

Treasurer's Instruction No	1125
Title	Penalty interest for late payment of invoices: goods and services
Effective date	15 October 2010
Objective and Background	Provides instruction on the Government's policy in relation to the timely payment of invoices
Version Number	2
Last Reviewed Date	August 2010

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

The Government is committed to ensuring that government agencies meet their obligations in relation to the timely payment of invoices issued by suppliers to government pursuant to a contractual arrangement with government. The Government's policy in relation to payment of invoices, effective from 1 May 2009, provides a guarantee of payment with automatic payment of penalty interest to suppliers if payment is late.

- (1) This Instruction applies only to the procurement of goods and services and is to be read in conjunction with other Instructions relating to goods and services which are contained in the 1100 series of the Treasurer's Instructions.**

Further information on goods and services procurement, including a definition of "goods and services", can be located at www.purchasing.tas.gov.au>Buying for Government.

For information on building and construction and roads and bridges procurement, refer to the 1200 series of the Treasurer's Instructions.

- (2) This Instruction takes effect on 1 May 2009, and applies to all payments arising from contracts entered into between the Crown and any other party.**

Agencies should note that this includes payments invoiced on or after 1 May 2009 arising from contracts entered into prior to 1 May 2009.

- (3) Agencies must pay all invoices correctly rendered by suppliers within the period specified in the contract with the supplier, or where the contract is silent on payment requirements, within 30 days of the date of a correctly rendered invoice.**

A correctly rendered invoice is an invoice which:

- is correctly dated and has been delivered in a timely manner;
- is for an amount that is correctly calculated and in accordance with the requirements specified in the contract, purchase order or other specifications provided by the agency; and
- reconciles with the confirmed delivery of the goods and/or services supplied.

(4) Where a correctly rendered invoice is not paid as required by clause (3) above, agencies are required to, in addition to the amount of the invoice, pay penalty interest to the supplier.

The payment of penalty interest is to be automatic on the agency's failure to pay the correctly rendered invoice by the due date. No invoice is required to be issued by the supplier to the agency in relation to the penalty interest.

(5) The penalty interest to be paid is the greater of:

(a) \$25; or

(b) an amount calculated on a daily basis from the date for due payment of the invoice as detailed in clause (3) above, until the date of payment of the invoice at a rate specified by the Treasurer.

Where a contract already prescribes a rate of interest payable for overdue payments, the amount of penalty/interest payable is to be either that specified above or that outlined in the pre-existing contract conditions, whichever is the greater.

(6) The penalty interest rate applying under clause 5(b) above is the small business "small overdraft" rate published by the Reserve Bank of Australia in its Indicator Lending Rates series.

The applicable small business "small overdraft" rate can be located in the Indicator Lending Rates (F5) series in the Financial Markets Tables on the Reserve Bank of Australia website at <http://www.rba.gov.au/statistics/tables/xls/f05hist.xls>.