

## Implementation of Penalty Interest on Late Payment of Accounts

This Circular advises agencies that the starting date for imposing penalty interest on late payments to small business suppliers is 1 January 2012. The Circular applies to an 'authority' subject to the *Public Finance and Audit Regulation 2010* (the Regulation) and all accounting officers and officers of an authority. It is issued as a Treasurer's Direction under section 9 of the *Public Finance and Audit Act 1983* and sub-clauses 13(4) and 13(5) of the Regulation.

### Summary:

This Circular is issued in conjunction with the new policy on payment of accounts (refer NSWTC 11/12).

Following a review by the responsible Ministers of the implementation to date of the new policy for payments to small business suppliers for goods and services, this Circular advises agencies that the starting date for automatic imposition of penalty interest on late payments to small business suppliers is 1 January 2012.

Agencies must provide potential suppliers with the opportunity to identify themselves as a small business on invoicing.

### *Requirement to pay interest to small business suppliers*

- Where an account is received on or after 1 January 2012 and where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract (i.e. pre 14 July 2011, the effective date of NSWTC 11/12) specifies otherwise.
- Simple interest on the unpaid amount must be calculated from the day after payment was due up to and including the day that payment is made, where interest exceeds A\$20.
- The interest rate is determined under section 22 of the *Taxation Administration Act 1996*, unless a higher interest rate is payable under the contract in respect of the default in payment. The appropriate interest rate is available from the NSW Office of State Revenue website at <http://www.osr.nsw.gov.au/taxes/other/taa/rates/>.

This Circular is issued as a Treasurer's Direction under section 9 of the *Public Finance and Audit Act 1983* and as required under sub-clauses 13(4) and (5) of the Regulation.

The Circular applies to an 'authority' subject to the Regulation (which includes departments and statutory authorities, other than statutory State Owned Corporations) and all accounting officers and officers of an authority. Notwithstanding this, statutory State Owned Corporations are encouraged to apply this policy.

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for Secretary

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