

## Australian Government introduces new Payment Times Reporting Scheme

---

### EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

---

The Australian Federal Government has introduced a new mandatory reporting requirement for large businesses and certain Commonwealth government entities to disclose their payment terms and practices with small business suppliers.

The Payment Times Reporting Scheme (PTR Scheme) will commence from 1 January 2021.

#### Who is required to report?

An entity is required to report if it is carrying on an enterprise in Australia, is not a registered charity, and for the most recently completed income year the entity is one of the following:

- ▶ An entity with total income of more than AU\$100 million<sup>1</sup>
- ▶ A "controlling corporation" of the corporate group where the combined total income is more than \$100 million
- ▶ An entity with stand-alone total income of more than \$10 million and who is a member of the "controlling corporation's" corporate group

An entity may also voluntarily elect to register and report under the PTR Scheme.

If an entity is required to report it must disclose its payment times and practices to small businesses which will be recorded on the Payment Times Register which is a public website.

A small business will be identified through a Payment Times Small Business Identification Tool (SBIT) and includes businesses with a total annual turnover (revenue) of less than \$10 million for the most recent income year. The SBIT is expected to be available mid-December.

### When is a business required to report?

Reporting entities will be required to report biannually and within three months of the end of each reporting period.

For entities with June and December year ends, reporting commences in respect of the six-month period starting 1 January 2021 with the first report to be submitted by 30 September 2021. Reporting periods vary for entities with any other substituted accounting period.

### What must be reported?

The PTR Scheme will be administered by a Senior Executive Service personnel in the Department of Industry, Science, Energy and Resource (the Regulator).

The PTR Scheme rules are expected to be finalized shortly. Under the current law and draft rules, reporting entities are required to report information in relation to their small business suppliers:

- ▶ Standard payment terms
- ▶ The proportion of small business invoices paid during the reporting period that were paid in accordance with each of the following time frames:
  - Within 20 days of receipt of the invoice
  - Between 21 and 30 days of receipt of the invoice
  - Between 31 and 60 days of receipt of the invoice
  - Between 61 and 90 days of receipt of the invoice
  - Between 91 and 120 days of receipt of the invoice
  - More than 120 days of receipt of the invoice

- ▶ The proportion (determined by total value) of all procurement during the reporting period from small business suppliers
- ▶ Supply chain finance arrangements (e.g., reverse factoring or dynamic discounting)
- ▶ Name of the responsible member who signed the report and a declaration that it will be provided to the principal governing body (e.g., board).

### Penalties

If a reporting entity does not comply with the reporting requirements under the PTR Scheme, the reporting entity may be penalized.

Significant penalties may be applied in the following situations:

- ▶ Failure to provide a report to the Regulator
- ▶ Providing a false or misleading report
- ▶ Failing to maintain records for the required period
- ▶ Failure to comply with any audit notice issued by the Regulator

Maximum penalties can include 0.6% of total income of the reporting entity for the year in which the contravention occurred.

### Key impacts for business

- ▶ The information will be made publicly available and may be subject to press/media attention.
- ▶ The Regulator will have power to audit compliance.
- ▶ Non-compliance can result in significant penalties.
- ▶ Does your business's AP system already contain the relevant data points? If not, will it be ready given the earliest reporting period commences 1 January 2021 (for June and December year-ends)?
- ▶ How does the report impact on the business's corporate citizenship?
- ▶ What adjustments can be made to working capital management?

---

## Endnote

1. Currency references in this Alert are to the AU\$.

For additional information with respect to this Alert, please contact the following:

**Ernst & Young (Australia), Melbourne**

- ▶ Andrew Sampson, *Working Capital*      andrew.sampson@au.ey.com
- ▶ Michael Barnett, *Indirect Tax*      michael.barnett@au.ey.com
- ▶ Nina Kelly, *Indirect Tax*      nina.kelly@au.ey.com

**Ernst & Young (Australia), Sydney**

- ▶ Shiny Fan, *Corporate Tax*      shiny.fan@au.ey.com
- ▶ Andrew Cavenor, *Indirect Tax*      andrew.cavenor@au.ey.com

**Ernst & Young LLP (United States), Australian Tax Desk, New York**

- ▶ David Burns      david.burns1@ey.com

**Ernst & Young LLP (United Kingdom), Australian Tax Desk, London**

- ▶ Naomi Ross      naomi.ross@uk.ey.com

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2020 EYGM Limited.  
All Rights Reserved.

EYG no. 007752-20Gbl

1508-1600216 NY  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](http://ey.com)**