**Part 2: Measures to reduce late payments**

1. **Stricter payment terms**

The introduction of a maximum 60-day payment period in "asymmetrical" transactions between entrepreneurs, i.e. those in which the payer is a large enterprise and its SME contractor. If the parties reserve a deadline of more than 60 days in the contract (e.g. 120 days), this deadline will not apply and a 30-day statutory deadline will take place in its place. In turn, in transactions in which the public entity is a debtor (e.g. offices, public universities, police units, army etc.), a maximum 30-day payment period will apply, without the possibility of its extension.

1. **Transparency of payment practices**

Measures for transparency of payment practices include legal obligations to periodically publish information on payment practices of companies in specific government databases and registries.

1. **Invoice management measures**

Electronic invoicing (e-invoicing) is a form of electronic billing, which requires software. E-invoicing methods are used by trading partners, such as customers and their suppliers, to present and monitor transactional documents between one another and ensure the terms of their trading agreements are being met. The main responsibility of the accounts payable department is to ensure all outstanding invoices from its suppliers are approved, processed, and paid. Processing an invoice includes recording important data from the invoice and feeding it into the company’s financial or bookkeeping systems. E-invoicing should facilitate the whole payment process.

1. **Alternative Dispute Resolution System**

Negotiated settlements, arbitration and Alternative Dispute Resolution (such as mediation or conciliation) might be an attractive solution for business disputes, as they offer a faster and low-cost alternative to court proceedings. Ombudsmen or arbitration tools are useful in solving payment disputes and maintaining business relations, and they are usually preferable to going to court.

1. **Administrative sanctions**

Administrative sanctions represent an important means of supporting the enforcement of national legislation on late payment. Given that administrative sanctions are enforced by public authorities, direct intervention from the public administration can overcome the ‘fear factor’ and helps to avoid placing the responsibility to take action against the debtor on the creditor.

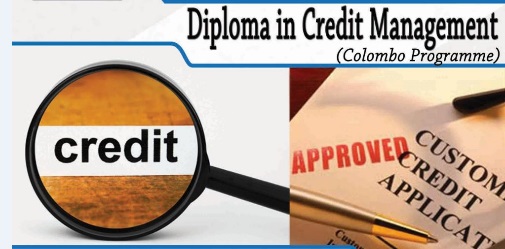
1. **Prompt payment codes**

Codes and charters of good practice encourage signatory companies to respect specific requirements for improving their payment practices.

1. **Corporate social responsibility**

Corporate social responsibility measures are similar in nature to prompt payment codes as they encourage companies to take responsibility for the improvement of their business behaviour, including payment practices.

1. **Credit management education**



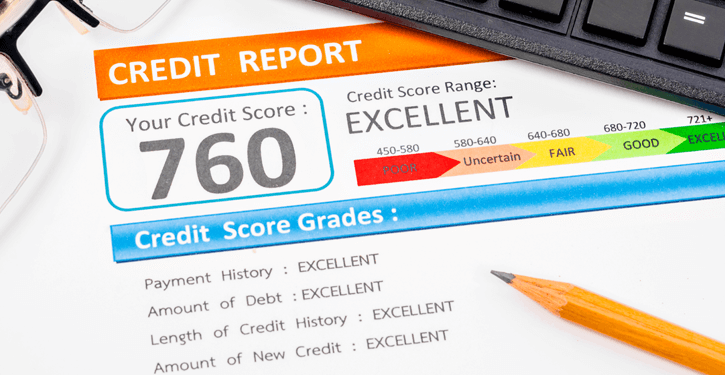
Effective credit management shortens the average collection period and maintains an optimal cash flow, thus reducing the risk of default and increasing the potential for growth. Training and support may also make it more likely that SMEs use the remedies of the Late Payment Directive.

1. **Unfair contractual terms and the role of business organisations**

Business organisations’ representatives could have an essential role in helping SMEs with insufficient resources or lacking the knowledge of the relevant legal framework and available remedies to take action against ‘grossly unfair terms and practices’.

1. **Awareness raising activities**

Awareness-raising activities (events, seminars, information sessions and communication campaigns) aim to increase knowledge about issues related to late payment in B2B transactions, rights and remedies stemming from the LPD or other national measures.

1. **Labels and prize**

Based on positive financial figures, background information and good payment behaviour, companies can receive a label/certificate for their good payment practices. The companies provide the information to the government and they decide whether or not they receive a label/certificate.

1. **Working groups**

Governments could use fora and working groups for discussing the issues of late payment, reflecting on solutions and raising awareness of good practices.

1. **Compensation for recovery costs proportional to the size of the debt**

The Late Payment Directive sets out a fixed sum of EUR 40 as compensation for recovery costs that the creditor is entitled to obtain from the debtor once interest for late payment has become payable.

1. **Legal provisions on the retention of title**

The retention of title constitutes a security right that allows the seller to maintain the ownership on the sold good until the buyer has paid the full price. The clause might also establish that the transfer of the ownership happens only once the payment has been performed.

1. **Tax regulations**

Tax regulations can be used to tackle unfair payment behaviour. Two main models have been identified:

* 1. Tax regimes that indirectly sanction non-compliant businesses by transferring the obligation to pay VAT from the creditor to the debtor (e.g. in Czech Republic), or by preventing the debtor from deducting the VAT in case of an unpaid invoice or violation of the payment periods set out by law (e.g. in Slovenia).
  2. Tax regimes that allow creditors to postpone the payment of VAT until the debtor has fully carried out the monetary obligations or obtained tax adjustments.