Australian Government
Payment Times Reporting Regulator

September 2024 Liaison Forum

LIAISON FORUM QUESTIONS

September 2024

About this document

This document is for entities under the *Payment Times Reporting Act 2020* (the Act). The FAQ provides responses to questions that were asked during the September 2024 Stakeholder Liaison Forum.

It may also help users of the Payment Times Reports Register to understand the new presentation of payment times reports data.

Document history

This document was published in September 2024 and is based on the *Payment Times Reporting Act 2020* and Payment Times Reporting Rules 2024 as of that date.

Disclaimer

This guidance note does not constitute legal or professional advice and it should not be relied on as such. You should seek your own legal or professional advice to find out how the *Payment Times Reporting Act 2020* and other applicable laws apply to your organisation, because you are responsible for determining your obligations.

References

Unless stated otherwise the following references apply in this document:

- the **Act** means the *Payment Times Reporting Act 2020*
- the **Rules** means the Payment Times Reporting Rules 2024
- the **Portal** means the Payment Times Reporting Portal

Contents

Forum Questions & Responses

Compliance

Question

1. Would you specifically target certain industries that have payment times issues rather than broad wide?

Response

Reporting entities are expected to take their reporting obligations seriously regardless of industry or sector.

Further information on the Regulator's approach to regulation is in Information Sheet 1: Our approach to regulation.

Consolidation

Questions

2. Please share details for AASB consolidation for reporting?
3. In the group there are a lot of entities with consolidated revenue above $100m. Can I submit only one consolidated report at the ultimate parent entity level covering for all the subs?
4. What if the head company does not generate profit but is responsible for all G&A costs, including payments to small businesses, while the subsidiaries generate profit but make fewer payments to small businesses? I would like to understand how the new regulation impacts this type of company structure?
5. In the group there are a lot of entities with consolidated revenue above $100m. Can I submit only one consolidated report at the ultimate parent entity level covering for all the subs?
6. Will the payment reporting data solely come from the payments done by the reporting entity (i.e., the large controlling entity with $100m), or it includes the payments data from its subsidiaries as well?
7. Currently we review controlling entity >100 mill and then identify entities >10 mill gross revenue under this controlling entity and report each entity under the controlling entity based on this. New changes will this be - if controlling entity is >100 mill then all entities under this controlling entity regardless of gross income be reported? And if so, will it just be a total at controlling entity level? No longer require entity level under controlling entity?
8. Do we require to consolidate the data for parent and its subsidiaries?
9. Does consolidated reporting mean ALL subsidiaries, (revenue testing no longer applies for the subsidiaries)?
10. Does that also mean that all entities within the Group will be reported on as part of the Head entity (even if their turnover is less than $10m)?

11. Currently, some subsidiaries within our Consolidated Group do not earn >$10m, therefore are not a reporting entity under the old rules; under the new rules do we have to consolidate small business payments for these smaller subsidiary entities too?
12. What are the criteria for the subsidiaries under the controlling reporting entity that need to be included in the consolidated payment times report? Is it still the subsidiary with more than $10m turnover?
13. Can you clarify the requirements for stapled group? Is the expectation that both entities are required to report?
14. What if the head entity of the group is not an operating entity but the subsidiaries are operational and reporting entities? Do we report at subsidiary level, or we **have to** consolidate them at the head entity level and report under the new Act?
15. Does a subsidiary have to report their numbers in their TopCo entity, or can they elect to report their own numbers on their own? i.e., is it mandatory to consolidate or can each entity do their own? I'd suggest my business would be easier to report on our own rather than provide our numbers to TopCo and have them submit them.
16. And what if you feel it is of value for the subsidiaries to continue reporting & not being consolidated at a Head Entity level?
17. Please share details for AASB consolidation for reporting?

Response

The Regulator will be overhauling guidance materials. Revised guidance materials will include details of consolidation for reporting.

Consolidated Reporting

The new reporting entity definition identifies the highest-level entity within a corporate group that meets the relevant criteria to be a reporting entity. Entities that are controlled by another reporting entity are not reporting entities and do not need to report; see Act s 7(2)(c).

In general, a corporate group will only have one reporting entity that will report on behalf of all entities it controls. This may not be the case where the ultimate parent entity does not meet the criteria to be a reporting entity but controls multiple entities that do meet the criteria.

Under consolidated reporting, the reporting entity submits a report that combines its own payments and the payments by entities it controls as defined by Australian Accounting Standards (see AASB 10 *Consolidated Financial Statements*). Entities that are controlled by a reporting entity are not required to report separately regardless of their revenue – separate reporting by 'member entities' is no longer required.

Separate reporting by an entity in a group

The Act now has a category of entity known as a 'subsidiary reporting entity' that allows an entity controlled by a reporting entity to report separately from the group.

Entities must apply to the Regulator to be a 'subsidiary reporting entity' and the Regulator may only grant the application where it would not be contrary to the public interest and be consistent with the objects of the Act (which includes improving transparency); see Act s10E.

Revised guidance materials will include details for 'subsidiary reporting entity' applications.

Control

Question

18. How about the trust, is the responsible entity deemed as "control" the trust?

Response

Control of an entity by another entity is defined in the legislation by reference to the accounting standards; see Act s 5.

If a responsible entity is already required to consolidate a trust and its transactions in its financial reporting, this may indicate that payments made by or on behalf of the trust are reportable for payment times reporting.

Revised guidance materials will include details regarding control under accounting standards for reporting purposes. If an entity is unclear or uncertain whether it controls a trust for the purposes of consolidation it may need to seek professional advice.

Credit Cards

Questions

19. If a Credit card transaction was included, it would lower an entity's average times?
20. All credit card transactions to be excluded as they are settled with in time frame on due date as per company's arrangement with credit card bank/institution?
21. All POS Credit card transaction excluded from reporting? As there is no trade credit arrangement between small supplier, we pay using credit card, which is settled immediately from small supplier point of view.
22. Credit cards can be used in just any business and identifying the ABNs for ALL of these vendors which is in turn used to identify small business in the PTRS portal is deemed a LOT.
23. Do we expect to change in the approach for credit card transactions?
24. Credit card transactions to be excluded in full?
25. So, credit card payments >$100 will need to be included?
26. Can ALL credit card payments still be excluded, if it is stated within our Credit Card Policy that corporate cards should not be used to pay invoices?

Response

Payment times reporting is limited to trade credit arrangements where payment can be made, or is made, at least 1 calendar day after the supply of goods or services; Rules s 9.

Credit cards transactions can be difficult to report because they can be high-volume, low-value and commonly used for point-of-sale and immediate payment transactions, which are not trade credit arrangements.

To ease the burden for reporting credit card transactions, the 2023 Statutory Review of the *Payment Times Reporting Act 2020* recommended introduction of a low value threshold for reporting and formal adoption of the Regulator's 'policy carveout' which are now provided for in section 13(4) of the Rules:

- credit card payments less than $100 (inclusive of GST) can be excluded from reporting
- where a credit card is subject to a policy prohibiting its use for a trade credit arrangement, all payments by that card can be excluded.

Where a credit card payment is over $100 and by a card that is not subject to a relevant policy, then payments must be assessed just as payments are for any other payment method.

Revised guidance materials will include details on how to report credit card transactions, but are expected to broadly align with existing guidance in Information sheet 8: Reporting Credit Card Transactions.

eInvoicing

Question

27. Why only acknowledge a single platform of e-invoicing? Peppol is only one of many such e-invoicing platforms and not the largest or most frequently used.

Response

The 2023 Statutory Review of the *Payment Times Reporting Act 2020* recommended reporting on Peppol eInvoicing capability to improve transparency of reporting entities that have adopted this technology.

The final report of the review provides information on Peppol eInvoicing and its use in reporting.

Question

28. Do we still need to report on the Peppol metric, if we have not adopted Peppol invoicing, but we pay a supplier that has? - i.e., do both parties need to be on Peppol network?

Response

All reporting entities must report the proportion of payments to small business suppliers that were capable of being received via the Peppol network; see Rules s 5.

The metric requires reporting based on the system capability of the reporting entity. For illustrative purposes:

- If a reporting entity was not connected to the Peppol network, its proportion would be zero (or 0%).
- If a reporting entity was capable of receiving all invoices via the Peppol network, its proportion would be one hundred percent (100%), even if small businesses elected not to invoice via the network.

Entity Information - ANZSIC

Questions

29. What if entities have different industry codes. Will submissions still be grouped by industry arenas?
30. If we have multiple industry codes under the one controlling entity and we are reporting at a controlling entity, how do we specify all the data at industry level?

Response

Entities will be required to provide the Australian and New Zealand Standard Industrial Classification (ANZSIC) subdivision for its primary industry; see Rules s 10(1)(f). Reporting entities will be classified and categorised on the Payment Times Reporting Register based on its ANZSIC Division.

Foreign Entity Transactions

Questions

31. We have overseas entities that are consolidated with no invoices paid to AU suppliers. Are those entities excluded from the calculations?
32. On Reform FAQs slide 1, Can you please clarify the rules regarding the statement: Payments by foreign entities to Australian small business suppliers are only reportable if an ABN is recorded - can you clarify the definition of "recorded" in this statement please?

Response

Only payments to Australian suppliers with an Australian Business Number (**ABN**) made under a trade credit arrangement are to be reported; see Rules s 13(4).

If a foreign entity controlled by a reporting entity does not make payments to Australian suppliers, it will not have reportable payments.

If a foreign entity controlled by a reporting entity makes payments to an Australian supplier the payment will be reportable provided it meets the other relevant criteria (made under a trade credit arrangement, an ABN was recorded for the payment, the payment was not an excluded payment etc).

If a foreign controlled entity does not have the ABN of the supplier for the payment, then the payment is not reportable; see Rules s 13(4).

Questions

33. If we pay NZ suppliers - how can we capture the NZBN on SBI tool?

Response

Only payments made to Australian suppliers with an ABN are reportable. The small business identification tool (SBI Tool) only classifies Australian businesses using ABN.

Questions

34. Does the $100m include revenue generated by foreign subsidiaries of the Aust Holding co?

Response

The consolidated revenue of the entity and entities it controls is relevant to determining whether the entity meets the $100 million consolidated revenue threshold to become a reporting entity; see Act s 7(2)(b).

The Act defines 'consolidated revenue' of an entity to mean the total revenue of the entity for a financial year under the accounting standards, or if the entity controls one or more entities, the total revenue for the entity and all the entities it controls, considered as a group; see Act s 5. This includes any revenue earned in Australia or overseas by foreign subsidiaries.

Payment Term Definition

Question

35. If there is an agreed credit arrangement with the small businesses, will that over-ride to compute the aging profile for reporting? For example, if there is a small business vendor with whom the credit term is T15 days, the aging can be computed from the date of end of T15, or it needs to be computed from the date of invoice?

Response

Where the terms for payment are set out in a written contact, then the payment term is to be determined in accordance with the contract instead of the terms stated on an invoice; see Rules s 7(2).

Payment Time Definition

Question

36. Will RCTI invoices continue to be excluded under new changes?

Response

Recipient created tax invoices (RCTI) are now included in reporting.

For an RCTI, the ‘payment time’ is the number of calendar days between the invoice date and day the invoice was fully discharged by payment; see Rules s 8(1)(b).

Question

37. What about small vendor sending invoices late? When does the clock start ticking? The date invoice is actually received OR the date shown on the invoice.

Response

The Payment Times Reporting Rules provide the steps for calculating 'payment times' which will be covered in revised guidance.

In short, reporting entities can use the invoice date or invoice received date – whichever provides the shorter payment time; see Rules s 8(1)(a).

Payment Times Reporting Portal

Question

38. Will we be getting advice/guidance on updating our corporate structure in the PTRS portal to align with new rules/Act?

Response

The Payment Times Reporting Portal is being upgraded to facilitate the features and requirements of the new Scheme.

Updates to the Portal will be announced on the Payment Times Reporting Scheme website.

Payment Time Reports Register

Question

39. If a parent entity reported on all subsidiaries in its group, would those subsidiaries all be reported separately on the PTRS system? I'd assume they would have to be otherwise they would be lost in the TopCo.

Response

The Payment Times Reporting Register will only display payment times and information for reporting entities. Data for controlled entities will not be separately identifiable.

Question

40. Can you compare an entity to its industry grouping in one graph?

Response

The current interactive Payment Times Reporting Register does not enable this comparison, but this feedback is welcomed. An additional feature to provide this comparison will be considered for future updates.

Question

41. Are these metrics of 'average' based on quantity or value?

Response

Average payment times by day ranges (within 30 days, 31-60 days, and more than 60 days) on the Register are based on the number of invoices (quantity).

Question

42. When will the most recent reporting period data be included in the online tool? (i.e., June 2024, as the tool looks like it currently only shows up until December 2023

Response

The displays on the interactive Payment Times Reporting Register are updated approximately 3 months after the end of the reporting cycle to allow time for reports to be submitted. For example, displays will be updated to include reporting cycle 7 (ending on 30 June 2024) in early October 2024.

There will be a delay in the update of displays for reporting cycle 8 because of the automatic extension of time to report to 30 June 2025.

Report Contents

Question

43. Many entities do not have any standard payment period on offer (or offered) to small business suppliers. Most standard payment period is from the term stated on the invoices. Can we use that instead in the payment times report? Column M to Column U regarding standard payment period are the most confusing section to report for most of our entities. I suggest more practical examples to be given on the Cell Guidance of the Guidance Note 2: Appendix 1.

Response

New reporting requirements replace the 'Standard', 'Shortest' and 'Longest' payment terms with a statistical mode for reportable payments; see Rules s 13(3)(a).

Revised guidance materials will include detailed instructions on how to prepare data and calculate new report contents.

Question

44. You mention that we can jump straight to the trade credit payments and only need to report on the small business trade credit payments. The Exposure Draft from July 2024 lists reportable metrics such as (1) Percentage of Small Business procurement out of all procurement and (2) Percentage of Small Business Trade Credit Payments out of all Small Business Payments. Wouldn't this mean we do still need to consider non-trade credit payments in calculating the denominator?

Response

The new Rules remove the need to consider non-trade credit payments for any reporting fields.

Revised guidance materials will include details on how to prepare data and calculate new report contents.

Questions

45. What is the detailed calculation methodology that entity must use?
46. Will the information required remain same? Will the CSV import change?
47. Where can I find the reporting columns formulas?

Response

For reporting periods that commenced prior to 1 July 2024, entities should refer to the existing guidance available on the Payment Times Reporting Scheme website.

For reporting periods commencing on or after 1 July 2024, revised guidance will provide details on how to prepare data and calculate new report contents. Information on how reports need to be submitted will be provided with updates to the Portal announced on the Payment Times Reporting Scheme website.

In the interim, entities may wish to review Part 3 of the Rules, or the Explanatory Statement which details the information entities will need to provide in a report.

Question

48. Define what is the new reporting measures: average median, 80% and 95% payment time.

Response

Revised guidance materials will include details on how to prepare data and calculate new report contents. In the interim, the following provides a high-level definition for these reporting fields:

- the average payment time that represents the statistical mean (i.e., the average payment time)
- the median payment time (*the median payment time is the average of the two median payment times if there is an even number of payment times in the dataset*)
- the payment time that is the 80th percentile of all payment times (*ordered from fastest to slowest*)
- the payment time that is the 95th percentile of all payment times (*ordered from fastest to slowest*)

Reporting Entity Definition

Questions

49. Subsidiary has the same meaning as in the *Corporations Act 2001*. An entity is a subsidiary of another entity if the other entity:

    - controls the composition of its board
    - is in a position to cast or control more than 50% of the maximum number of votes at an Annual General Meeting, or
    - holds more than 50% of the entity's issued share capital.

    Per the above definition, more than 50% is required for control. What about an entity that is 50/50 owned. i.e., no control?
50. So, a JV entity, being 50/50, without control would not be in a reporting entity?

Response

References to the *Corporations Act 2001* definition of 'subsidiary' have been removed from the Act. Determining whether an entity needs to be consolidated in reporting is based on control as defined by Australian Accounting Standards; see Act s 5.

Whether a 50/50 ownership structure, for a joint venture or other structure, results in control of an entity may depend on the circumstances and need to be determined on a case-by-case basis.

If an entity is required to use full consolidation for a 50/50 held entity for financial reporting purposes, this may indicate payments by entity are reportable by the reporting entity.

If an entity is unclear or uncertain whether it controls an entity the purposes of consolidation it may need to seek professional advice.

Question

51. Are partnerships excluded from the Act as the references to 'constitutional' entity remain?

Response

Whether a partnership is required to report may depend on where it operates.

Revised guidance materials will include details on constitutionally covered entities which may be relevant for entities operating as a partnership.

Reporting Period Definition

Question

52. How do we manage subsidiaries with different financial years within the group under the new scheme, especially around transition from old scheme to new scheme?

Response

A payment times report must include payments by the entity and entities it controls during the reporting period for the reporting entity; see Rules s 10(1)(n).

Payments by controlled entities with unsynchronised financial years would be reported in the relevant reporting period of the controlling reporting entity.

SBI Tool

Questions

53. Can the regulator remove the log in requirements for the small business check tool? This is a burdensome process for simply checking new suppliers we're registering in the ERP are small or large.
54. Is it correct that the reporting entity still needs to run the ABN through the portal, identify the Small Business ABN, and report on it?

Response

Reporting entities must continue to use the Small Business Identification Tool (**SBI Tool**) to identify which of their suppliers are small businesses for the purposes of reporting; see Act s 5.

Feedback on how to improve access and ease of use for the SBI Tool is welcomed and will be considered in future upgrades.

Question

55. In identifying Australian Small Business Suppliers, what is the regulator doing to ensure that Australian subsidiaries of large multinational corporations are excluded, take Microsoft for example?

Response

The SBI Tool uses multiple data sources, including sources that identify control relationships between entities to ensure subsidiaries of large businesses are correctly classified.

If an entity believes the Tool has incorrectly classified a supplier, they can notify the Regulator to make a correction using new portal functionality.

Consistent with the Government's response to a recommendation of the Statutory Review of the *Payment Times Reporting Act 2020*, the Regulator is evaluating Commonwealth data sources to improve the reliability and consistency of the SBI Tool.

Question

56. Will the 10k limit of ABNs be taken off the SBI tool given that requirement is now to report on a corporate level - ABN to be fed through will exceed 10k?

Response

The SBI Tool has limitations to prevent the Portal timing out when performing queries on large numbers of ABNs, necessitating a limit of 10,000 ABNs per enquiry to ensure system stability.

If one of these restrictions is impacting your ability to report, we encourage feedback on your experience so it can be considered in future upgrades.

Question

57. ABN - small businesses. Do we still need to still advise and supply a stat dec to advise if we believe that a vendor isn't a small supplier based on our expenditure with the vendor. How can we provide a full list easily to have these reviewed? Do you contact that vendor direct?

Response

If you believe the SBI Tool has incorrectly identified a supplier as a small business, you can:

- request the supplier contact us to update its classification. The supplier will need to provide its registered business name, ABN and a statement that the contact person is authorised to request the classification update on behalf of the entity, or
- notify the Regulator via the Portal and provide documentary evidence (payment records or a statutory declaration) that you paid A$10 million or more to the supplier in a single income year.

The Regulator is committed to updating the SBI Tool within 28 calendar days of appropriate documentary evidence being provided.

Further information can be found in Information sheet 6: Small Business Identification (SBI) Tool.

Slow & Fast Small Business Payer

Questions

58. What is the definition of Slow & Fast payer?
59. Are slowest and fastest payer based on volume or dollar value?
60. Will metrics be based on < 30 days or < 20 days for slow/fast payers?
61. Slowest 20%, is something we as an organisation can't measure, so how do we know if we are going to be targeted as a slow payer.
62. Slower payer may be in the bottom 20% but still pay within 20 days? so they may be a fast and slow payer depending upon the spread of all payers.

Response

Revised guidance materials will include details on the slow and fast small business payer concepts. Information below provides an overview only.

Slow Small Business Payer

A reporting entity is a slow small business payer for a reporting cycle if they are in the slowest 20 per cent of all reporting entities or reporting entities in the same ANZSIC Division; see Act s 22D(1).

The measure used for comparison is the 95th percentile payment time, being the number of days within which 95% of small business suppliers payments (by number) are made.

An entity cannot be a slow small business payer if their 95th percentile payment time is 30 days or less (a 30-day 'safe harbour'); see Act s 22D(4).

Fast small business payer

A reporting entity is a fast small business payer if the entity has 2 consecutive reporting periods with a 95th percentile payment time of 20 days or less.

Small Business Definition

Question

63. How, and how frequently, will the $10M threshold for a small business be reviewed as appropriate?

Response

The Statutory Review of the *Payment Times Reporting Act 2020* recommended exploring sources of data for the SBI Tool but did not recommend changing the threshold for identifying small businesses.

The existing value threshold aligns with other Commonwealth agencies, including the Australian Taxation Office definition, being those businesses with an aggregate turnover of less than $10 million.

Question

64. What is deemed a small business?

Response

A small business is an entity that is described as a small business in the Payment Times Small Business Identification Tool; see Act s 5.

Question

65. Will we only need to report on small business or a both small and non-small?

Response

Payment terms and times measures are based on payments to Australian small business suppliers.

However, the number of payments to non-small business may be included as part of the denominator for certain measures such as *proportion of total number of payments to small business suppliers*; see Rules s 13(1)(a).

Revised guidance materials will provide details on reporting content and calculation methodology.

Trade Credit Arrangement Definition

Question

66. If a payment is made in advance, does this reduce our payment times average? Technically, if we paid all in advance, we could have negative payment times.

Response

Payment times reporting is based on trade credit arrangements where payment can be made, or is made, at least 1 calendar day after supply of goods or services; see Rules s 9.

If payment for a trade credit arrangement is made before an invoice was issued (or received) the payment time is 0 calendar days; see Rules s 8(2).

Question

67. For the supplier agreement where the reporting entity is required to pay in advance prior to receiving the good and service (and this is not lease or travel expenses), will these such prepayments be automatically excluded from the reporting data?

Response

Payment times reporting is based on trade credit arrangements where payment can be made, or is made, at least 1 calendar day after supply of goods or services; see Rules s 9.

Where payment must be made prior to supply, the payment is not made under a trade credit arrangement and is not reportable.

Question

68. Could you clarify whether payments made by another party (such as property agents) on behalf of the reporting entity is in scope?

Response

Reporting entities must report payments they made and payments made by controlled entities. Payments are not excluded because they are made on behalf of another entity or person.

Transitional Arrangement

Question

69. With consolidated reporting now (& subsidiaries no longer required to report separately) does that automatically remove the subsidiary from being a reporting entity effective 01 July 2024?

Response

Entities that did not meet the new criteria for being a reporting entity under the amended Act automatically ceased to be a reporting entity on 1 July 2024. This will include 'member entities' that are now consolidated under a controlling reporting entity.

For more information on transitional arrangements and the exit of entities that no longer meet the reporting entity definition see Information Sheet 9: Transition to the new Scheme.

Question

70. How do we report under old scheme (April - Sep 24) if entities have been removed from the portal?

Response

Reporting under the old Act continues to apply for reporting periods that begin before 1 July 2024.

Existing reporting entities can continue to report via the Portal.

Questions

71. Is there different information that now needs to be reported from 1/7/24 and will different reports (i.e., new reports) be required to be completed and submitted at 30/6/25?
72. For the period of June to December 2024, do we need to submit two reports—both the old and new versions—by June 2025?
73. Per slide 8- the H2 '24 report will be due June '25. Does that mean the H1 '25 reports will still be due Sept '25? only 3 months apart?
74. Our period is 1 April - 30 September so is it correct we will report the old way for this period. Then start the new way for the period 1 October - 31 March, is that correct?
75. Our reporting period has been April - September. so is it correct we will report the old way for this period. For 2024 if we are reporting in September, it will old way? Then start the new way for the period 1 October - 31 March, is that correct?

Response

Reporting periods commencing before 1 July 2024 will report under the old reporting framework.

Different information needs to be reported for reporting periods commencing on or after 1 July 2024.

For more information on transitional arrangements and new reporting requirements see Information Sheet 9: Transition to the new Scheme and Information Sheet 10: Reforms to Payment Times Reporting.