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## **Late Payment Directive: We need stringent rules for public authorities**

Ahead of the votes in the European Parliament on the Commission's proposal to recast the Late Payment Directive, BUSINESSEUROPE and EUROCHAMBRES highlight the following points:

- The intention to impose "equal treatment" in payment terms in business-to-business and business-to-public authority relations alike is based on a misconception. Private companies and public authorities are fundamentally different types of entities and should thus not be subject to the same legal requirements when it comes to aspects of commercial transactions. Public authorities enjoy privileges unknown to private companies – they cannot go bankrupt, they enjoy stable income and have easier access to finance. The Commission proposal, which BUSINESSEUROPE and EUROCHAMBRES support, rightly builds on this rationale. The European Parliament should maintain the same focus.
- BUSINESSEUROPE and EUROCHAMBRES firmly reject any interference with the principle of contractual freedom in business-to-business relations, one of the foundations of Europe's private law. The definition of payment terms is an essential element of flexibility when negotiating commercial contracts. Specific cases of market power abuse in payment-term negotiations should not be dealt with by imposing fixed terms for all business-to-business relations, but rather rest on the provisions mentioned in Article 6 of the recast directive or a strict application of competition law.
- BUSINESSEUROPE and EUROCHAMBRES strongly support punctual payment. In fact, this would inject billions of euros into the business cycle at a time when sources of affordable external financing are still scarce, especially for SMEs. We therefore welcome Parliament Rapporteur Barbara Weiler's emphasis on the usefulness of prompt payment codes and mediation procedures.
- Finally, Parliament amendments such as those tabled in relation to this proposal that intend to alter the basis of European private business practice should be subject to thorough impact assessments, in particular regarding costs and benefits for SMEs.

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