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Faster Payment Terms Policy

The NSW Government has committed that registered small businesses that supply to in-scope government departments will be paid within five business days of central payment departments receiving a correctly rendered invoice for goods or services up the value of \$1 million. Payments up to \$10,000 can be paid instantly by PCard.

This policy specifies the Government's payment of accounts policy effective from 1 December 2018 for agencies to pay registered small business suppliers for goods and services within five

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days, unless an alternative period is provided. The main changes compared to the previous¹ payment of accounts policy are:

- If after 1 December 2018, payments must be made within *20 calendar* days of receipt of a correctly rendered invoice, unless an existing contract or standing offer provides for an alternative time period.
- If after 31 December 2019, payments must be made within *5 business* days of receipt of a correctly rendered invoice, unless an existing contract or standing offer provides for an alternative time period.
- Interest payments are no longer applicable for late payments, but are at the discretion of agencies to pay.
- To maintain the requirements for agencies to provide quarterly data to allow payment performance reporting.

Cash flow has always been a major issue for small businesses. A third of small businesses say late payments have affected their personal finances and their ability to cover basic expenses like rent, wages and utilities.

The policy applies to an 'authority', 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.

NSW Government agency obligations

In-scope² agencies will be required to:

1. pay at least 80% of eligible supplier invoices from registered small businesses within five business days of receipt of a correctly rendered invoice
2. provide the data required for reporting

As part of this Policy, agencies must ensure small business suppliers are aware that:

- purchases or invoices valued up to \$10,000 being paid by purchasing card (P-Card) or equivalent (agencies should already be using PCards for all procurement related expenditure of \$5,000 or less unless there is a more cost-effective electronic alternative -see Treasury Circular 2015-02)
- for purchases or invoices valued over \$10,000 and under \$1 million being paid through correctly rendered invoices, with the intent for agencies to gradually move to electronic invoicing.

Agencies may continue to pay interest on late accounts, if included in the agency's supplier payment policy.

The Faster Payment Terms Policy should be integrated with agencies' broader supplier payment policies. The NSW Small Business Commissioner is authorised to exclude categories of government expenditure and some areas of government from this Policy for reporting purposes (these exemptions are published on the NSW Small Business Commissioner's website).

Information for suppliers

This Policy has been introduced to assist small businesses. It contains ambitious targets, well ahead of contemporary business-to-business practices in Australia. Eligible small businesses can benefit from this Policy by adopting electronic invoicing practices, including EFTPOS facilities (see the NSW Small Business Commissioner's website for more information).

It is not compulsory for small businesses to register under this Policy, and agencies are not required to pay all small business within the Policy timeframes if the business does not comply with the agency's invoicing requirements. Small businesses which elect not to register, or continue to submit paper-based invoices, will be processed in accordance with an agency's general supplier payment policy.

Suppliers can register through the registration page on the buy.nsw supplier portal, replacing the multiple cluster-specific registration processes. If a small business registers under this Policy, it may take up to six weeks to advise all agencies in order to benefit from registration. (see the NSW Small Business Commissioner's website for more information).

Promoting and Reporting this Policy

The NSW Small Business Commissioner will publish online information about this Policy for small business. Agencies should inform their small business suppliers about this information and adopt policies and procedures consistent with the published information. Agencies should also ensure that staff are informed about this Policy and how it will assist small business suppliers.



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Faster Payments Guide



performance reporting.

Definitions

Under this policy:

1. an 'agency' is a Department or Executive Agency listed under Schedule 1 of the Government Employment Sector Act 2013
2. an 'eligible supplier invoice' is an invoice submitted to an agency, unless it is an invoice relating to an excluded category of expenditure or agency (see the NSW Small Business Commissioner's website for further information)
3. a 'registered small business' is a business that the NSW Small Business Commissioner (or delegate) recognises as a small business. A small business is a business with 20 or less FTEs including sole traders and start-ups.
4. a 'correctly rendered invoice' is an invoice which meets an agency's requirements – each agency must advise its suppliers of its requirements directly or by publishing information on its website. Correctly rendered invoices claimed on any day that is not a business day or after 4:00pm on a business day are to be treated as being received on the next business day for the purpose of calculating payment time period.

5. the definition of 'calendar day' and 'business day' excludes public holidays and the NSW Government Christmas/New Year close-down period.
6. to calculate the 'payment time period':
 1. the payment period only commences on the business day that a correctly rendered invoice is received by the area(s) in an agency authorised to accept the invoice; and
 2. the payment process concludes on the business day that the agency instructs a financial institution to make payment to the supplier.

Issuing Entity – NSW Small Business Commissioner, as endorsed by Cabinet on 24 May 2018.

Publishing Entity – the NSW Small Business Commissioner

Replaced by – This document is not replaced by any later document.


Replaces – [TC11/12 Payment of Accounts](#)


Compliance with this document is mandatory

¹ The *Faster Payment Terms Policy* replaces the NSW Government's *30 Days to Pay Policy* published in NSW Treasury Circular 11/12 Payment of Accounts from 1 December 2018.

² See www.smallbusiness.nsw.gov.au

Core information

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