

# Payment Times Reporting

## Reporting Update

21 September 2020, 20RU-020



- What is the Payment Times Reporting Bill?
- Who must comply?
- What are the possible financial reporting implications?

### What is the Payment Times Reporting Bill?

The Payment Times Reporting Bill 2020 passed in September 2020 establishes a new Payment Times Reporting Scheme which will require large businesses and government enterprises to report on their payment practices to their small business suppliers. A small business supplier is an entity which carries on an enterprise in Australia and its annual turnover was less than \$10 million for the most recent income year.

From 1 January 2021, Reporting Entities (as defined in the Bill) are required to lodge a range of information in relation to their payment practices to small business suppliers every 6 months.

Information, which will be lodged with a public Payment Times Reporting Register, includes:

- The shortest and longest standard payment periods;
- The proportion, determined by total number and total value, of small business invoices paid within certain time frames as determined from the invoice's issue date
  - Less than 21 days;
  - Between 21 and 30 days;
  - Between 31 and 60 days; and
  - More than 60 days; and
- Whether supply chain finance or early settlement discounts are offered.

### Who must comply? - Reporting Entity as defined in the Bill

Reporting Entity is defined in the Bill. A constitutionally covered entity must comply with the reporting requirements under the Bill if it carries on an enterprise in Australia, and for its most recent income year:

- It had total income of more than \$100 million; or
- If it is a controlling corporation (e.g. an Australian parent company) – the combined total income for all members of the controlling corporation's group was more than \$100 million; or
- If it is a member of the controlling corporation's group – the total income for the entity was at least \$10 million.

#### Effective date

#### Key reporting requirements

## What are the possible financial reporting implications?

Under the Bill, an entity is required to disclose whether supply chain finance or early settlement discounts are offered. There has been significant media interest in the use of these types of arrangements by Australian corporates in recent times. This new reporting system will further bring focus to how amounts subject to such arrangements are presented in the financial statements and the disclosures around the terms, risks and uncertainties connected with the arrangement. The three key areas that might be impacted are:

**Balance sheet** – Entities need to consider whether the nature or amount of the liability subject to supplier financing is different to that of other trade payables and therefore whether the amounts would warrant separate presentation on the face of the balance sheet or in the notes.

**Cash flows statement** – Entities should also consider whether to present a single net cash outflow as either operating or financing, or to present gross cash flows. If the net cash flows approach is adopted, additional information about the arrangement may be required.

**Other disclosures** – As supply chain arrangements form part of an entity's management of liquidity risk, information about the nature and extent of risks arising from these arrangements is likely to be included as part of an entity's risk management disclosures.

Refer to [20RU-002 Reverse Factoring \(supplier financing arrangements\)](#) for more details on the discussion about the financial reporting implications.

### International developments – IFRS Interpretations Committee (IFRIC)

The IFRIC has also considered the presentation and disclosure of supply chain financing at its June 2020 meeting and comments on its tentative decisions are due on 30 September 2020. Further details about the IFRIC's tentative decisions can be found on our [IFRS Interpretations Committee agenda decisions](#) webpage.

## Contacts

KPMG can help you understand this new legislation, identify new impacts for your business and assist in preparing a road map for your business to get ready to report. For more detailed briefing about the Bill, contact:

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### 20RU-020 Payment Times Reporting

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