

RCTI Implementation Guide



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PURPOSE AND SCOPE

To list the requirements and potential issues that could arise when converting an ERP Supplier to a Recipient Created Tax Invoice (RCTI) supplier. This is where Energy Qld Buyers Group's Ellipse System, in accordance with definitions, creates a duly authorised Tax Invoice for payment.

RCTI eliminates the need for our Supplier to create and send an invoice to any member of the Energy Qld Buyers Group of Companies, where we would load and match it to commitments in the relevant ERP payments process. As RCTI are created from information contained in Purchase Orders they automatically match and qualify for payment according to the terms of our relationship with each supplier.

DEFINITIONS, ABBREVIATIONS AND ACRONYMS

AI	Automatic Invoice
APL	Application Parts List – ERP purchasing mechanism used for non-inventory contract purchases – details the specific supplier offer on non-inventory items e.g. price, unit of purchase, price code.
Consignment Stock	Inventory Material that remain the property of the Supplier until they are used by a member of the Energy Qld Buyers Group
Direct Charge Purchase	Non Inventory purchasing utilising a purchase requisition to instigate the purchasing process either by purchase requisition alone or through an APL
Energy Qld Buyers Group Of Companies	Ergon Energy, Energex, Yurika (includes Metering Dynamics and Nexium), Ergon Energy Retail.
ERP System	Whole of Business Computer System that manages all of the Energy Qld Buyers Groups key activities - Enterprise Resource Planning
Inventory Purchasing	Purchases made on items that are catalogued and ordered in the ERP Inventory system via a recommended order that references a MSO210 record
MSO210 record	ERP System record detailing the specific supplier offer on an item, e.g. price, lead time, unit of purchase, price code etc
RCTI	Recipient Created Tax Invoices – Tax Invoices that are created by the recipient (In this case any of the Energy Qld Buyers Group Companies) upon the receipt of the agreed materials. The requirements for an RCTI agreement are set out on the Australian Tax Office's Website.

REFERENCES

MP000903R127. RCTI Implementation Checklist

[Australian Taxation Office Official Website](#)

[Goods and Services Tax Ruling](#)

[RCTI 2000/1 \(As Amended\)](#)

RCTI

The traditional procurement cycle typically requires the Purchaser to send a Purchase Order, the Supplier to manufacture and send the product to the Purchaser and for the Supplier to create and send an Invoice to the purchaser. When the materials arrive the purchaser receipts the product. The Purchase Order, Receipt, and Invoice all have to be matched to allow for Payment.

RCTI removes the requirement for the supplier to create and send the Invoice. The RCTI is auto-created on Receipt from the Purchase Order data record, allowing the payment to proceed in accordance with the payment terms for the supplier.

RCTI, with its auto creation of the Tax Invoice from the Purchase Order receipt process, eliminates a number of manual steps in the procure-to-pay cycle, and can reduce administration costs for both the Purchaser and the Supplier.

Energy Qld Buyers Group Requirements

RCTI can be generated on Inventory, Direct Charge, and Consignment purchases. However, it is envisaged that RCTI relationships will only be entered into with Suppliers, who are relatively stable, and are only subject to programmed or scheduled changes.

- At present, it is recommended that RCTI arrangements are only made on inventory purchases due to centralised control of the Ordering and Receipting process.
- RCTI cannot be implemented for an inventory stock item that is subject to milestone payments or pre-payments.
- Although RCTI can be utilised for Consignment inventory; consideration is to be given to the cost to implement and administer RCTI against other cost savings mechanisms (early payment discount) before being implemented.

Contracting Authority

All RCTI Agreements must be approved by Energy Queensland's Category Manager – Network Plant & Materials.

- Inventory RCTI arrangements may only be put in place at the discretion of the Category Manager – Network Plant & Materials.
- Consignment Item RCTI arrangements may only be put in at the discretion of the Category Manager – Network Plant & Materials.
- Direct Charge RCTI arrangements may only be put in place at the discretion of the Strategic Sourcing Manager.

Supplier Considerations

Suppliers will need to carefully consider the entry into an RCTI arrangement. It is a legally binding agreement where they have agreed to one or all of the Energy Qld Buyers Group of Companies creating invoice and adjustment notes on their behalf, based on purchase orders created by any one of the companies which the supplier holds and RCTI agreement with. These Invoices will be provided to the Supplier as RCTI, generated by the relevant companies ERP System.

The supplier will need to sign a legal binding agreement that outlines the basis of the RCTI relationship for the "Nature of Supplies" being provided, signed by an authorised signatory of the supplier.

Once implemented, the supplier will not provide any further Tax Invoice for materials procured under these arrangements for items that have had the Automatic invoicing price code set on their purchasing records.

Benefits & Challenges

Supplier Benefits

- Suppliers do not have to create and physically issue a Tax Invoice. The supplier will save on paper, postage, and the labour hours used to create and mail/email an invoice.
- RCTI are created on receipt of the goods based on information contained on the Purchase Order. These RCTI will automatically meet the requirements of the Purchase Order data and will enable the payment of the invoice in accordance with agreed payment terms.
- Payment terms commence from the time of the creation of the RCTI.

Energy Qld Buyers Group Benefits

- The requirement to receive, open and enter invoices is eliminated.
- Payments will be automated and made in accordance with the agreed terms and prices.

Challenges to be considered:

- Contract terms and conditions around discounting, payments and pricing structure arrangements need to be clearly defined by both parties before implementation of RCTI arrangements.
- Both parties must ensure pricing reviews are timely, accurate and kept up to date.
- RCTI doesn't cater for unexpected costs or unknown items at PO creation.
- Suppliers are reliant on the timely receipting/invoicing of goods by the purchaser.
- The purchaser will need to closely monitor its receipting timeframes that produce RCTI invoices.
- Where there is an early payment discount on offer from a supplier, it may not be appropriate to implement RCTI. Currently, when Ellipse generates the RCTI, it does so to the full value of the order (not the discounted value). The generated RCTI is then non-compliant with ATO requirements and therefore the purchasing company cannot claim the GST in respect to those RCTI. A way to avoid this issue is ensure that all prices loaded in the MSO210 record already have the discount applied. The order will then be raised for the exact amount that will be remitted once the goods are receipted and the RCTI generated and paid. The supplier will need to agree to this arrangement in advance.

It is recommended that some analysis is done to compare the financial benefit of RCTI weighed up against the financial benefit of the discount to determine if in fact RCTI is worth pursuing

- For Inventory Items, it is recommended that **all** items supplied by the Supplier have their price codes set up for RCTI to avoid unnecessary confusion with the Suppliers administration processes (regardless of whether they are under contract or not).

Ellipse Configuration

There are two areas of Ellipse that will require update to enable RCTI for a supplier, the MSO210 Supplier/Stock Code Record and the Supplier Database Automatic Invoice flags. If the supplier has multiple vendor numbers in Ellipse that are used to purchase inventory items then it will need to be done for each vendor number in Ellipse.

Supplier Database – Changing the Automatic Invoice flags

Raise a Procurement ICT request to amend the supplier record, requesting the following changes to the following Supplier Master Database fields:

- Generate Invoice Automatically Field – **A** needs to be added
- Automatic Invoice Prefix Field – **AI** needs to be added
- Last Auto Invoice Number – **0** needs to be added.

MSO210 record – Changing the Price code to Automatic Invoice

A report detailing all the current MSO210 details for the stock codes being changed to RCTI is to be run as it will make the set up process quicker and more accurate. The adhoc report is called RCTI - MSO210 Record detail by Supplier.

Use MSO210, Option 1, Input the stock code and the relevant supplier number. Change the Price code to **AI** (If no FPA is to be used) or **FA** (FPA to be used) and then save. You will then be prompted to input the details of the purchasing record again, e.g. Unit of Purchase, Price, Delivery Location, lead time – hence the need for the report.