

Overview of Late Payment of Commercial Transactions Regulations 2012

Late Payments of Commercial Transactions FAQ's	Late Payment Interest Legislative Entitlements and related mitigation and enforcement tips								
What is the current late payment interest rate?	<p>With effect from 1 January 2021, the late payment interest rate is 8.00% per annum (that is based on the ECB rate as at 1 January 2021 of 0.00% plus the margin of 8%). This rate equates to a daily rate of 0.022%. (exact rate 0.02192% per day) Penalty interest due for late payments should be calculated on a daily basis.</p> <p>Unless otherwise specified in an agreed contract the invoice due date is 30 days after the invoice date and the penalty rate is the European Central Bank main refinancing rate plus 8 percentage points.</p> <p>The ECB rates in force on 1 January and 1 July apply for the following six months in each year. Only one ECB rate will apply to a late payment – that is the ECB rate in force on the payment date.</p> <p>The ECB rate can be checked on the Central Bank the Financial Services Authority of Ireland website.</p>								
How do I calculate Late Payment Interest?	<p>To calculate the interest due on a late payment, the amount of the debt should be multiplied by the number of days for which the payment is late (if payment terms are not agreed with the customer then payment is due 30 days from the invoice date), multiplied by daily late payment interest rate in operation on the date the payment became overdue.</p> <p>For example: Amount of debt: €1000, Number of days payment is late: 25 days, Late Payment Interest rate in operation on the date the payment became overdue: 8.00% per annum, Daily interest rate in operation on payment date: 0.022% (exact rate 0.02192% per day)</p> <p>Calculation as follows: Invoice Value Including VAT: € 1000.00 x Days payment overdue: 25 x Daily Late Payment Interest Rate: 0.0002192 or 0.02192% = Late Payment Interest due: €5.48</p>								
What is a “Commercial Transaction” in terms of Late Payment Regulations?	<p>As defined in the Regulations, a “commercial transaction” means a transaction between businesses, or between any business and a public authority, which involves the delivery of goods, or the provision of services, for payment” this relates to all business forms i.e. Limited Companies, Partnerships, Sole Traders Etc. Invoices for delivery of goods, or the provision of services to consumers is not considered as commercial transaction therefore late payment interest cannot be applied to consumer transactions under the Late Payment of Commercial Transactions Regulations 2012 and associated Legislation.</p>								
Who do the Late Payment Regulations apply to?	<p>The European Communities (Late Payment in Commercial Transactions) Regulations 2012 apply to “commercial transactions” in both the public and private sectors. They do not apply to: Contracts made before 16th March 2013. Transactions with consumers. Debts that are subject to other laws, e.g. insolvency proceedings.</p>								
What is the relationship between late payment interest and compensation for recovery costs?	<p>Where late payment interest falls due, in addition to the amount of late payment interest, the supplier is also legally entitled to receive compensation for recovery costs as outlined in the schedule below.</p> <p>The supplier is automatically entitled to compensation costs without the necessity of a reminder and, therefore, is not required to give evidence of having incurred recovery costs.</p>								
How much compensation am I entitled to under Late Payment Regulations?	<p>Compensation for recovery costs should be paid automatically to the supplier without the necessity of a reminder. The Regulations provide that the following “Flat Rates” should be used:</p> <table border="1" data-bbox="576 1016 1536 1144"> <thead> <tr> <th>Schedule of Compensation Costs:</th> <th>Compensation Amount per invoice</th> </tr> </thead> <tbody> <tr> <td>Amount of Late Payment (i.e. Invoice Value) Not exceeding €1000</td> <td>€40</td> </tr> <tr> <td>Exceeding €1000 but not exceeding €10,000</td> <td>€70</td> </tr> <tr> <td>Exceeding €10,000</td> <td>€100</td> </tr> </tbody> </table>	Schedule of Compensation Costs:	Compensation Amount per invoice	Amount of Late Payment (i.e. Invoice Value) Not exceeding €1000	€40	Exceeding €1000 but not exceeding €10,000	€70	Exceeding €10,000	€100
Schedule of Compensation Costs:	Compensation Amount per invoice								
Amount of Late Payment (i.e. Invoice Value) Not exceeding €1000	€40								
Exceeding €1000 but not exceeding €10,000	€70								
Exceeding €10,000	€100								
Late Payment FAQ: What is the position regarding contracts made before 16th March, 2013?	<p>In respect of contracts made before 16th March, 2013, the European Communities (Late Payment in Commercial Transactions) Regulations 2002 apply. However, in cases where a contract made before 16th March 2013 is being renewed, the 2012 Regulations apply.</p>								
Do I have to notify a customer of my intention to charge late payment interest and compensation for recovery costs if payment is late?	<p>It is not necessary for a customer to have been notified in advance of the suppliers decision to invoke their entitlement to charge and recover late payment interest and compensation costs and you do not have to refer to it in your contract.</p>								
Do I issue an invoice for late payment interest and compensation?	<p>You should not issue an invoice for the interest and compensation. Instead you should write to your purchaser informing them that as payment is late, you are now seeking payment for late payment interest and compensation costs in line with the EU Late Payment in Commercial Transactions Regulations 2012.</p> <p>If your customer ignores your request for late payment interest and compensation, then you need to make a decision about referring the overdue invoice for Debt Collection, it is beneficial to communicate to your customer that interest is continue to accrue, it is beneficial to calculate the late payment interest accrued to date the daily value that will be due for each additional day that the invoice remains unpaid, this may assist is obtaining payment at an earlier date.</p>								
Late Payment FAQ: A customer is refusing to pay, what should I do?	<p>If a customer refuses to pay you, it is important that you establish the reason why. It could be that the customer is refusing to pay due to a disputed invoice. In which case, the onus is on you to resolve the dispute.</p> <p>Late Payment Interest cannot be recovered for the period that any invoice is disputed. N.</p> <p>B. Your terms of business and the footnote of your delivery documents and invoices should contain a condition that the customer must notify your business of any dispute they have against invoices issued for payment within a reasonable duration (one week or 5 working days would be considered a reasonable amount of time) it should also be stated in your business terms and conditions and invoices etc. that disputes registered after the permitted one week will not be accepted and that the customer forfeits the right to dispute the invoice if they fail to register their disputed within the required duration.</p>								
How do I control my costs for obtaining payment of overdue invoices	<p>Referring the collection of overdue invoices to a Debt Collection Professional is the most cost affective method of managing the recovery of invoices overdue for payment by more than 60 days and employing this overdue management strategy also ensures that your valuable Credit Control Resources are not overstretched and that they remain focussed on obtaining on time payment from customers to maintain positive and ongoing business relationships with your valued customers.</p>								