Draft Regulations laid before Parliament under section 473(3) and 1290 of the Companies Act 2006, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2025 No. 0000

COMPANIES

The Companies (Directors' Report) (Payment Reporting) Regulations 2025

Made - - - -	***
Coming into force - -	*1st January 2026*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 416(4) and 1292(1) of the Companies Act 2006(**a**).

In accordance with sections 473(3) and 1290 of the Companies Act 2006, a draft of this instrument has been laid before Parliament and approved by a resolution of each House of Parliament.

Citation, commencement, extent and application

1.—(1) These Regulations may be cited as the Companies (Directors' Report) (Payment Reporting) Regulations 2025.

(2) These Regulations come into force on 1st January 2026.

(3) These Regulations extend to England and Wales, Northern Ireland and Scotland.

(4) These Regulations have effect in respect of a company's financial year beginning on or after 1st January 2026.

Amendment to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

2. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(**b**) are amended in accordance with regulations 3 to 5.

Amendment of regulation 10 (directors' report)

3. In regulation 10(2)—

(a) after "unquoted companies," omit "and",

(b) at the end of the entry relating to Part 8, omit the full stop and insert—

(**a**) 2006 c. 46.
(**b**) S.I. 2008/410, relevant amending instruments are S.I. 2013/1970, 2016/575, 2018/860, 2018/1155, 2019/145, 2019/217 and 2024/1303.

", and

Part 9 relates to a company's payment practices and performance in respect of payments made by the company to its suppliers.".

Amendment of regulation 14 (review)

4.—(1) Regulation 14 is amended as follows.

(2) In paragraph (1)—

(a) at the end of sub-paragraph (a)(ii), omit "and";

(b) after sub-paragraph (a)(iii), insert—

"(iv) the Companies (Directors' Report) (Payment Reporting) Regulations 2025, and".

(3) After paragraph (4B), insert—

"(4C) The first report under paragraph (1)(a)(iv) must be published on or before the 6th April 2029.".

(4) In paragraph (5), for "paragraphs (1)(a)(i) to (iii)", substitute "paragraph (1)(a)(i) to (iv)".

Insertion of Part 9 of Schedule 7

5. After Part 8 to Schedule 7, insert—

"PART 9

DISCLOSURES CONCERNING PAYMENT PRACTICES AND PERFORMANCE IN RESPECT TO SUPPLIERS

28.—(1) Subject to paragraphs 29 and 30, the directors' report for a financial year must contain the information specified by sub-paragraphs (2), (3) and (4).

(2) A statement describing—

(a) the payment period specified in the company's standard payment terms in its qualifying contracts between it and its suppliers, expressed in days;

(b) where the company varied the standard payment terms in its qualifying contracts between it and its suppliers in the financial year—

(i) details of the variation; and

(ii) details of any notification or consultation conducted by the company with its suppliers before making the variation.

(3) In relation to the payments made under qualifying contracts within the financial year, a statement of—

(a) the average number of days taken to make such payments, where day 1 is the first day after the relevant day;

(b) the percentage of those payments which were made, where day 1 is the first day after the relevant day—

(i) within the period beginning with day 1 and ending with day 30;

(ii) within the period beginning with day 31 and ending with day 60;

(iii) on or after day 61;

(c) the sum total of those payments which were made, where day 1 is the first day after the relevant day—

(i) within the period beginning with day 1 and ending with day 30;

(ii) within the period beginning with day 31 and ending with day 60;

(iii) on or after day 61.

(4) In relation to the payments under qualifying contracts that fall due within the financial year—

(a) a statement of the percentage of these payments which were not made within the payment period; and

(b) a statement of the sum total of these payments which were not made within the payment period.

29. The directors' report for a company is not required to contain the information specified by paragraph 28 where the report is for—

(a) the company's first financial year(**a**), or

(b) a subsequent financial year in relation to which the company qualifies as medium-sized(**b**).

30.—(1) Paragraph 28 does not apply if—

(a) the company is a subsidiary undertaking at the end of the financial year;

(b) the company is included in the group directors' report of a parent undertaking; and

(c) the group directors' report is prepared for a financial year of the parent undertaking that ends at the same time as, or before the end of, the company's financial year.

(2) If the directors' report is a group directors' report, paragraph 28 has effect as if references to the company were references to the company and its subsidiary undertakings included in the consolidation(**c**).

(3) The company may exclude from the group directors' report(**d**) any information which relates to a subsidiary undertaking, if that undertaking would not be required to include the information in its directors' report by virtue of paragraph 29.

31. For the purposes of this Part—

(a) a payment falls due on the last day of the payment period;

(b) subject to sub-paragraph (d), a payment is made—

(i) when it is received by the supplier, unless sub-paragraph (c) applies, or

(ii) where sub-paragraph (c) applies, when it is received by the finance provider from the company;

(c) this sub-paragraph applies if there is an arrangement under which—

(i) the supplier receives part payment of an invoiced sum from a finance provider before the end of the payment period; and

(ii) the company pays the invoiced sum to the finance provider;

(**a**) See section 390(2) of the Companies Act 2006 for the meaning of "first financial year".
(**b**) See section 465(2) of the Companies Act 2006 for when a company which is not a parent company qualifies as medium-sized and section 466(2) for when a parent company qualifies as medium-sized.
(**c**) The term "included in the consolidation" is defined in section 474(1) of the Companies Act 2006
(**d**) The term "group directors' report" is defined in section 415(2)(b) of the Companies Act 2006

(d) where there is any delay in the payment or of any part of the payment being received for which the company is not responsible, the payment is deemed to have been made when it would have been received without that delay.

32.—(1) For the purposes of this Part, a qualifying contract is a contract which satisfies sub-paragraphs (2) and (3).

(2) The first condition is that the relevant contract is not a contract for financial services, as defined in section 2 of the Small Business, Enterprise and Employment Act 2015(**a**).

(3) The second condition is that the relevant contract is—

(a) governed by the law of part of the United Kingdom otherwise than by the choice of the parties;

(b) governed by the law of part of the United Kingdom by choice of the parties, and—

(i) has a significant connection with that part of the United Kingdom; or

(ii) without that choice, its applicable law would still be the law of a part of the United Kingdom; or

(c) governed by a foreign law by choice of the parties and—

(i) without that choice, its applicable law would be the law of a part of the United Kingdom; and

(ii) has no significant connection with any other country outside the United Kingdom.

(4) In this paragraph "foreign law" means the law of a country outside the United Kingdom.

33. For the purposes of this Part of this Schedule—

"average" means the arithmetic mean;

"finance provider" means a body corporate that—

(a) lends money or provides credit in the course of a business,

(b) arranges or facilitates the provision of debt or equity finance in the course of a business, or

(c) provides, arranges or facilitates invoice discounting or factoring in the course of a business;

"invoiced sum" means a sum payable under an invoice;

"qualifying contract" has the meaning given in paragraph 32

"payment period" means the period in which a company is contractually required to pay a sum;

"relevant day" means the day on which a company receives an invoice or otherwise has notice of an amount for payment;

"standard payment terms" means, in relation to a qualifying contract—

(a) the standard terms relating to payment that the company uses, or

(b) where the company does not use standard terms, the company's most frequently used payment terms.".

(**a**) 2015 c. 26.

Name
Title
Date Department for Business and Trade

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make changes to the reporting requirements in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "2008 Regulations") to require large companies to report information about their payment practices and performance within Directors' Reports. These Regulations extend to the whole of the United Kingdom reflecting the extent of the Companies Act 2006 (the "2006 Act").

Regulation 4 amends regulation 14 of the 2008 Regulations to provide that these new provisions will be subject to a review by the Secretary of State every 5 years.

Regulation 5 inserts a new Part 9 of Schedule 7 to the 2008 Regulations to provide new requirements on large companies to make statements in the directors' report concerning the company's payment practices and performance by them.

An full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen.

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ISBN 978-0-34-827421-9

£5.78

http://www.legislation.gov.uk/id/ukdsi/2025/9780348274219