

BCA

Business Council of Australia

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Australian supplier payment code

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In partnership with



Australia needs competitive businesses with healthy cash flows to grow our economy and future prosperity.

For small businesses particularly, prompt and on-time payment is crucial. A reliable cash flow and working capital enhances a business's ability to grow, create jobs and plan for the future. The stress and uncertainty of lengthy or late payments can take a direct personal toll on employees, direct owners and shareholders.

No business exists in isolation. We believe everyone – including larger purchasing businesses, governments and the communities in which employees and business owners live – benefits when we have a viable and productive small business supplier base.

The *Australian supplier payment code* is a voluntary, industry-led initiative to enshrine the importance of prompt and on-time payment for suppliers through a set of best practice standards.

The performance of the Code will be subject to regular independent review.

THE CODE

Signatories to the Code commit to the following payment policies and practices:

PROMPT AND ON-TIME PAYMENT

- 1.** Pay eligible Australian small business suppliers within **30 days** of receipt of a correct invoice or receipt of a correct product from the supplier (whichever is the later), or on mutually agreed terms, or on terms that are consistent with a standard industry practice.¹ (*Signatories can choose to pay within shorter timeframes.*)
- 2.** Pay suppliers on-time, following receipt of a correct invoice and receipt of a correct product.

WORKING WITH SUPPLIERS

- 3.** Provide clear guidance to suppliers about the signatory's payment procedures.
- 4.** Work with supplier businesses, where practicable, to apply technologies and practices that will improve the efficiency and accuracy of invoicing and payment processes (*eg online portals, electronic invoicing, Electronic Funds Transfer, payment cards, etc.*)

COMPLIANCE

- 5.** Put in place clear, fair and efficient processes for dealing with complaints and disputes about payment times and practices (*eg create a point of contact, issue clear procedural guidelines, set timeframes for the investigation and response, report on actions taken.*)
- 6.** Publish a set of policies and practices that give effect to the signatory's commitments under the Code on the signatory's website.

ELIGIBILITY

Any business or government entity operating in Australia can be a signatory to the Code.

The definition of a small business is to be determined by the signatory. Signatories can adopt the following criteria:

- an Australian business with annual turnover up to \$10 million (exceptions may be applied for supplier businesses that are part of a consolidated group of companies); OR
- an Australian business that supplies goods and services to the signatory up to a maximum annual level of expenditure. The maximum annual level of expenditure is to be set by the signatory and must be published.

(Exceptions may be applied for supplier businesses with annual turnover greater than \$10 million or supplier businesses that are part of a consolidated group of companies.)

The definition of a small business adopted by the signatory must be consistently applied to all small business suppliers.

A signatory commits to apply the Code to its small business suppliers where it is able to verify their eligibility.

Companies will use best endeavours to ensure all eligible suppliers are paid in accordance with the Code.

PUBLICATION OF THE CODE AND SIGNATORIES

The *Australian supplier payment code*, a list of current signatories and additional guidance materials are available at: www.supplierpaymentcode.org.au

Signatories will publish their payment policies and practices in plain English and enforce their own compliance with the obligations in the Code. Any additional reporting on payment time performance is optional.

Signatories will have 6 months from date of signing to work towards full compliance with the Code. Longer implementation periods may be permitted if a signatory can demonstrate exceptional circumstances due to the complexity and size of their supply chain or payment systems.

- 1 The 'mutually agreed terms' and 'standard industry practice' exemptions should only apply in exceptional circumstances.

'Mutually agreed terms' reflect an arrangement where both parties agree it is in their mutual interest to apply payment terms longer than 30 days. Mutually agreed terms should be consistent with the Australian Small Business and Family Enterprise

Ombudsman's position that "longer terms could be agreed providing not grossly unfair to one party".

The application of exemptions for 'mutually agreed terms' or a 'standard industry practice' is subject to a 'good faith and fair dealings' requirement to ensure that suppliers are afforded both fairness of process (good faith) and fairness in outcomes (fair dealings). The Food and Grocery Code, currently before government, is expected to provide a detailed framework for applying the good faith and fair dealings provision.

Once finalised, it is anticipated that this framework will be incorporated in this Code.

To recognise standard industry practice in the construction sector, if the payment relates to construction work or related goods and services, the relevant payment period is 45 days of receipt of a correct invoice.