



# Corporate Insolvency and Governance Act 2020

## 2020 CHAPTER 12

### *Termination clauses in supply contracts*

#### **15 Temporary exclusion for small suppliers: Great Britain**

- (1) Section 233B of the Insolvency Act 1986 does not apply in relation to a contract for the supply of goods or services to a company where—
  - (a) the company becomes subject to a relevant insolvency procedure during the relevant period, and
  - (b) the supplier is a small entity at the time the company becomes subject to the procedure.
- (2) In subsection (1)(a) “relevant period” means the period which—
  - (a) begins with the day on which this section comes into force, and
  - (b) ends with 30 September 2020.
- (3) For the purposes of subsection (1)(b), whether the supplier is a “small entity” at the time the company becomes subject to a relevant insolvency procedure (the “relevant time”) is to be determined under subsections (4) to (10).
- (4) Where the supplier is not in its first financial year at the relevant time, the supplier is a small entity at the relevant time if at least two of the following conditions were met in relation to its most recent financial year—
  - Condition 1: the supplier’s turnover was not more than £10.2 million;
  - Condition 2: the supplier’s balance sheet total was not more than £5.1 million;
  - Condition 3: the number of the supplier’s employees was not more than 50.
- (5) For the purposes of Condition 1 in subsection (4), if the supplier’s most recent financial year was not 12 months, the maximum figure for turnover must be proportionately adjusted.
- (6) For the purposes of Condition 2 in subsection (4), the supplier’s balance sheet total means the aggregate of the amounts shown as assets in the supplier’s balance sheet.

- (7) For the purposes of Condition 3 in subsection (4), the number of the supplier's employees means the average number of persons employed by the supplier in its most recent financial year, determined as follows—
- (a) find for each month in that financial year the number of persons employed under contracts of service by the supplier in that month (whether throughout the month or not),
  - (b) add together the monthly totals, and
  - (c) divide by the number of months in the financial year.
- (8) In subsections (4) to (7) the supplier's "most recent financial year" is the financial year of the supplier which, at the relevant time, has ended most recently.
- (9) Where the supplier is in its first financial year at the relevant time, the supplier is a small entity at the relevant time if at least two of the following conditions are met—
- Condition 1: the supplier's average turnover for each complete month in the supplier's first financial year is not more than £850,000;
- Condition 2: the aggregate of amounts which would be shown in a balance sheet of the supplier drawn up at the relevant time is not more than £5.1 million;
- Condition 3: the average number of persons employed by the supplier in the supplier's first financial year (determined as specified in subsection (7)) is not more than 50.
- (10) In this section—
- "entity" means—
- (a) a company,
  - (b) a limited liability partnership,
  - (c) any other association or body of persons, whether or not incorporated, and
  - (d) an individual carrying on a trade or business;
- "relevant insolvency procedure" has the same meaning as in section 233B of the Insolvency Act 1986.
- (11) This section has effect as if it were included in Part 6 of the Insolvency Act 1986.