

On-time Payment Policy

Human Rights

Decision makers must act and make decisions in a way that is compatible with human rights and give proper consideration to a human right relevant to a decision, as required by section 58 of the *Human Rights Act 2019* (Qld). For further information, please refer to DCSODSFB's Human Rights intranet page.

1. Purpose

On 7 May 2019, the Government approved amendments to update the Late Payment Policy, and created the On-time Payment Policy, which will progressively introduce a range of enhancements to support small business being paid faster. The Queensland Small Business Procurement Commitment - Action Statement provides further information on these enhancements and can be found at <https://www.publications.qld.gov.au/dataset/queensland-small-business-procurement-commitment-action-statement>.

From 1 July 2020, the Queensland Government will pay small business suppliers within 20 calendar days for eligible invoices of any value. Small businesses will be able to claim for penalty interest for all invoices paid after 20 calendar days on a correctly rendered undisputed invoice/tax invoice. Suppliers will be required to provide notice of late payment.

2. Application

This policy applies to all Queensland Government departments and Hospital and Health Services.

Other Government bodies have been encouraged to independently implement 20 day payment terms for their small business vendors, however they are not within the scope of the other requirements of this policy including reporting and penalty interest claims.

3. Policy statement

3.1. Contracted Payments

All eligible contracted payments must be paid within twenty (20) calendar days on correctly rendered undisputed invoice/tax invoices from 1 July 2020.

3.1.1 Correctly rendered, undisputed tax invoices

The following details outline the requirements of a correctly rendered, undisputed invoice/tax invoice:

- An invoice is defined as a document notifying an obligation to make a payment.
- A tax invoice is defined in the A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth).
- A correctly rendered invoice/tax invoice means that goods and services have been supplied to an acceptable standard in conjunction with the particulars of the contract in accordance with financial management requirements.
- If an invoice is in dispute, the date the tax invoice becomes subject to the 20-calendar day payment rule is the date that the tax invoice becomes undisputed by both the department and supplier.

- An undisputed invoice/tax invoice is a tax invoice where there are no outstanding issues in relation to the supply of goods and services.

3.2 Penalty interest to small business

For invoices dated 1 July 2020 and thereafter; where payments to small business on eligible contracts of any value are not made within 20 calendar days of receiving a correctly rendered undisputed invoice/tax invoice, departments are required to pay penalty interest to small business for the number of days the bill remains unpaid between the payment date and calculation date.

3.2.1 Small business

A small business is defined as an entity that employs less than 20 employees which aligns with the Australian Bureau of Statistics definition of a small business.

Small businesses must self-identify at the time of claim and complete a declaration to confirm they are a small business as defined by this policy.

3.2.2 Penalty interest

Penalty interest will be paid at the Unpaid Tax Interest (UTI) and Penalty rate published by the Office of State Revenue in accordance with Section 54 of the *Taxation Administration Act 2001* (Queensland). Visit <https://qro.qld.gov.au/about-qro/interest-penalties/> for the current UTI rate of interest.

Penalty interest will not be paid where the amount of penalty interest is less than \$20. Penalty interest is a financial supply and therefore GST free for taxation purposes.

3.2.3 Calculation of penalty interest

Example: A department has received a correctly rendered invoice from a supplier for the value of \$200,000 (excluding GST). Payment is made after 25 calendar days.

- Payment was due at 20 calendar days, so payment is 5 calendar days late
- UTI for 2024-25 is 12.36%
- Penalty interest is calculated on a daily rate (UTI x invoice value (excluding GST) x (days paid late / 365))
- Therefore, penalty interest = 12.36% x \$200,000 x (5/365) = \$338.63

3.3 Notice and claim requirements

A small business is required to provide notice of late payment and make a claim for penalty interest. Departments will assess these claims in a timely manner and pay penalty interest where departmental payment performance is the cause of late payment.

3.3.1 Claim and payment of penalty interest

A small business is required to submit a claim for payment of penalty interest and these must be actioned by departments as soon as practicable after the notice of late payment has been received. Where departments assess that a small business is not entitled to penalty interest, they will provide notification to the small business explaining the reasons why the claim is not valid. Departments should also advise the supplier if a claim is valid with details of the penalty interest the small business will receive.

Claims will be made using the form available at www.business.qld.gov.au/ontimepayment.

3.3.2 Standard Queensland Government exemptions from the payment of late penalty interest

The following payment exemptions have been approved as standard for the Queensland Government in relation to the payment of late penalty interest:

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- Payments to non-small business suppliers;
 - Payments on existing contracts with payment terms of greater than 20 calendar days where those payment terms were set at 30 June 2020 or where requirements are mandated by legislation including the *Building Industry Fairness (Security of Payment) Act 2017*¹;
 - Payments due during compulsory Queensland Government Christmas and New-Year closure periods;
 - Payments not able to be made due to an event that makes approval and processing of payments not possible (for example a natural disaster);
 - Payments to government employees and vendors
 - Grant payments
 - Sponsorship payments; and
 - Donations.

3.3.3 Department specific exemptions from the payment of late penalty interest and reporting requirements

Chief Executive Officers are required to approve department specific payment exemptions from the On-time Payment Policy and authorise their publication along with the reason for exemption.

Department specific exemptions must be published centrally on the website hosting the claim form for ease of access by small business suppliers.

3.3.4 False claims and applications

Where it is determined that a false application or claim for late payment has been made, in addition to ordinary contractual arrangements, departments may undertake the following:

- Refuse the application;
- Recover the payment made under the On-time Payment Policy from the supplier, including the department off-setting payments made to the small business against future payments.

3.3.5 Reducing Regulatory Burden

Departments should ensure that their interface with the business sector does not impose unnecessary regulatory burden on small business.

Where there are issues in the quality of paperwork submitted by small business to departments and these invoices are in dispute, departments should endeavour to resolve issues without requirement for issue of credit notes or tax invoice reissues.

4. Responsibilities

The Department of Customer Service, Open Data and Small and Family Business has responsibility for:

- leading the On-time Payment Policy, including providing advice on its application
- monitoring reporting requirements.

All Departments have responsibility for:

¹ It is intended that this exemption will only be used in limited circumstances - the intention of the policy is to identify small businesses and ensure they are paid within 20 days regardless of contractual arrangements.

- ensuring compliance with the policy
- providing information about registration to small business suppliers and encouraging them to register if they have not already registered
- where late payment claims are made, assessing, processing and paying penalty interest where claims are eligible
- quarterly reporting on payment practices on Open Data website
- ongoing relationships with suppliers.

Chief Executive Officers have the responsibility for approving department specific exemptions to this policy, including reasons for such exemptions.

5. Delegations

There are no delegation requirements under this policy.

6. Complaints

Departments should work with their small business suppliers to resolve any issues or disputes related to invoices or payments, to ensure that these issues or disputes are finalised in a timely manner. However if the small business supplier is not satisfied with the attempted resolution, they are entitled to lodge a complaint through <https://www.complaints.services.qld.gov.au/> which will be managed in accordance with the relevant department's Customer Complaints Management Framework or Policy.

7. Reporting requirements

The following information is required to be reported and published on the Queensland Government Open Data site by each department on a quarterly basis:

- Total number of eligible claims for penalty interest and amount of penalty interest paid to small businesses
- Total number of eligible and undisputed invoices from known small business suppliers paid late
- Total value of eligible and undisputed invoices from known small business suppliers paid late
- Average number of days late across all eligible and undisputed invoices that are late from small business suppliers for the reporting period.
- Total percentage of late payments (beyond 20 calendar days) made to known small businesses
- Total percentage of late payments to all others.

General and agency-specific exemption criteria should be excluded from published late payment data by departments.

8. Approval

Approved by the Director-General, Department of Customer Service, Open Data and Small and Family Business

9. Attachments

Attachment 1: Definitions

Attachment 2: References

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Version Control

Version	Date	Comments
1	2019	Policy enacted.
2	March 2025	Minor updates to reflect machinery-of-Government changes

Attachment 1: Definitions

Term	Description
Small business	A small business is defined as an entity that employs less than 20 employees in accordance with the Australian Bureau of Statistics.
Claim	A claim for payment of penalty interest is made by a small business and can be made using the online form.
Correctly Rendered Invoice/Tax Invoice	An invoice is defined as a document notifying an obligation to make a payment. A tax invoice is defined in the A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth). A correctly rendered invoice/tax invoice implies that goods and services have been supplied to an acceptable standard in conjunction with the particulars of the contract in accordance with financial management requirements.
Reducing Regulatory Burden	Excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or decision-making.
Calculation date	The calculation date is 20 calendar days from the invoice/tax invoice date, unless it is in dispute. If the invoice/tax invoice is in dispute the calculate date will be the date the rendered invoice/tax invoice becomes undisputed by both the department and supplier. If the Department deems that the invoice has been received and from the supplier in an unreasonable timeframe this invoice should be treated as in dispute.
Payment date	Date payment issued by the agency.
Penalty Interest	Penalty interest is the additional amount paid to supplier for late payment of their invoice/tax invoice. It is calculated on a daily rate (UTI x Invoice value (excluding GST) x (days paid late / 365)). Penalty interest is a financial supply and therefore GST free for taxation purposes.

Attachment 2: References

Queensland Government Open Data site:

www.data.qld.gov.au/

Unpaid Tax Interest and Penalty rate published by the Office of State Revenue

<https://qro.qld.gov.au/about-qro/interest-penalties/>

Queensland Small Business Procurement Commitment – Action Statement

<https://www.publications.qld.gov.au/dataset/queensland-small-business-procurement-commitment-action-statement>