

Government crack-down on late payments

The government has unveiled new measures to support small businesses and the self-employed by tackling the scourge of late payments which, according to FSB research, leads to 50,000 business closures a year.

The government will consult on tough new laws which will hold larger firms to account and get cash flowing back into businesses – helping deliver their mission to grow the economy.

In addition, new legislation being brought in the coming weeks will require all large businesses to include payment reporting in their annual reports – putting the onus on them to provide clarity in their annual reports about how they treat small firms. This will mean company boards and international investors will be able to see how firms are operating.

Enforcement will also be stepped up on the existing late payment performance reporting regulations which require large companies to report their payment performance twice yearly on GOV.UK.

Under current laws, responsible directors at non-compliant companies who don't report their payment practices could face criminal prosecutions including potentially unlimited fines and criminal records.

The consultation which will be launched in the coming months, will also consider a range of further policy measures that could help address poor payment practices.

Late payments are just one element of the problem, with some SMEs forced to wait months for contracts to be fulfilled and some are even forced to take out loans against their own homes to manage cash flow.



Cracking down on late payments will unlock growth for 5.5 million small firms by enabling them to invest their time hiring more employees, boosting wages, and exporting around the world, rather than chasing down late payments.

Whilst the government tries to address this problem, we would recommend a proactive approach if late payments are affecting your business. It is very easy to get caught up in the day to day running of the business, but it is vital to set up a robust invoicing and credit control system. If you need any help or advice on this subject, please contact your accountant who would be happy to help.

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