

Reporting of payment practices and performance

On 6 April 2017, new regulations came into force which require large UK companies and LLPs to report to the government on a half-yearly basis on their payment practices. The information must be published through an online portal provided by the government within 30 days of the end of each six month reporting period, and will be available to the public. The report must contain detailed information covering a wide range of areas and must be approved by a named company director or, for LLPs, a designated member.

Failure to publish a report within the specified time period or providing false information in a report is a criminal offence and the company / LLP and its directors / members will be liable to a fine.

The new requirements aim to promote prompt payment to smaller suppliers and to increase the level of transparency around payment practices.

Which companies are required to report?

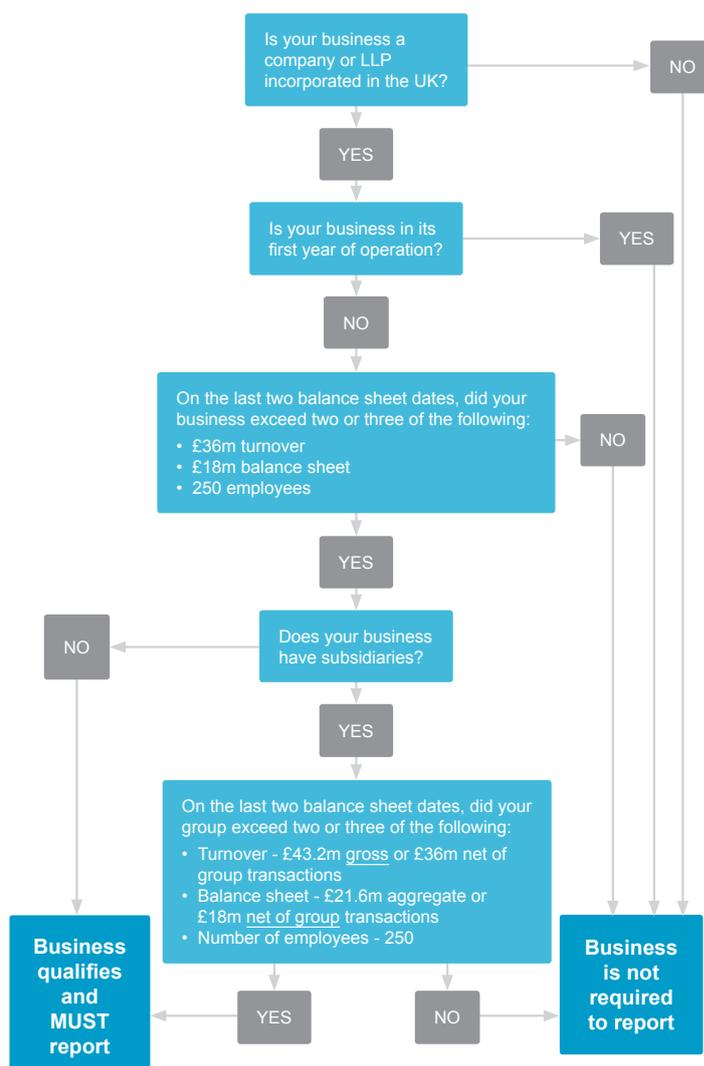
Businesses are within the scope of the requirement for a financial year if, on their last two balance sheet dates, they exceeded two or all of the thresholds for qualifying as a medium-sized company (see flow chart).

Not all companies are required to report. Companies in their first financial period and businesses incorporated outside of the UK are not generally required to report. However, UK subsidiaries with an overseas parent company are required to report if the size requirements are met.

The new reporting requirements are also imposed on charitable companies (including companies limited by both shares and by guarantee) and community interest companies if the size requirements are met. Otherwise charitable bodies, for example Royal Charter bodies, are not companies incorporated under the Companies House 2006 so do not have to report unless they own a subsidiary company which meets the above criteria.

The information required to satisfy the reporting requirements should be prepared on an individual company or individual LLP basis, not at a group level.

A parent company only needs to report on its own payment practices and performance if it exceeds the size criteria after ignoring intra-group transactions, unless its gross turnover and gross balance sheet value exceed £43.2m and £21.6m respectively. This is set out in the flowchart below:



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When is the business required to report?

The legislation came into effect on 6 April 2017 and applies to qualifying companies and qualifying LLPs in financial years beginning on or after 6 April 2017. The report must be produced for each reporting period in a financial year. If the business has a period of account less than nine months only one report is required but if a business has a long period of account, three reports would be required for that period. The information required must be published within 30 days of the end of the reporting period.

See the table below for example reporting periods and due dates.

Financial Year ended	First reporting period	Due date for reporting	Second reporting period	Due date for reporting
31 Mar 2019	1 Apr 2018 - 30 Sep 2018	30 Oct 2018	1 Oct 2018 - 31 Mar 2019	30 Apr 2019
30 Apr 2018	1 May 2017 - 31 Oct 2017	30 Nov 2017	1 Nov 2017 - 30 Apr 2018	30 May 2018
30 Sep 2018	1 Oct 2017 - 31 Mar 2018	30 Apr 2018	1 Apr 2018 - 30 Sep 2018	30 Oct 2018
31 Dec 2018	1 Jan 2018 - 30 Jun 2018	30 Jul 2018	1 Jul 2018 - 31 Dec 2018	30 Jan 2019

What must be reported?

Every six months the qualifying businesses will be required to publish detailed information in relation to qualifying contracts. A qualifying contract is a contract that satisfies all of the following:

- It is between two (or more) businesses
- It has a significant connection with the UK
- It is for goods, services or intangible property, including intellectual property
- It is not for financial services

The report must include:

- Descriptions of the standard payment terms including:
 - the standard contractual length of time for payment of invoices
 - maximum contractual payment period
 - any changes to the standard payment terms in the reporting period including how suppliers have been notified or consulted on these changes
 - the business' process for resolving disputes related to payment.
- Statistics on:
 - the average number of days taken to make payments
 - the proportion of invoices paid in 30 days or less; paid between 31 to 60 days; and paid beyond 60 days
 - the proportion of payments due within the reporting period which were not paid and amount of late payment interest owed and paid.

- Statements in relation to whether:
 - suppliers are offered e-invoicing
 - supply chain finance is available to suppliers
 - the business' practices and policies cover deducting sums from payments as a charge for remaining on a supplier's list, and whether they have done this in the reporting period
 - the business is a member of a payment code.

How to report?

The government has provided a web service for businesses to publish the report and the information provided will be made public on the website immediately. Qualifying businesses must be registered with the Companies House Single Service and have been provided with an authentication code in order to publish reports.

How can we help?

It is important to determine whether your business meets the criteria to report under the new regulations as soon as possible in order to ensure that systems of data collection are in place before the beginning of the period for which a report is due. Systems may also need to be updated to automate the collection of the data to be reported so far as possible, as the information that must be included in the report can be very difficult to obtain at a later date. Payment practices and contract performance should be reviewed before the beginning of the reporting period in preparation for reporting of this data.

We have extensive experience in dealing with corporate compliance and can help you understand the impact of the regulations on your business.

If you think your business may be affected by the new regulations, we can help. We can also review your systems and help in the preparation and analysis of your data that must be reported on.

Call us on 020 7566 4000 and speak to one of our experts.