



DUTY TO REPORT ON PAYMENT PRACTICES AND PERFORMANCE

From 1 October 2016, Part 1, Section 3 of the Small Business Enterprise and Employment Act 2015 comes in to force which requires large companies and limited liability partnerships to report on their payment practices and policies relating to relevant contracts and comment on how the company has performed under those contracts.

Why is disclosure considered necessary?

Late payment of invoices is considered to be a large problem in business and can cause detrimental cash flow problems to business' who do not receive the funds which are owed to them on time. It is thought that publication of practices and policies in relation to payment will help to bring to light those businesses that are good at paying suppliers promptly and those that are not. This is expected to help to reduce the frequency of late payments to suppliers and will encourage businesses to consider the impact that their payment practices may have on their reputation.

What is a large company?

A company is large if it meets two or more of the following size criteria for two or more consecutive years: -

- Turnover £36 million
- Net Balance sheet total £18million
- Average Employees >250

What is a relevant contract?

A relevant contract is a contract for goods, services or intangible assets which has been entered in to for the purpose of carrying on business.

A simple supplier contract would therefore fall within the scope of a relevant contract.

What are payment practices and policies?

The following information will make up the company's practices and policies with regard to payments for relevant contracts: -

- Standard payment terms and whether these are part of the company's code of conduct or ethics (this will link in to the Modern Slavery Act 2015 [requirements](#))

- Separate payment arrangements which do not fall within the standard payment terms
- Method of processing and paying invoices
- Details of disputes on invoices and how invoice disputes are resolved
- Payments made with regard to interest / penalties for late payment of invoices

What are the reporting requirements?

Large companies will be required to publish on a website to be provided by the government, their payment practices and policies and how they have performed under these policies within 30 days of the end of the period to which the report relates. The statement must be signed by a director and an update published every six months. Each statement should then remain on the company's website for three years so that comparisons of practice and performance can be made.

The website for publishing the above information can be found here: -

<https://publish-payment-practices.service.gov.uk/publish>

What format should the report take?

An example Report on Payment Practices and Performance has been published by the Business Innovation and Skills department which can be found here: -

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415028/bis-prompt-payment-implementing-the-duty-on-large-companies-to-report-on-payment-practices-and-policies.pdf

Where can I find further guidance?

The government has published guidance on the reporting of payment practices and performance which can be found here: -

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/649941/payment-practices-performance-reporting-requirements-oct-2017.pdf



CONTACT

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