NES

Guideline
Payment Terms

Version 2.0

NES Guideline - Payment Terms

1 introduction

The Northern European Subset (NES) group was established to enable interoperability of procurement data between users of the Universal Business Language (UBL). UBL is a royalty-free library of XML documents addressing the requirements of electronic procurement and international trade and transportation. Its second version (UBL 2.0) was released as an OASIS standard in December 2006. NES members contributed extensively to the development of this version of the standard.

The focus of NES is to define the specific use of UBL 2.0 electronic procurement documents domestically and between the member countries. The definition covers semantic interoperability within and between all business sectors, public and private.

This guideline is one of a series of documents describing the purpose and use of the business documents that comprise the NES subset of UBL 2.0.

All cardinalities shown in this document represent elements and associations at NES library level; see 'NES Information Model Architecture' for further information.

NOTE: the content and usage of the Payment Terms entity is currently under review in UBL and may change in the next minor version.

1.1 purpose

The purpose of this guideline is to specify the use of classes and elements used to specify payment terms information.

1.2 summary

- Payment Terms communicates information from the Supplier to the Customer about terms that apply to a payment e.g. charges that may apply if payment is late or discounts if payment is early

- more than one Payment Terms may be specified and may be linked to Payment Means

- if no Payment Terms are specified, general payment terms agreed between the Supplier and the Customer apply

- Payment Terms are informative and their values are not included in any Invoice totals

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2   payment terms classes and elements

Payment Terms information is described in the Payment Terms class.

Payment Terms is specified at document level.

Many Payment Terms may be specified and Payment Terms may be linked to Payment Means.

Note: Payment Due Date in the Payment Means class is used to specify the due date of an Invoice; if no specific Payment Means is required, the Payment Means Code = "1" (instrument not defined)

Settlement discounts

Settlement discounts result in the Payer paying less that the invoiced amount, typically if:

- the payment is made by a specified date and/or
- the payment is made by a specified means.

Settlement discounts may be applied as follows:

- the total amount is reduced by a fixed amount for the period e.g. if paid by cash within 5 days of Invoice date the total amount is 95 rather than 100. This fixed amount can be expressed as a percentage deduction from the total (5%) or a amount that is to be deducted (-5).
- the total amount is reduced by a specified percentage for each day the payment is made before. for example, the due date for the specified Payment Means.

Settlement discounts can be specified in more than one period e.g. first 5 days 10%, next 5 days 5% using multiple instances of the Payment Terms class.

Note: in some countries, the use of Settlement discounts may require complementary documentation as to how the corresponding VAT is adjusted.

Penalty charges

Penalty charges are added to the invoiced amount if the Payer pays later than the Payment Means due date and/or by a specific Payment Means. Penalty charges are commonly applied as follows:

- a fixed charge is added to the invoiced amount
- a specified penalty percentage is added to the invoiced amount for each day that the payment date exceeds the due date
- multiple penalty periods (specified in multiple instances of the Payment Terms class) must be summed and added to the invoiced amount. For example, there may be one penalty percentage for the first 10 days past due date, another for the next 10 days, and so on.

Discounts and charges described in Payment Terms are informative and their values are not included in any Invoice totals.

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2.1   Payment Terms

Payment Terms information is described in the Payment Terms class. Associated information is described in:

1. Settlement Period
2. Penalty Period

Payment Terms ID
- Payment Terms may be applied by validity period therefore it is practical to use sequential numbering in allocating Payment Terms ID e.g. 1, 2, 3

  If, for example, one Payment Terms applies to the period starting 31st March 2007 and another to the period starting 21st May 2007, the first Payment Terms should have the lower value in ID

Payment Means ID
- Payment Means ID links Payment Terms to a specific Payment Means. If multiple Payment Means are available with their own specific Payment Terms, multiple instances of the Payment Terms class must be used

  If Payment Means ID is specified, the Payment Terms apply only to the Payment Terms specified [and not to other means of payment]

Settlement Discount Percent
- the discount percentage offered for payment within the settlement period. The discount is pro rata per diem. Settlement discounts are not cumulative; if a payment is made in an earlier period, a discount stated for a later period does not apply

Penalty Surcharge Percent
- the surcharge percentage imposed for late payment. Penalty surcharges are cumulative; the percentages applied in consecutive periods should be summed

Amount
- a fixed monetary amount to be charged to or discounted from the LegalTotal / PayableAmount

- use of this element may be changes in the next UBL version and new 'amount' elements may be added to the class. In the interim for NES, if the Amount element is used, the Payment Terms Note must be present with one of the following values:
  - 'payment penalty' – indicates that the Amount represents a fixed penalty value
  - 'payment stage' – indicates that the Amount represents the total value for a payment stage; used in the case of multiple Payment Terms in staged payment scenarios.

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2.1.1 Payment Terms elements

name	definition	cardinality
ID	the identifier for the Payment Terms	0..1
PaymentMeansID	the identifier of the Payment Means [that must by used for the stated terms to apply]	0..1
Note	a free text note describing the Payment Terms.	0..1
ReferenceEventCode	the event with reference to which terms are offered, expressed as a code	0..1
SettlementDiscountPercent	the percentage discount to be applied	0..1
PenaltySurchargePercent	the percentage surcharge to be applied	0..1
Amount	a fixed monetary amount to be added to or deducted from the Invoice for the stated terms	0..1
SettlementPeriod	an association to Period	0..1
PenaltyPeriod	an association to Period	0..1

2.2 Settlement Period

2.2.1 Settlement Period elements

name	definition	cardinality
StartDate	the date from which the settlement terms apply	0..1
StartTime	the time from which the settlement terms apply	0..1
EndDate	the date up to which the settlement terms apply	0..1
EndTime	the time up to which the settlement terms apply	0..1
Description	a free text description of the Settlement Period	0..n

2.3   Penalty Period

Penalty Period specifies the dates that should be used when calculating penalty charges for the given Payment Terms.

For example, if:
- the payment due date (specified in Payment Means) is 1st January 2007 and
- the terms specify that penalty charge should not be applied until the 15th January 2007, but using the due date (1st January 2007) as the date from which the penalty should apply then
- the Settlement Period start date would then be 15th January 2007 but the Penalty Period Start Date would be 1st January 2007

2.3.1   Penalty Period elements

name	definition	cardinality
StartDate	the date from which the penalty terms apply	0..1
StartTime	the time from which the penalty terms apply	0..1
EndDate	the date up to which the penalty terms apply	0..1
EndTime	the time up to which the penalty terms apply	0..1
Description	a free text description of the Penalty Period	0..n

3   examples

3.1   simple example

If the invoice is paid after the 25th of January 2007 there is a fixed late payment fee of 2 Euros and penalty surcharge of 10%.

```
<cac:PaymentTerms>
    <cbc:ID>1</cbc:ID>
    <cbc:Note>If paid after due date there are penalty charges.</cbc:Note>
    <cbc:PenaltySurchargePercent>10.00</cbc:PenaltySurchargePercent>
    <cbc:Amount CurrencyID="EUR">2</cbc:Amount>
    <cac:SettlementPeriod>
        <cbc:StartDate>2007-01-25</cbc:StartDate>
    </cac:SettlementPeriod>
    <cac:PenaltyPeriod>
        <cbc:StartDate>2007-01-26</cbc:StartDate>
    </cac:PenaltyPeriod>
</cac:PaymentTerms>
```

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3.2   complex example

An Invoice is issued on 1st January 2007. The due date specified in Payment Means is 15th January 2007.

Penalties are charged from 25th January 2007 (after a 10 day grace period) but calculated from the due date.

If the Invoice is paid 10 or more days before due date there is a 5% discount.

Penalty charges are 10%. When penalty charges start, there is a 5 Euro fixed charge. Thirty days after the due date there is an additional 10 Euro collection charge and penalty interest is raised to 15%.

```xml
<cac:PaymentTerms>
    <cbc:ID>1</cbc:ID>
    <cbc:Note>Discount if paid 10 days before due date or earlier</cbc:Note>
    <cbc:SettlementDiscountPercent>5.00</cbc:SettlementDiscountPercent>
    <cac:SettlementPeriod>
        <cbc:StartDate>2007-01-01</cbc:StartDate>
        <cbc:EndDate>2007-01-06</cbc:EndDate>
    </cac:SettlementPeriod>
</cac:PaymentTerms>

<cac:PaymentTerms>
    <cbc:ID>2</cbc:ID>
    <cbc:Note>Penalty applies for late payment within 30 days past the due date.</cbc:Note>
    <cbc:PenaltySurchargePercent>10.00</cbc:PenaltySurchargePercent>
    <cbc:Amount CurrencyID="EUR">5</cbc:Amount>
    <cac:SettlementPeriod>
        <cbc:StartDate>2007-01-25</cbc:StartDate>
        <cbc:EndDate>2007-02-15</cbc:EndDate>
    </cac:SettlementPeriod>
    <cac:PenaltyPeriod>
        <cbc:StartDate>2007-01-15</cbc:StartDate>
    </cac:PenaltyPeriod>
</cac:PaymentTerms>

<cac:PaymentTerms>
    <cbc:ID>3</cbc:ID>
    <cbc:Note>If paid later than 30 days after due date</cbc:Note>
    <cbc:PenaltySurchargePercent>15.00</cbc:PenaltySurchargePercent>
    <cbc:Amount CurrencyID="EUR">10</cbc:Amount>
    <cac:SettlementPeriod>
        <cbc:StartDate>2007-02-16</cbc:StartDate>
    </cac:SettlementPeriod>
</cac:PaymentTerms>
```