Department for
Business, Energy
& Industrial Strategy

DUTY TO REPORT ON PAYMENT PRACTICES AND PERFORMANCE

Guidance to reporting on payment practices and performance

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Introduction

Every year, thousands of businesses experience severe administrative and financial burdens, simply because they are not paid on time. Late payment is a key issue for business, especially smaller businesses as it can adversely affect their cash flow and jeopardise their ability to trade. In the worst cases, late payment can lead to insolvency.

Regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015 (and, for limited liability partnerships (LLPs), the Limited Liability Partnerships Act 2000), introduce 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. The information must be published through an online service provided by the government, and will be available to the public.

This guidance is for companies and LLPs who must comply with the statutory reporting duty for payment practices and performance. As shorthand, companies and LLPs are referred to as businesses throughout this document.

Businesses or groups not subject to the duty may follow this guidance if they would like to submit a report voluntarily.

Legal disclaimer

This document has been prepared to provide general guidance only. The interpretation of the law on the duty to publish information on payment practices and performance is ultimately a matter for the courts. Users of this guidance should seek their own legal advice where appropriate.

Who needs to report?

Which businesses need to report? How do you define these?

1. The reporting requirement applies to large companies and large LLPs (regardless of whether they are private, public or quoted) which exceed certain size criteria, as explained below. The companies and LLPs in scope of the requirement are referred to in the Regulations as “qualifying companies” and “qualifying LLPs”. Companies and LLPs are collectively referred to as businesses throughout this guidance.

2. In the context of the reporting requirement, ‘company’ means a company formed and registered under the Companies Act 2006 or previous legislation and ‘LLP’ means a limited liability partnership registered under the Limited Liability Partnerships Act 2000. Entities which are not companies or LLPs under these definitions are not required to report – for example, the reporting requirement does not apply to partnerships (provided they are not LLPs), nor to companies which are incorporated under another country’s laws. Companies formed and registered under the Companies Act 2006 or previous legislation will have a company number issued by the Registrar of Companies, as will LLPs registered under the Limited Liability Partnerships Act 2000.

3. The information for the reporting requirement should be prepared on an individual company or individual LLP basis, not at a group level. The reporting requirement is not met if the information is provided on a group basis.

What are the size criteria for the reporting requirement?

4. Businesses are in 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 under the Companies Act 2006 (section 465 (3)). The thresholds relate to turnover, balance sheet total and average number of employees. Examples of how this works are provided in Table 1 (page 6).

5. At the time of publication, these thresholds are:

   - £36 million annual turnover
   - £18 million balance sheet total
   - 250 employees

6. These thresholds are periodically updated. When businesses are considering if they are in scope of the reporting requirement for a financial year then, if the Companies Act thresholds have been updated for that financial year, the updated thresholds should be applied retrospectively to preceding years for the purpose of the reporting requirement size tests.

7. No company is required to report in its first financial year. A company will be in scope of the duty in its second financial year, if in its first financial year it exceeded two or all of the thresholds described above. Companies in their second financial year should refer to their first financial year figures only.

8. A company or LLP that has one or more subsidiaries[1] (a parent company or parent LLP) must report if both the parent itself and the group it heads are large. But, as a shortcut, parent companies or parent LLPs would need to report if the parent's own turnover, balance sheet total and number of employees (or two of these) on its last two balance sheet dates exceeded the gross group thresholds explained in paragraph 20. Using the current thresholds (at the time of publication), a parent which exceeded £43.2 million turnover, £21.6 million balance sheet total and 250 employees (or two of these) will be required to report on its payment practices and performance. Parent companies and parent LLPs that have not exceeded two or all of £43.2 million turnover, £21.6 million balance sheet total or 250 employees should refer to the guidance in paragraphs 15-22.

9. Diagram 1 on page 9 shows a flowchart of the process described in paragraphs 1-22.

[1] See glossary

Table 1: Using the current Companies Act thresholds for medium-sized companies, some examples of businesses in scope are set out below. A tick indicates the figure exceeds the relevant threshold:

	Business:	A	B	C	D	E
Last Balance sheet date	**Annual Turnover**	*£45m✓*	*£40m✓*	*£30 m*	*£35 m*	*£40m✓*
	Balance Sheet Total	*£25 million✓*	*£17 million*	*£19 million✓*	*£17.5 million*	*£25 million✓*
	Average no. of employees	*350✓*	*200*	*450✓*	*250*	*251✓*
Balance sheet date before last	**Annual Turnover**	*£40 million✓*	*£40 million✓*	*£35 million*	*£35 million*	*£35 million*
	Balance Sheet Total	*£20 million✓*	*£17 million*	*£20 million✓*	*£20 million✓*	*£17.5 million*
	Average no. of employees	*350✓*	*200*	*450✓*	*450✓*	*249*
Did the business exceed the thresholds for a medium-sized company in both financial years?		*Yes, the company's figures exceeded at least two of the thresholds for a medium-sized company in both years.*	*No, figures were below two of the thresholds in both years.*	*Yes, the company's figures exceeded two of the thresholds for a medium-sized company in both years.*	*No, figures were below at least two of the thresholds in the last financial year*	*No, figures were below at least two of the thresholds on the balance sheet date before last*

Businesses operating outside of the UK

10. The reporting requirement applies to companies that have been formed and registered under the Companies Act 2006 (or previous legislation) and LLPs registered under the Limited Liability Partnerships Act 2000, depending on size considerations (refer to paragraphs 1-9). Businesses incorporated outside of the UK, including overseas companies registered under the Companies Act but not formed under the Companies Act, are not required to report.

    Example: an international company has subsidiaries incorporated in several countries, including one incorporated in the UK. The UK subsidiary is in its fifth year of trading and for its last two financial years it had a £40 million turnover and 300 employees. The international company is not required to report, but its UK subsidiary company will need to, because it was formed and registered under the Companies Act and exceeds the size requirements.

11. There is separate guidance below about the contracts for which businesses must report their payment practices and performance. This will affect reporting for businesses that operate or deal with businesses outside of the UK.

Mergers and takeovers

12. If a new company or LLP with a new registration is created as a result of a merger or takeover, then the new company or LLP will be excluded from reporting in its first financial year. Following this, if the company or LLP exceeds the size test in paragraphs 1-9 (or if applicable, paragraphs 17-22), it will need to report.

13. If a business is involved in a merger, takeover or acquisition but continues with the same company registration number (e.g. as an enlarged entity or under different ownership), then it will be required to report if it exceeds the size test in paragraphs 1-9 (or if applicable, paragraphs 17-22).

Joint ventures

14. If a joint venture vehicle is incorporated as a company or LLP, it may need to report on its payment practices and performance (depending on whether it exceeds the size test, as above).

Parent companies and parent LLPs

15. Any company or LLP which has one or more subsidiaries is a parent company or parent LLP. A parent company or LLP will have to report in financial years for which both the parent itself and the group[2] it heads are large. This means that a parent must report if both the parent company or LLP and the group it heads have exceeded relevant size thresholds (see paragraphs 1-9 for the individual company/LLP thresholds and paragraphs 17-22 for the group thresholds).

16. Parent companies or LLPs with (in both of the preceding two years) a turnover of more than £43.2 million, a balance sheet total of more that £21.6 million and over 250

[2] Group means parent and subsidiaries considered together.

employees (or two of these) would exceed the current gross group thresholds and are therefore required to report. Parent companies or parent LLPs that exceed the paragraph 5 thresholds by a small margin will need to pay close attention to the following section.

17. There are two stages. The first stage for a parent company or LLP is to consider whether its figures for the last two financial years (as an individual company or LLP) bring it in scope of the reporting requirement, with reference to paragraphs 1-9.

18. If the first test is not met, the parent company or parent LLP will not need to report on its own payment practices and performance. If it is met, the next stage is to consider whether the aggregate figures for the group exceeded, on the balance sheet dates for both of the last two financial years, two or all of the thresholds listed in section 466(4) of the Companies Act 2006 (as set out below). If so, then the parent company or parent LLP will need to report on its own payment practices and performance.

19. The aggregate group figures are calculated by adding the figures for each member of the group.

20. At the time of publication, the thresholds for groups are:

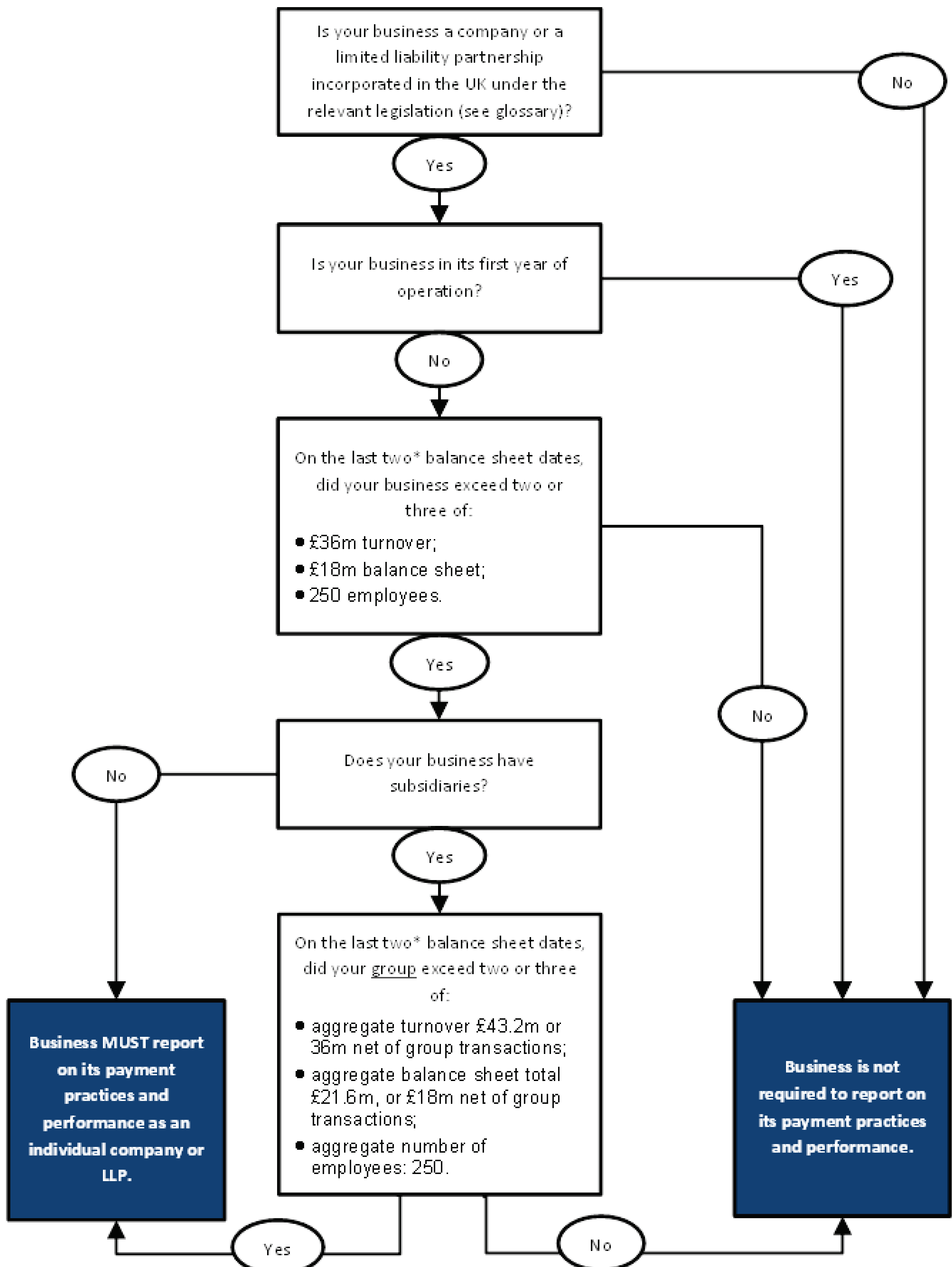
    - Aggregate turnover: £36 million net (or £43.2 million gross)
    - Aggregate balance sheet total: £18 million net (or £21.6 million gross)
    - Aggregate number of employees: 250

    “Net” here means after any set-offs and other adjustments to exclude group transactions. These set-offs and adjustments are to be made in accordance with the accounting rules which apply to the group (that is, in accordance with regulations under the Companies Act for businesses which file Companies Act accounts, and with international accounting standards for businesses which file international accounting standards accounts). “Gross” means without those set-offs and adjustments.

21. These thresholds are periodically updated. When businesses are considering if they are in scope of the reporting requirement for a financial year then, if the Companies Act thresholds have been updated for that financial year, the updated thresholds should be applied retrospectively to preceding years for the purpose of the reporting requirement size tests.

22. Paragraphs 17 to 21 relate to parent companies and parent LLPs only. Any company or LLP within the group that is subject to the duty (ie satisfies the test set out in paragraphs 1-9) will need to report individually on its own payment practices and performance. Those companies or LLPs within the group that do not exceed the thresholds set out in paragraph 5 will not need to report.

Diagram 1: A flowchart showing the process described in paragraphs 1-9 and 17-22.



What needs to be reported?

The reporting requirement

What are the obligations?

23. Businesses in scope of the reporting requirement (see pages 4-9) must prepare and publish information about their payment practices and performance in relation to qualifying contracts (see paragraphs 34-39), for each reporting period in the financial year. The information for each reporting period must reflect the policies and practices which have applied during that period, and the business's performance for that period.

24. The report must be published on a web-based service provided by or on behalf of government within 30 days of the end of the reporting period.

25. The report must contain the information required by the regulations and must be approved by a named company director or (for LLPs) a designated member.

What happens if a business does not comply?

26. Anyone who is concerned that a business might not have complied, or may have made a false statement, can raise this by contacting the company directly or by contacting the Department for Business, Energy and Industrial Strategy at paymentpracticesreporting@beis.gov.uk.

27. If a concern is raised with the department, the business will usually be contacted to remind them to comply and to seek an explanation for non-compliance or discrepancies.

28. The business could be prosecuted if they do not comply, or if they provide false information.

What are the sanctions if a business does not comply?

29. It is a criminal offence by the business, and every director of the company or designated member of an LLP, if the business fails to publish a report, containing the necessary information, within the specified filing period (30 days).

30. Anyone who publishes a report or information (this could be an individual or a business), or makes a related statement, which is misleading, false or deceptive, commits a criminal offence if they knew or were reckless about it being false or misleading.

31. These offences are punishable on summary conviction (in the Magistrates' court) by a fine.

Which contracts should be reported on?

32. Businesses in scope of the duty are required to publish information about their payment practices and performance in relation to qualifying contracts (as explained below). So they should not include information about any other contracts in their reports.

33. A contract may be defined as an agreement between two or more parties that is intended to be legally binding. When a business buys goods or services from another business, both parties generally enter into (or act under) a contract. A contract does not have to be written, although it is advisable to detail important terms in writing to avoid disputes later on. A contract could be written, verbal or both.

What is a qualifying contract?

34. A qualifying contract is a contract which satisfies all of the following:

    i. It is between two (or more) businesses
    ii. It has a significant connection with the United Kingdom (as explained in paragraph 36-39 below).
    iii. It is for goods, services or intangible property, including intellectual property.
    iv. It is not for financial services.[3]

35. In practice this means that financial services businesses will only report on contracts not relating to financial services – i.e. contracts for other services and goods such as office supplies. Businesses contracting to receive financial services will also not report on those contracts for financial services, but must include contracts for other services in their reporting.

Significant connection with the United Kingdom

36. If a UK law (i.e. the law of England and Wales, Scotland or Northern Ireland) applies to a contract without the parties choosing the governing law, then the contract would satisfy point (ii) above. This would be where a contract does not contain a clause stating which country's law applies to it, so the applicable law will be determined by legal rules.

37. If the parties choose a UK law to apply to a contract, but it has no significant connection with the UK and it would have been governed by a non-UK law if the parties hadn't made a choice, then the contract would not satisfy point (ii) above so must not be covered in the business's information.

38. If the parties choose a non-UK law to apply to the contract, but it has a significant connection with the UK and not with any other country, and if the contract would have been governed by a UK law if the parties hadn't made a choice, then the contract would satisfy point (ii) above so it must still be included in the business's published information.

39. Whether a contract has a significant connection with the UK will depend on the circumstances. But examples would include a contract which will be performed in the UK, or where one or both parties is established in the UK or carries on a relevant part of their business in the UK.

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[3] See section 2 of the Small Business, Enterprise and Employment Act 2015 for the definition of financial services. This covers any service of a financial nature, including (but not limited to) insurance-related services, banking services and other financial services.

Summary of information required

40. For each reporting period businesses are required to report on the following, in relation to qualifying contracts:

    Narrative descriptions of:

    i. the business' standard payment terms, which must include - the standard contractual length of time for payment of invoices, maximum contractual payment period and any changes to the standard payment terms in the reporting period, and how suppliers have been notified or consulted on these changes
    ii. the business' process for resolving disputes related to payment

    Statistics on:

    i. the average number of days taken to make payments in the reporting period, from the date of receipt of invoice or other notice
    ii. the percentage of payments made within the reporting period which were paid in 30 days or fewer, between 31 and 60 days, and in 61 days or longer
    iii. the percentage of payments due within the reporting period which were not paid within agreed terms

    Statements (i.e. a tick box) about:

    i. whether suppliers are offered e-invoicing
    ii. whether supply chain finance is available to suppliers
    iii. whether 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
    iv. whether the business is a member of a payment code, and the name of the code

The detail of what is required

Narrative descriptions

Narrative description of the business' standard payment terms

Standard payment terms

41. This refers to the business' standard terms relating to payment for qualifying contracts. This includes (if applicable) the business' standard payment terms for different types of qualifying contract. If the business does not use standard terms then the 'standard payment terms' they must report on will be the most frequently used payment terms for qualifying contracts, including for different types of qualifying contract. Businesses must give a description of the standard payment terms. Businesses could choose to include a link to their website if the full terms can be found there.

42. If a business has different types of standard contracts depending on the product, company size or any other variation, they should describe what the different terms are. E.g. if a business has different payment terms for contracts with small and medium-sized companies they should describe what these terms are and how they differ from their other standard contracts.

Standard payment period

43. A business must give their standard payment period, in days.

44. The standard payment period is the contractual length of time for the business to make payments, as set out in the standard payment terms. As above, if the business does not have standard terms, the standard payment period will be the contractual payment period in the business's most commonly used terms for the reporting period. And if the business uses different terms for different types of contract, they must give the periods for the different contract types, as set out in the standard or most frequently used terms for each contract type.

Maximum payment period

45. The maximum payment period is the longest period for payment that a business has agreed to, in a qualifying contract entered in the reporting period.

46. A business may choose to provide extra information about maximum payment periods, for example if they have different payment periods, depending on the product, company size or any other variation, then they could give the maximum period for each type.

Any changes to standard payment terms & how suppliers have been notified or consulted on these changes

47. A business must disclose any variations to the standard payment terms in the reporting period. For example, a business may start the reporting period with a 60-day payment period in their standard contract, but change this to 30-days three months into the reporting period. This sort of variation should be detailed here.

48. If a statement is made that there were no changes to standard payment terms in the reporting period, the published report will show a sentence to that effect.

49. If the standard payment terms have changed in the reporting period, a business must also report whether suppliers were consulted with or notified before the change was made, and details of the consultation and/or notification that took place.

Further information that could be included

50. Further information that suppliers might find useful can also be included in this section. For example, a business could voluntarily provide information on how a supplier could access supply chain finance.

Narrative description of the business' dispute resolution process

51. Businesses must describe how they deal with disputes about payments under qualifying contracts. This helps suppliers know who to contact and to understand the process they need to follow to resolve a dispute or concern.

52. This may be a detailed process, or simply an explanation that a complaint or concern will be considered by a particular department or job title, the usual timescale and next steps.

53. If a business has a dispute resolution process already published on their website, they could include a hyperlink here alongside a brief explanation of the process. If they do include a hyperlink, they should also include contact details for a department who can help in case of changes to the website or compatibility issues.

54. A business could also choose to include information about the correct place to address invoices to, and contact details for their accounts, finance or legal departments, as appropriate.

Statistics

55. For each of the statistics required in this section, the number entered into the online reporting service (see paragraphs 76-78) should be a whole number, without decimal places. Businesses should round up for figures over and including .5, and round down for figures below .5.

56. Numbers should be a percentage of the volume of invoices, rather than the value.

57. For the first two sets of statistics, which count the days taken to pay:

- day 1 is the day after the date on which the business receives an invoice or has notice by other means of the amount to pay, and
- the period ends when the supplier receives the payment, unless delayed by circumstances outside of the control of the business reporting – in which case it ends when the supplier would have received the payment if the delay had not occurred.

Example: Company A pays supplier B by bank transfer which usually takes three working days – but there is an electronic fault at the bank so the payment takes five working days, For the purposes of the reporting requirement, supplier B should have received the payment on the third working day, if not for circumstances outside of the control of Company A.

Where supply chain finance is used

58. There may be cases where supply chain finance is used, so that the supplier receives the payment from a finance provider or other third party rather than from the qualifying company or qualifying LLP itself. If the supplier receives the full amount due, without having to pay a fee or having any amount deducted from the payment, then the date on which the supplier received the payment can be reported as the date of payment. If the supplier does not receive the full amount or has to bear the cost of any fee for the supply chain finance, then the date on which the payment is made by the qualifying company or qualifying LLP (generally to the finance provider) is the date of payment.

Where an invoice is not present

59. There are some situations where a supplier does not send the customer an invoice for a payment under a qualifying contract. These include contracts where payment is triggered by the receipt of a time sheet setting out work carried out under an on-going contract for services. There are also examples of contracts where a customer triggers the payment process by notifying a supplier of its intention to make a payment under a contract.
In these circumstances, the time for payment should be counted with day 1 being the day after the date that the amount for payment is confirmed, whether by the customer or supplier.

The average time taken to make payments in the reporting period, from the date of receipt of invoice

60. This is the average (mean) number of days within which payments are made under qualifying contracts during the reporting period. To find the mean, add the number of

days it took to make all payments to be reported, and divide it by the number of those payments. All payments that are made under a qualifying contract, during the reporting period, should be included. Invoices that a business has received but has not yet paid should not be included in the figure.

Example: Company A made five payments in 10 days, made five payments in 20 days, and had five invoices outstanding at the end of the reporting period. The outstanding invoices are not included so Company A would report that the average time taken to make payments in the reporting period was 15 days, as calculated below.

Five invoices x 10 days = 50 days
Five payments x 20 days = 100 days
50 days + 100 days = 150 days (time taken to make all payments)
150 days divided by 10 qualifying payments = 15 days average

The percentage of payments made within the reporting period which were paid: in 30 days or fewer, between 31 and 60 days, and in 61 days or longer

61. A business needs to report on what proportion of the payments they made within the reporting period, under qualifying contracts, were paid:

    i. between day 1 and day 30 (including day 30)
    ii. between day 31 and day 60 (inclusive)
    iii. on or after day 61

62. All payments that are made under qualifying contracts during the reporting period must be included.

63. Any invoices that are received but not paid in the reporting period should be recorded in the reporting period in which they are paid. For example, if an invoice was received in the middle of the reporting period and was not paid before the end of the reporting period, it would not be included in the figures for that report. It would only be included if it had been paid.

64. The proportion paid in each time period should be worked out by calculating the number of payments made within each specified timeframe as a proportion of the total number of payments made in that reporting period. The percentage will only reflect the numbers of payments made, not the value of those payments. The three figures should add up to approximately 100%.[4]

    Example: Company A made ten payments in 20 days, six payments in 29 days, two payments on day 45 and made one payment on day 60 and one on day 70. There were several payments or invoices due which were not paid. Company A would therefore report that they paid 80% of payments in 30 days or less, 15% between 31 and 60 days, and 5% beyond 60 days. The outstanding payments would be recorded in the subsequent reporting period(s) in which they were made.

    10+6= 16 payments made in 30 days or less (80% of total 20 payments)
    2+1= 3 payments made between 31 and 60 days (15% of total 20 payments)
    1 payment made beyond 60 days (5% of total 20 payments)

[4] As the percentages will need to be rounded, there is a small tolerance either side of 100%.

The proportion of payments due within the reporting period which were not paid within the agreed period

65. This is the percentage of the payments contractually required to be made within the reporting period, which were not paid within the agreed payment period. The agreed payment period is the period within which the customer is required to pay the supplier. It is usually set out in the contract, but there may be instances where it depends on details in the invoice or other documents. It may be explicitly negotiated, or may form part of standard contract terms.

66. This covers every payment due to be made in the reporting period in question, which is not paid in the agreed period. This includes invoices or payments which are under dispute. If an invoice was already overdue at the beginning of the reporting period, it should not be included.

67. The length of the payment periods that were agreed – e.g. whether this was 10 or 120 days - is not recorded in this part of the reporting. The value of any payments is also not reflected in the calculation.

    Example: Company A has a standard contract which requires it to pay suppliers in 60 days. In a particular reporting period there are 15 payments which fall due under qualifying contracts, which were all made on Company A's standard terms (that is, day 60 for each of these payments falls within the reporting period). Company A paid the suppliers on day 65 in 5 cases, and on day 55 in 10 cases. Assuming there were no other payments due to other suppliers in the reporting period, Company A would therefore report that 33% of its invoices were not paid within agreed terms.

Statements (Yes/No)

Whether suppliers are offered e-invoicing

68. Businesses must state whether their payment practices and policies which apply to the reporting period, provide for invoices to be submitted and tracked electronically, such as with invoice document management systems software.

69. Invoice document management systems software allows documents to be electronically exchanged, and means a more streamlined process with less manual intervention. This can make the process of payment faster for the supplier.

Whether supply chain finance is available to suppliers

70. Businesses must state whether their payment practices and policies include an arrangement under which a supplier which has submitted an invoice can receive payment of the invoiced sum from a finance provider earlier than the agreed payment date, with the large business paying the invoiced sum to the finance provider.

71. Further information on how a supplier could apply for supply chain finance could be included in the standard payment terms narrative box, but this is not a requirement.

Whether 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

Whether the business' practices and policies cover deducting sums from payments as a charge for remaining on a supplier's list

72. Businesses must state whether their practices and policies cover deducting sums from payments under qualifying contracts, for suppliers to remain on a preferred supplier list.

73. As an example, Company A has a list of suppliers it uses regularly and to which it offers contracts first before looking elsewhere. To remain on this list, suppliers must agree that they will accept a reduced amount of money for an invoice or invoices.

Whether the business has deducted sums from payments as a charge for remaining on a supplier's list in the reporting period

74. Businesses must state whether they have deducted sums from payments for remaining on a preferred supplier list in the reporting period.

Whether the business is a member of a payment code, and the name of the code

75. A payment code is a voluntary initiative, where signatories agree to undertake certain behaviours as a mark of good practice. The Prompt Payment Code is an example of this – signatories undertake to pay the 95% of their invoices within 60 days, with the aspiration of moving to 30 days. The business reporting needs to confirm if it is a signatory of a payment code. If the business is a signatory, the name of the code should be reported.

Where does the information need to be reported?

The web service

76. The government will provide a web service for businesses to publish the information. This will be available from April 2017 and will be part of the www.gov.uk website.

77. Suppliers, and other interested parties, will be able to view the information as soon as a business publishes it.

78. Some businesses will need to start submitting information from October 2017. However, the website will contain more reporting information from mid-2018, when it is expected that the majority of businesses who meet the requirements will have begun reporting.

When does the information need to be reported and what period does it cover?

Reporting period

What is a reporting period?

79. Businesses in scope must prepare and publish information about the payment practices and policies which they have applied during a reporting period, and their payment performance in that reporting period.

80. In a financial year there are normally two reporting periods. The first is the six calendar months starting on the first day of the business' financial year. So if a financial year started on the 5th of a month, the last day of that reporting period would be the 4th of the month, six months later. The second reporting period starts on the day after the first period ends, and runs until the end of the financial year.

    Example 1: if a business' financial year starts on the 1st January, their first reporting period would begin on 1st January, and end on 30th June. Their second reporting period would start on 1st July and end on 31st December.

    Example 2: if a business' financial year starts on 20th March, their first reporting period would begin on 20th March, and end on the 19th September. Their second reporting period would start on 20th September and end on 19th March.

Reporting periods that start at the end of a month

81. The same approach is taken for financial years which start at the end of the month, unless this is impossible. For example, if a business's financial year starts on the 31st January, their first reporting period would begin on 31st January and end on 30 July. But if a business's financial year starts on the 31st or 30th August then the first reporting period will end on the 28th February (in a non-leap year) because there is no 30th or 29th February.

What if a business' financial year is shorter or longer than a calendar year?

82. Businesses' financial years generally last 12 months, or a few days more or less. However, businesses may occasionally extend or shorten the accounting period which determines the length of their financial year. This section covers situations where a business's financial year is particularly long or short.

83. If a business' financial year is nine months or shorter, they will need to report only once for that financial year.

84. If a business' financial year is longer than 15 months, they will need to report three times. Their first reporting period will cover the first six months. Their second report will cover months 7 to 12 of the financial year. Their third report will cover the remainder of that financial year.

What is the filing period/when must the reporting information be published?

85. The information required must be published within 30 days of the end of the reporting period. The first day of the filing period in which the information must be published, is the day after the last day of the reporting period to which the information relates. So the last day of a reporting period is day 0, and a business must publish its information on any of days 1-30.

    Example: if a reporting period ended on 30th June, the first day on which the information relating to that reporting period could be published would be 1st July and the last day to publish would be 30th July.

When does this duty first apply?

86. The legislation comes into effect on 6th April 2017 and will apply to qualifying companies and qualifying LLPs in financial years beginning on or after 6th April 2017.

When will businesses be required to publish their first report?

87. Businesses in scope of the requirement (see pages 4-9) will first be required to report for the financial year after the regulations come into force (that is, their financial year that starts on or after 6th April 2017). The first report will be due within 30 days after the end of the first reporting period for that financial year. Businesses with financial years that start in January would therefore be required to publish their first report in relation to the financial year from January 2018, with the first report due in July (or in some cases August) 2018. Those with financial years that start between the 1st and 5th April would be required to publish their first report for the financial year beginning in April 2018, with the first report due in October/early November 2018.

88. Table 2 sets out first reports for those businesses with financial years starting before 6th April and those on or after 6th April.

Table 2: First year reports

Financial Year beginning	What is the first reporting period?	When must the first report be published on the web service?
1st January	1st January 2018 to 30th June 2018	On or before 30th July 2018
1st April	1st April 2018 to 30th September 2018	On or before 30th October 2018
5th April	5th April 2018 to 4th October 2018	On or before 3rd November 2018
6th April	6th April to 5th October 2017	On or before 4th November 2017
After 6th April	First six months of the business's 2017-18 financial year	Within 30 days starting on the day after the end of the business's first reporting period.

Frequently Asked Questions

What if there is an understanding with a supplier that payment time may vary depending on the timing of the monthly payment cycle?

89. Businesses may have set days on which they make payments to suppliers. This may form part of their contractual agreements with suppliers or it may not.

90. If it is contractually agreed that payment will be on a certain day in the month subject to specified conditions, then this would form part of the agreed terms.

    Example: Company A has contractually agreed terms to pay Supplier C on the 15th of the month. It is also agreed that invoices must be received by the 1st of the month in order to ensure payment in that month. Otherwise payment will be on the 15th of the following month.

91. If there is an arrangement or policy which is not contractually agreed then this would not affect the agreed payment period.

    Example: Company B has standard payment terms that state it will pay suppliers within 30 days of receiving an invoice. However it only pays on the 25th of the month, and invoices have to be received by the 5th of the month to be paid that month – but these arrangements do not form part of the agreement with suppliers. Company B receives an invoice from Supplier C on the 8th of the month, and therefore pays the invoice on the 25th of the following month, 48 days after receiving the invoice. Company B would therefore have to include this invoice in its calculation of the percentage of invoices not paid within the agreed period (because it was paid 18 days after the end of the contractual period).

What happens if I need to dispute or query an invoice or payment?

92. Every effort should be made to resolve all payment related disputes and queries quickly. If a business disputes, or has a query or concern about, an invoice from one of its suppliers, they should immediately contact the supplier.

93. Businesses will need to include disputed invoices which fall due in the reporting period, in their statistics that record the proportion of invoices which were not paid within agreed terms, and any disputed invoices that are paid will be included in the statistics on the average time taken to pay.

What if there is no written contract?

94. A contract does not have to be written, although it is advisable to detail important terms in writing to avoid disputes later on. A contract can be written, verbal or partly written and partly verbal. A contract may be defined as an agreement between two or more parties that is intended to be legally binding. When a business buys goods or services from another business, both parties generally enter into (or act under) a contract.

How does the reporting requirement apply to LLPs?

95. The reporting requirement applies to LLPs in broadly the same way it applies to companies. The Companies Act applies to LLPs, with some modifications to reflect the different structures, under regulations referred to in this guidance as the "2008 Regulations"[5]. LLPs are in scope of the reporting requirement for a financial year if they exceeded two or all of the thresholds for qualifying as a medium-sized LLP, under the Companies Act (section 465(3)) as applied by the 2008 Regulations, at their last balance sheet date and the balance sheet date before that. That means that LLPs will have to report for a financial year, if they exceeded at least two of the thresholds in both of the previous two financial years.

96. No LLP is required to report in its first financial year. An LLP will be in scope of the duty in its second financial year, if in its first financial year it exceeded two or all of the thresholds described above.

97. LLPs should refer to the section on 'Who needs to report?' (pages 4-9) when considering whether they are in scope of the reporting requirement.

[5] The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Glossary

Business

For ease of reference, companies and LLPs are referred to as businesses throughout this document.

Company

In the context of the reporting requirement, ‘company’ means a company formed and registered under the Companies Act 2006 or previous legislation.

Designated Member

A designated member is a member of an LLP who is specified as a designated member in the incorporation document or otherwise in accordance with an agreement with the other members, as required under the Limited Liability Partnerships Act 2000. Designated members perform certain duties in relation to the legal administration of an LLP that would, for a company, be performed by the secretary or directors.

Director

For the purposes of this requirement, a director is a person occupying the statutory office of company director, who has legal duties in relation to the company and can sit on the Board. It does not matter what the person’s title is, but whether they occupy this position. The same definition is used for the reporting requirement as under the Companies Act 2006 (section 250), which applies for Companies House purposes.

Limited Liability Partnership

In the context of the reporting requirement, ‘LLP’ means a limited liability partnership registered under the Limited Liability Partnerships Act 2000.

Parent Company or Parent LLP

Any company or LLP which has one or more subsidiaries is a parent company or LLP.

Subsidiaries

A subsidiary is an undertaking (which could be a body corporate such as a company or LLP, a partnership or an unincorporated association carrying on a trade or business) controlled by a company or LLP (a parent). This can be where the parent:

i. holds a majority of the voting rights in the subsidiary,
ii. is a member of the subsidiary and has the right to appoint or remove a majority of its board,
iii. is a member and controls alone, under an agreement with other members, a majority of the voting rights,
iv. has the right to exercise a dominant influence over the subsidiary due to provisions in the subsidiary’s articles or a control contract, or
v. has the power to exercise or actually exercised, dominant influence or control over the subsidiary, or both the parent and subsidiary are managed on a unified basis.

See the Companies Act section 1162 and Schedule 7 for full details.

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