

**Late payment**

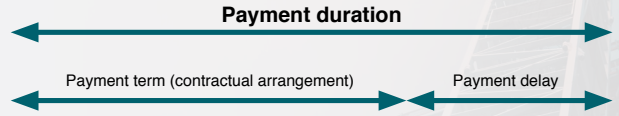
is a payment not made within the contractual or statutory term of payment. A payment delay is thus the period starting after the due date granted in the contract (payment terms), until the payment is received.

**Unfair long payment terms**

are defined as any contractual payment terms exceeding 30 days and 60 days in PA2B and B2B transactions respectively but paid by the due date in the contract. Although formally negotiated and included in the contract, in practices these terms can be unduly long, and are symptoms of unfair business practices, and can jeopardize the financial management of businesses.

**Payment duration**

The payment duration is defined as the sum of the payment term (what is agreed by the parties in the contract) and the payment delay (the period starting after the due date according to the contract until the payment is received).



**State of play and impact of late payment**

<p>The construction sector is amongst those experiencing the longest payment durations, reaching <b>72 days in 2016</b></p>	<p><b>Directive 2011/7/ EU</b> introduced a maximum payment duration</p>	<p>Transactions between enterprises have a maximum payment duration of <b>60 days</b></p>	<p>Public Authorities &amp; companies have a maximum standard payment duration of <b>30 days</b></p>
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**On average across all sectors, the payment duration has decreased over the last few years in the EU**

The overall EU payment duration fell from **56 days in 2011** to **34 days in 2018**

<p>In the EU-28 <b>47%</b> of all SMEs reported problems linked to late payments in 2018</p>	<p><b>15%</b> reported that they experienced late payment issues regularly</p> <p><b>32%</b> reported that they experienced problems with late payments occasionally</p>	<p><b>63%</b> of the EU construction companies report that they have been asked to accept longer payment terms than the ones they would have felt comfortable with</p>	<p><b>58%</b> of the construction companies acknowledged to have accepted longer payment terms than the ones they would have felt more comfortable with</p>
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**FRANCE**  
 In 2018, **43.3%** of the companies paid their invoices on time, close to the **EU average of 42.8%**.

**IRELAND**  
 In 2018, **47.8%** of the companies paid their invoices on time compared to the **EU average of 42.8%**.

**ITALY**  
 In 2018, **35.5%** of the companies paid their invoices on time compared to the **EU average of 42.8%**.

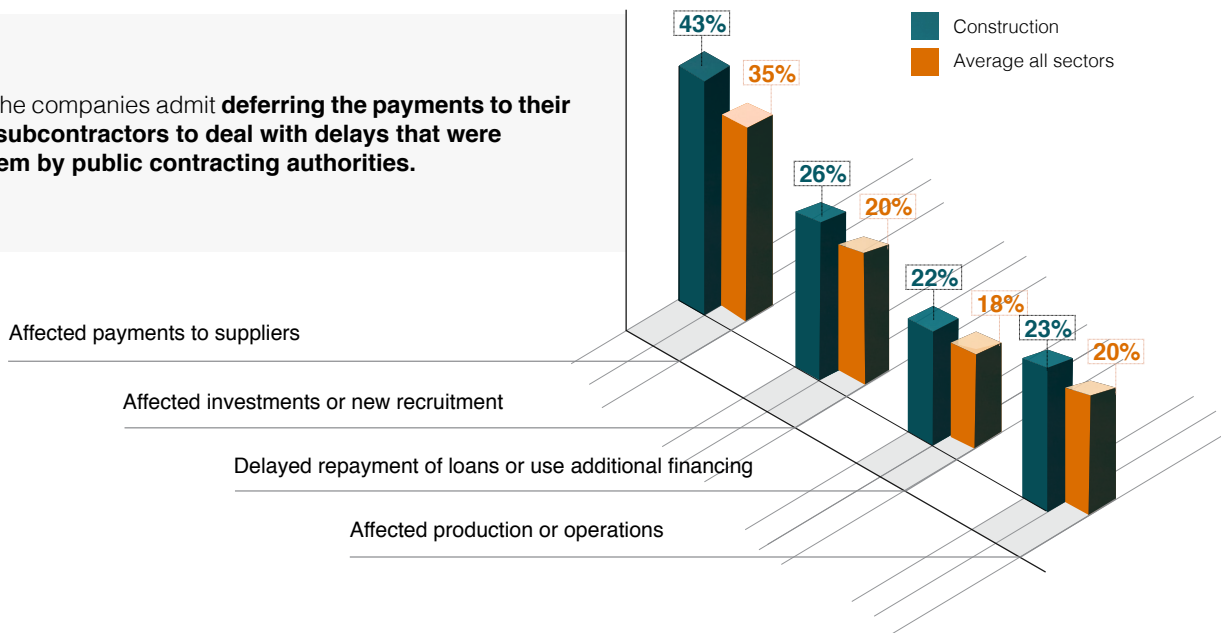
**SPAIN**  
 In 2018, **47.5%** of the companies paid their invoices on time, performing better than **EU average of 42.8%**.

**UNITED KINGDOM**  
 In 2018, **34.7%** of the companies paid their invoices on time compared to the **EU average of 42.8%**.

# Major consequences of late payments

Consequences of the late payments in the Construction sector in 2018

In Italy, **58%** of the companies admit **deferring the payments to their suppliers and subcontractors to deal with delays that were imposed on them by public contracting authorities.**



## Causes of late payment

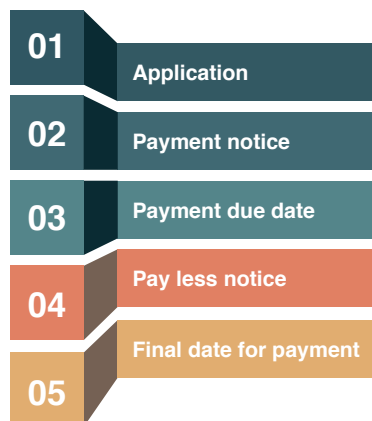
### 01 Disputes

Construction companies are prone to frequent disputes over the quality of the goods and services.

Between 2011 and 2018, Europe experienced a continuous increase in the average value and duration of disputes' resolution in the construction sector.

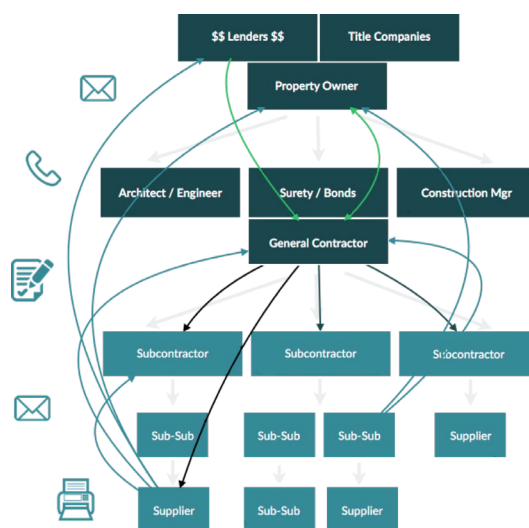
These amounted to €37 million and 20 months in 2018 respectively, in comparison to €31.7 million and 11.7 months in 2011.

### 02 Payment process



Some clauses such as the "pay-when-paid" and/or "pay-if-paid" contribute to increasing the risk of late payment for construction subcontractors.

### 03 Construction supply chain



## Policy initiative

### Policies and instruments tackling late payments in the construction sector in the EU

	Hard regulations				Soft regulations	
	Stricter regulations	Transparency of payment practice	Invoice management practice	Dispute resolution system & sanctions	Awareness raising activities	Codes of good practices
Spain					✓	
France		✓	✓	✓	✓	
Ireland	✓			✓		
Italy						✓
United Kingdom	✓	✓	✓	✓	✓	✓

### Policies and instruments tackling late payments in the construction sector

