



COVERSHEET

Minister	Hon Melissa Lee Hon Andrew Bayly	Portfolio	Economic Development Small Business and Manufacturing
Title of Cabinet paper	Improving government payment times for domestic trade invoices and uptake of eInvoicing	Date to be published	18 November 2024

List of documents that have been proactively released		
Date	Title	Author
October 2024	Improving government payment times for domestic trade invoices and uptake of eInvoicing	Office of the Minister for Economic Development Office of the Minister for Small Business and Manufacturing
16 October 2024	Improving government payment times for domestic trade invoices and uptake of eInvoicing ECO-24-MIN-0229 Minute	Cabinet Office

Information redacted

YES / NO (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



Cabinet Economic Policy Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Improving Government Payment Times for Domestic Trade Invoices and Uptake of eInvoicing

Portfolio Economic Development / Small Business and Manufacturing

On 16 October 2024, the Cabinet Economic Policy Committee:

Background

- 1 **noted** that in February 2024, the Cabinet Economic Policy Committee noted that the Minister for Small Business and Manufacturing intended to address issues related to long business payment times through a range of measures [ECO-24-MIN-0001];

New Procurement Rules

- 2 **agreed** that new eInvoicing capability and prompt payment requirements be introduced in the Government Procurement Rules;
- 3 **agreed** that Rule 51 of the Government Procurement Rules be replaced with new 'Rule 51-eInvoicing capability' which states:
 - 3.1 agencies that receive more than 2,000 domestic trade invoices annually must be capable of receiving eInvoices through their primary accounts payable system(s);
 - 3.2 agencies that send more than 2,000 domestic trade invoices annually must be capable of sending eInvoices through their primary accounts receivable system(s);
- 4 **agreed** to the addition of 'Rule 51A-Prompt payment times' in the Government Procurement Rules which states:
 - 4.1 agencies must pay 95 percent of:
 - 4.1.1 domestic trade eInvoices within five business days;
 - 4.1.2 other domestic trade invoices within 10 business days;
 - 4.2 agencies must report on domestic eInvoice and domestic trade invoice payment times to MBIE quarterly, so these can be made publicly available;
 - 4.3 agencies must encourage their suppliers to pay their subcontractors promptly;
 - 4.4 agencies should encourage suppliers to offer subcontractors no less favourable payment terms than the ones they receive from agencies;

5 **agreed** that the new rule requirements will apply to invoices related only to domestic trade credit that are processed by the receiving agency in the ordinary course of its business, and that requests for payment that are out of scope include:

- 5.1 reimbursement of employee expenses;
- 5.2 rents, leases and utilities (office space, power, telecoms etc);
- 5.3 credit card statements, finance payments, and insurance premiums;
- 5.4 payments made regularly as part of an ongoing contract, which do not require an invoice;

Implementation

6 **agreed** that agencies will not be required to pay domestic trade invoices within the payment times set out in new Rule 51A if:

- 6.1 the goods, services or works are unsatisfactory or incomplete;
- 6.2 the invoiced amount is in dispute;
- 6.3 an invoice is incomplete or incorrectly rendered;

7 **agreed** that mandated agencies must:

- 7.1 pay domestic trade invoices (except eInvoices) as set out in Rule 51A from 1 January 2025;
- 7.2 implement eInvoicing receive and send capability requirements specified in new Rule 51, and eInvoice payment requirements specified in Rule 51A by 1 January 2026;

8 **agreed** that implementation of the 95 percent payment target as specified in Rule 51A is phased in as follows:

- 8.1 from 1 January 2025, agencies must pay 90 percent of domestic trade invoices, excluding eInvoices, within 10 business days;
- 8.2 by 1 January 2026, agencies must pay 95 percent of domestic trade invoices and eInvoices within the timeframes set out in Rule 51A;

9 **agreed** that if an agency does not believe they can implement the eInvoicing requirements by 1 January 2026, they will need agreement from their portfolio Minister to request approval from the Minister for Small Business and Manufacturing and the Minister for Economic Development (joint Ministers) for an extended implementation timeframe;

10 **agreed** that the Ministry of Business, Innovation and Employment (MBIE) can require agencies to report monthly if they are not meeting payment time targets;

11 **agreed** that when monthly reporting is required, agencies must submit payment information over the preceding three months;

12 **noted** that joint Ministers will be briefed annually on the extent to which payment targets have been met;

- 13 **agreed** that if an agency is not meeting invoice payment time targets set out in Rule 51A, it must inform MBIE and their responsible Minister why this has occurred;
- 14 **noted** that the new requirements above will not apply to the Pharmaceutical Management Agency, the New Zealand Security Intelligence Service, or the Government Communications Security Bureau;

Targeted Consultation on a potential requirement to submit eInvoices

- 15 **noted** that business leaders indicated that a stronger mandate is necessary to drive upfront investment in eInvoicing;
- 16 **agreed** that MBIE consult with business stakeholders on a requirement for certain government suppliers to submit eInvoices and pay invoices to subcontractors within 10 working days;
- 17 **noted** that any proposed changes to the Government Procurement Rules will be reported back to Cabinet by February 2025 as part of the wider review of the Government Procurement Rules.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Nicola Willis (Chair)
Hon Brooke van Velden
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Melissa Lee
Hon Penny Simmonds
Hon Nicola Grigg
Hon Andrew Bayly
Hon Andrew Hoggard
Simon Court MP

Officials present from:

Office of the Prime Minister
Officials Committee for ECO