

# Duty to Report on Payment Practices and Performance

Regulations have introduced a duty on the UK's largest companies and LLPs to report on a half-yearly basis on their payment practices, policies and performance for financial years beginning on or after 6 April 2017.

## Which businesses need to report?

Large companies and large LLPs

- Formed and registered under UK legislation
- UK subsidiary of an international company will need to report if it exceeds the size criteria

## What are the size criteria for reporting requirements?

Exceed two or more of the medium company thresholds for the two preceding years

- Businesses are in scope if they exceed two or more of the thresholds for qualifying as a medium sized company (CA 2006 s465(30))
1. £36m annual turnover;
  2. £18m balance sheet total;
  3. 250 employees.

If you are growing, review thresholds as they are updated periodically

## What reporting is there for groups?

Large parents and large subsidiaries need to report

- Report both parent and group it heads if both are large
- Current criteria for parent:
  1. £43.2m annual turnover;
  2. £21.6m balance sheet total;

3. 250 employees.

Any company within the group that meets the size criteria needs to report individually

## Which contract payments need to be reported?

Payments relating to goods and non-financial services

- Payments relating to contracts for goods, services or intangible property between two (or more) businesses that have a significant connection with the UK
- Financial services businesses only report on contracts not relating to FS (i.e. office supplies)
- Businesses cannot choose a non-UK law to apply to the contract if you have a significant connection to the UK

1. Contract performed in the UK
2. One or both parties are based in the UK

## What is the impact on corporate transactions and JVs?

Mergers and takeovers


- If a new company or LLP is incorporated as a result of the transaction, it will be excluded from reporting in its first year
- If the same company registration number is used, there is a requirement to report subject to the size criteria


Incorporated JVs may need to report subject to the size criteria

Continued overleaf

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## Overview of reporting requirements

### What needs to be reported?

- Reporting must be published within 30 days of the end of the reporting period and must be approved by a named company director or designated member (for LLPs):
  1. Narrative description of the business' standard payment terms or the most frequently used where there is no standard
  2. Where there is more than one standard due to different products or other variations, a description of all should be provided
  3. Standard payment period in days
  4. Longest period for payment that has been agreed in the period
  5. Whether there has been any changes to standard payment terms and how suppliers have been notified or consulted
  6. Narrative description of how they deal with disputes about payments (links can be provided if this is explained on a website)
  7. Yes/No statements regarding whether suppliers are offered e-invoicing, availability of supply chain finance and how to apply, whether the business is member of a payment code and if policies cover charging for remaining on a supplier's preferred list

### Other payment volume statistics to be reported

- Average time taken to make payment

in the reporting period, from the date of receipt of invoice

- Percentage of payments made with the reporting period which were paid:
  1. In 30 days or fewer;
  2. Between 31 and 60 days;
  3. On or after day 61
- Where supply chain finance is used:
  1. If supplier received full amount due without paying a fee or other deduction, then the date on which the supplier received the payment can be reported as the date of payment.
  2. If the supplier does not receive the full amount, then the date on which the payment is made (to the finance provider) is the date of payment.
- Proportion of payments due within the reporting period which were not paid within the agreed period

### When will businesses be required to publish this information?

The Regulations came into force on 6 April 2017, and will apply to financial years that start on or after that point. Businesses will be required to report twice-yearly, with reporting dates aligned to the financial reporting cycle as follows:

- First report – within 30 days after the end of the first six months of the financial year
- Second report – 30 days after the end of the financial year

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