



## Payment Times Reporting Bill 2020

### What is the Payment Times Reporting Bill?

The Bill establishes a Payment Times Reporting Scheme (PTRS) which requires businesses and government enterprises with an annual total income of over \$100 million to biannually report on their payment terms and practices for their small business suppliers. 'Small' businesses are defined as those that have an annual total income of \$10 million or less.

Research shows that the value of payments from 'large' to 'small' businesses tallied \$281 billion in 2017-18. Of these payments, approximately \$77 billion were made later than 30 days, with late payments averaging 63 days. A key objective of the PTRS will be to promote increased transparency on the time it takes 'large' businesses to pay their 'small' business suppliers. Proponents of the PTRS believe that this is important in giving 'small' businesses some choice around who they do business with.

### Why is the Bill being introduced?

The PTRS's overall goal is to improve payment outcomes for Australian 'small' businesses. To achieve this, it has three objectives:

01.

Increase the level of information collected on the payment practices of 'large' businesses and government agencies in relation to their 'small' business suppliers.

02.

Make information about these payment practices more visible and easily accessible to 'small' businesses and other interested parties.

03.

Ensure the additional compliance and administrative responsibilities of 'large' businesses and government agencies is appropriate and can be reasonably managed.

### Who needs to comply?

The PTRS will impact over 3,000 of Australia's 'large' businesses and government agencies. A business or entity meets the reporting criteria if it carries on an enterprise in Australia and, for its most recent full financial year, is:



An entity that had an annual total income of \$100 million or more.



A 'controlling corporation', where the combined annual total income for all members of the 'controlling corporation's' group was \$100 million or more.



A member of the group of a 'controlling corporation' as set out opposite, where the annual total income for the member entity was \$10 million or more.

Companies that do not meet the above criteria can also volunteer to report under the PTRS.

### What are the requirements?

It is expected that 'large' businesses and government agencies will be required to report on both their standard payment terms (i.e. how quickly they say they will pay their 'small' business suppliers) and their actual payment performance (i.e. how quickly they actually pay their 'small' business suppliers). In addition, they will need to report on whether and how much they use supply chain financing arrangements (where 'small' business suppliers may have the option to be paid quicker if they accept a reduced payment).

Along with information needed to identify the reporting entity (including its name, ABN and primary industry), the Bill includes the following guidance on what an entity will need to report:

- The shortest and longest payment terms that the entity offers, and any changes made to these terms during the reporting period.
- The proportion of invoices paid in less than 21 days, between 21 and 30 days, between 31 and 60 days, and more than 60 days after the invoice was issued.
- Whether the entity offers any form of supply chain finance to 'small' business suppliers.
- Any written information to provide context or explanation in relation to the information provided in the report.

The report will need to be signed off by a responsible member of the entity, such as the CEO. It will then need to be approved by the principal governing body of the entity, such as the board of directors.

### When and how do businesses report under the PTRS?

The report must be submitted to the Regulator via a central web portal within 3 months of the end of an entity's bi-annual reporting period. PTRS information will be made available on a public website for 'small' businesses and other interested parties.

The Regulator is a designated position in the Department of Industry, Science, Energy and Resources and is appointed by the Secretary of the Department.

### Are there penalties for non-compliance?

Yes. Non-compliance under the PTRS could see businesses penalised by the Regulator. Penalties will be imposed on individuals and corporates for:



Failure to report, notify the Regulator of changes, or comply with a notice of audit (for each day of non-compliance).



Failure to keep appropriate records and to provide an auditor with the necessary assistance to undertake its audit.



Providing false or misleading reports.

### When does the Bill come into effect?

The Bill passed through the House of Representatives on 11 June 2020 with no proposed amendments. The Bill was introduced to the Senate on 12 June 2020, and was referred to the Senate Education and Employment Legislation Committee. This Committee provided a report on 30 July 2020 in which it provided its support for the Bill. The Committee recommended a review two years' after implementation of the PTRS. The intended commencement date for the PTRS is 1 January 2021.

If the Bill is not passed prior to 1 January 2021, the commencement date will be the following 1 July or 1 January after the Bill is enacted into law. The Bill is subject to change as it passes through Parliament.

This fact sheet is based on the Explanatory Memorandum, guidance and information available as at 31 July 2020.

### How can McGrathNicol Advisory help?

McGrathNicol Advisory's Cash & Working Capital team is available to discuss the PTRS, and its potential impact on your business.

We can help prepare you for the commencement of the PTRS by providing assistance with i) the identification and / or validation of your 'small' business suppliers, ii) organising your information to meet your reporting obligations in the most time and cost effective way, and iii) reviewing the impact that any changes in payment terms or performance will have on your working capital cycle and cash flow.

### Contacts



**Sean Wiles**  
Partner, Sydney  
T +61 2 9248 9986  
M +61 437 097 180  
swiles@mcgrathnicol.com



**Adam Blogg**  
Director, Sydney  
T +61 2 9338 2665  
M +61 417 419 354  
ablogg@mcgrathnicol.com

Sources: [https://consult.industry.gov.au/small-business/payment-times-reporting-bill-exposure-draft/supporting\\_documents/B19RS110.pdf](https://consult.industry.gov.au/small-business/payment-times-reporting-bill-exposure-draft/supporting_documents/B19RS110.pdf)  
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