

Late EU Payment Regulations

New Measures regulating late payments

End of March 2024, the EU Committee on Internal Market and Consumer Protection issued its proposal for new rules on supplier payment terms in B2B transactions.

The proposal aims to enhance payment punctuality across the board, encompassing large enterprises, SMEs, and public entities, thereby fostering competitiveness, particularly for SMEs. It hopes to accomplish this through measures designed to address ambiguities in the current Late Payment Directive which was introduced in February 2011.

The draft legislation establishes a more stringent maximum payment period of 30 days for business-to-business (B2B) transactions with the objective of standardizing prompt payments among enterprises. However, MEPs seek to grant companies flexibility to negotiate payment terms of up to 60 calendar days in B2B transactions, provided such terms are expressly agreed upon in the contract.

Further acknowledging that certain business models and practices in the retail sector often necessitate longer payment periods due to factors such as low product turnover, seasonality, or unique item cycles (e.g., toys, jewelry, sporting equipment, or books), MEPs propose allowing payment terms of up to 120 days in these scenarios. To ensure uniformity in payment practices across the single market, the Commission is anticipated to issue guidelines on the application of these rules to the specified product categories.

To safeguard companies, particularly SMEs, from delinquent payers and ensure timely payment receipt to prevent disruptions in cash flow, the proposal institutes automatic payment of accrued interest and compensation fees for late payments. MEPs have concurred that debtors would be liable to pay between 50 and 150 euros for each transaction to offset the creditor's own recovery costs.

Next Steps

The draft report will proceed to a vote at the plenary session scheduled for April 22-25, forming Parliament's stance at the initial reading. Subsequently, the file will be overseen by the new Parliament following the European elections on June 6-9.

How can Calculum help

Companies navigate and be aligned with the regulations

In order to navigate through these new EU regulations and apply the right payment terms, buying organizations and procurement teams need the following:

- ✓ **Ongoing updated data on the specific regulations regarding payment terms limitations per country, industry, and category.**
- ✓ **Insights on the characteristics of each supplier such as company size, and industry to apply the required regulations if required.**

Calculum's Ada Platform provides updated regulations for each country including information if the limitations are indicative or enforceable.

In addition, all required details on each suppliers are provided allowing the procurement team to understand which vendors payment terms are affected and the impact on the buyer's working capital.

