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Warning over late payers

SMALL businesses that are afraid to face up to late paying clients run the risk of becoming victims of the recession, according to a local tax and accountancy specialist.

Small businesses have been some of the hardest hit in the recession, struggling from a lack of available finance and unstable cash flow. Earlier this month the Federation of Small Businesses revealed that small firms are often waiting up to four months for invoices to be paid.

Nigel Lomax, who runs small business tax and accountancy firm TaxAssist Accountants in Shrewsbury, said: "Keeping cash flow going in our current economy is king and the threat of incurring monetary penalties on unpaid bills is often the best incentive to persuade business clients to pay. Small businesses need to ensure they are doing everything they can to encourage prompt payment, or else they will put their own business at risk."

Right

Businesses have a legal right to claim interest from late-paying business customers, but not individuals. Until the end of the year, businesses have a statutory right to charge an addition 8.5 per cent in interest on top of unpaid bills.

"The statutory right to charge late-paying business customers interest applies to

contracts which do not already include their own arrangements for 'substantial' interest. If there is no agreed credit period in your terms of business, the law sets a default period of 30 days. You can charge interest 30 days after you delivered the goods, provided the service, or after you notified the purchaser of the amount of the debt whichever happened latest."