



REPORTING ON PAYMENT PRACTICES

The Reporting on Payment Practices and Performance Regulations 2017

Large companies and large LLPs are required to report publicly on their payment practices, policies and performance.

In addition to the voluntary Prompt Payment Code and the requirements of the Grocery Suppliers Code of Practice (applicable to the UK's major grocery retailers), there is a requirement for large businesses to publish reports under:

- The Reporting on Payment Practices and Performance Regulations 2017; and
- The Limited Liability Partnerships (Reporting on Payment Practices and Performance) Regulations 2017.

WHEN?

Both Regulations came into force on 6 April 2017 and apply to financial years beginning on or after that date.

WHO?

The duty applies to large companies, whether or not they are quoted, that have exceeded two or all of the following thresholds for a medium-sized company, as set out in section 465(3) of the Companies Act 2006, on both of the last two balance sheet dates:

- Annual turnover of £36 million or more;
- Balance sheet total of £18 million or more;
- Over 250 employees.

The Limited Liability Partnerships (Reporting on Payment Practices and Performance) Regulations 2017

The duty will not apply to a new company in its first financial year. A company in its second financial year will be in scope if it exceeded two or all of the thresholds in its first financial year, and each company within a group matching the above criteria owes a separate duty to report. Separate group-wide thresholds apply to determine whether a parent company is also required to report.

The same thresholds apply to large LLPs under separate Regulations with equivalent provisions.

WHAT?

Businesses subject to the duty are required to publish on a government web service (<https://beis-ppr-live.herokuapp.com/>) details of their payment policies and practices and report on performance against their policies twice a year. The information will be hosted centrally by the government and therefore readily accessible and searchable by third parties and open to scrutiny by potential suppliers and the general public.

Specifically, each relevant business is required to publish the following information:

- Standard payment terms, including any changes in payment terms in the last reporting period, and whether suppliers were consulted on this.
- Average time the business has taken to pay suppliers, from the invoice date.
- Details of the proportion of invoices that have been paid by the business;
 - beyond the agreed terms;
 - within 30 days;
 - between 31 and 60 days; and
 - over 60 days.
- How much late-payment-interest has been paid and is due to be paid by the business to the supplier.
- 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
 - is a member of a payment code.

Directors and designated members are responsible for meeting the reporting obligation and any failure to do so, or providing false or misleading information, would constitute a criminal offence which may attract a fine for potentially the business and individual. If a business fails to submit a report when required, every director or designated member is deemed to have committed an offence and may be fined.

WHY?

Late payment of invoices is considered to be a widespread problem for small suppliers to larger organisations, which the government seems increasingly keen to address. These Regulations stop short of prescribing maximum payment terms, but rather impose a requirement for transparency that is intended to promote a culture of better payment practices.

Large businesses within the scope of the Regulations should take time to review their payment practices and policies and make sure they are happy to report on these and make them publicly available. An internal review of current accounting systems also seems prudent from a practical perspective, to ensure that systems are capable of collecting the required payment data to enable reporting on each of the performance criteria.

KEY CONTACTS

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