SAP Taulia

How the world's largest economies are protecting small businesses

For SMEs, late payments can have a significant impact on cash flow and business growth. In response, governments worldwide have implemented legislation to cap payment terms. **Here's what procurement teams need to know about that legislation to maintain strong supplier relationships and optimize payment processes.**

Trends in payment terms regulation

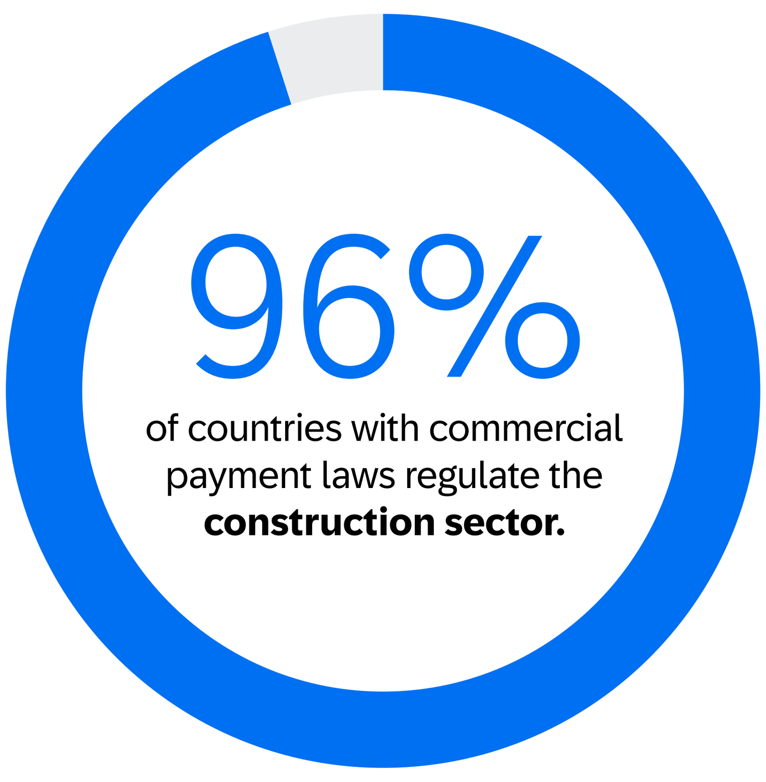
OECD countries have largely adopted payment term regulations, with exceptions like Mexico, Switzerland, and New Zealand—though reform is underway in these nations.

At least seven countries (including Kenya, Uzbekistan, Peru, and Australia) are currently in the process of proposing, drafting or implementing new payment terms law.

The EU Late Payment Directive (2011) set a 60-day maximum term for commercial contracts, though some EU nations have adopted stricter 30-day limits for SMEs.

SMEs constitute 99% of all businesses in the EU, contributing significantly to GDP. But they often struggle with cash flow due to long payment terms.

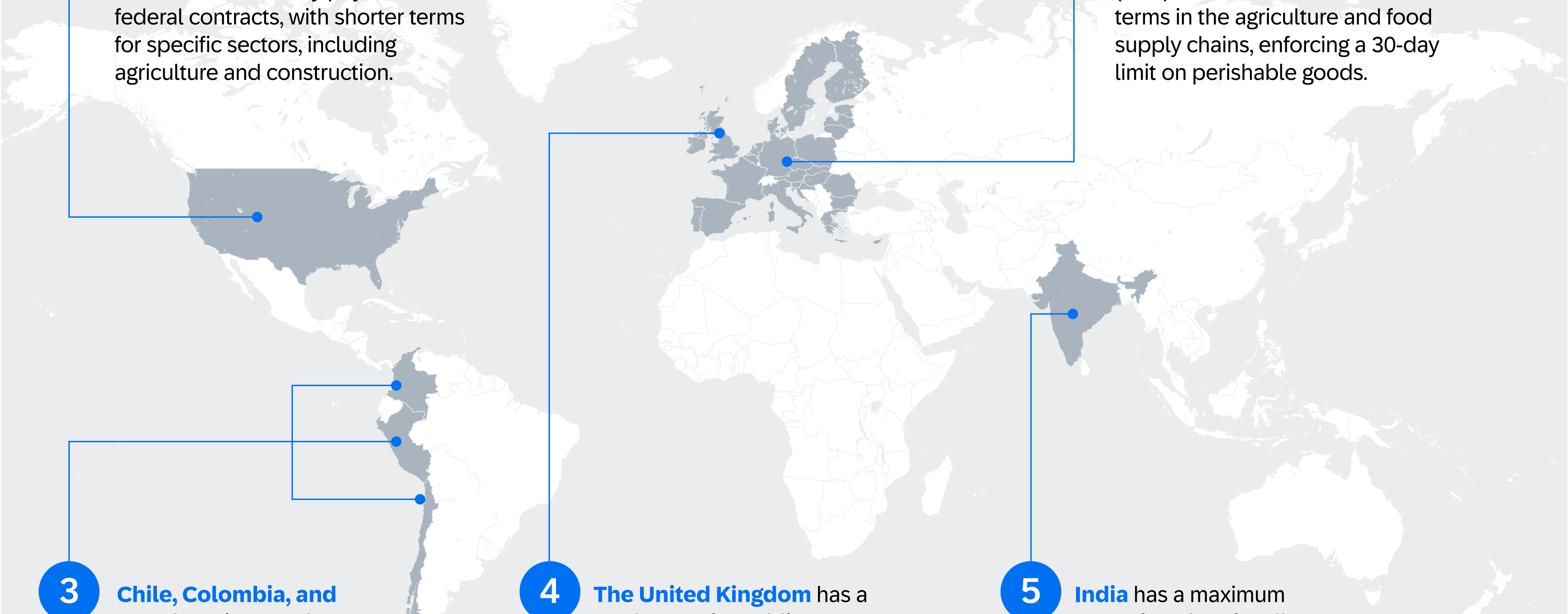
Key regional and sector policies



Five country-specific policies

1 **The United States'** Prompt Payment Act mandates 30-day payment for federal contracts, with shorter terms for specific sectors, including agriculture and construction.

2 **The EU's** Unfair Trading Practices (UTP) Directive further restricts terms in the agriculture and food supply chains, enforcing a 30-day limit on perishable goods.



3 **Chile, Colombia, and Peru** have imposed 30 to 45-day payment limits.

4 **The United Kingdom** has a 30-day cap for public contracts and 60-day cap for commercial deals, with reporting requirements on payment practices.

5 **India** has a maximum term of 45 days for all contracts with SMEs.

The need for alternative finance

SMEs are benefiting as governments tighten payment term regulations. But in reality, many still face cash flow challenges and struggle to access traditional sources of funding.

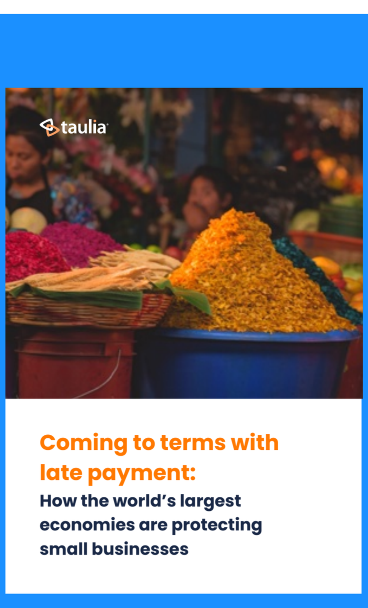
That's why alternative finance represents an attractive option. For instance, solutions like Supply Chain Finance and Dynamic Discounting can help improve cash availability through the supply chain, and they're some of the most sustainable forms of alternative finance available.

Do it with Taulia

Part of the SAP suite of enterprise solutions for Treasury and Finance, Taulia Payables enables procurement teams to maintain strong business partnerships and ensure supplier-friendly payment policies.

Ready to see how we can help support your WCM efforts?

Contact us today



Want to learn more about late payment regulations?

Read the full whitepaper