Payment Reporting Obligations
Coming into Force April 2017

The Department for Business, Energy and Industrial Strategy (“BEIS”) recently announced that the obligation to report on payment practices under the Small Business, Enterprise and Employment Act 2015 will come into force on 6 April 2017, for financial years starting after that date, with the Regulations due to be laid down in early 2017.

Pursuant to the new Regulations, organisations caught by the Regulations will be required to report on payment practices and policies on a half-yearly basis.

The report will need to be provided in open data format to a single, central digital location and include the following information:

- Standard payment terms;
- Average time the business has taken to pay suppliers, from the invoice date;
- Proportion of invoices paid within 30 days, over 30 days, over 60 days and over 120 days;
- How much interest on late payment has been paid and is due to be paid to suppliers;
- Any dispute resolution process for overdue invoices;
- Whether the business;
  - has requested payments for suppliers to join or remain on supplier lists;
  - operates any e-invoicing, supply chain finance or preferred supplier lists; and
This reporting obligation was initially intended to come into force in April 2016. BEIS has explained the delay is a result of “…taking the time to make sure the reporting requirement is effective once it comes into force. It must provide small businesses with the information they need without adding any unnecessary burdens to businesses that need to report”.

The Regulations will apply to large companies and LLPs. The definition of “large” company/LLP will be set out in the final regulations next year but it is anticipated that an appropriate definition in the Companies Act 2006 will be used. This would mean that a company will be required to comply with the reporting requirements if it has any two of:

1. a turnover greater than £25.9 million;
2. total assets on the balance sheet greater than £12.9 million; and
3. an average number of employees exceeding 250.

It is hoped that the new reporting obligations will help tackle the industry wide problem of late payment, by encouraging businesses to consider the impact that their payment practices may have on their reputation. Clients are likely to take the reports into account when awarding tenders as they seek to avoid late payment causing issues with their supply chain.

Failure to report could have significant consequences; it may be an offence punishable on summary conviction (S3(7) Small Business, Enterprise and Employment Act 2015). Given the likely administrative nature of the reporting requirements, it is therefore important that companies who are likely to be required to publish reports when the new Regulations come into force start to put systems in place now.