bank Australia Limited, Indue Limited, ING Australia, Macquarie Bank Limited, National Australia Bank Limited, Reserve Bank of Australia and Westpac Banking Corporation.