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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order brings into force the Late Payment of Commercial Debts (Interest) Act 1998, in relation to commercial contracts for the supply of goods or services where the supplier is a small business and the purchaser is a United Kingdom public authority (Article 3). This is the second commencement Order.

Article 2 provides for the definitions of “small business supplier”, and “United Kingdom public authority”. The Schedule lists as United Kingdom public authorities, the Scottish Parliamentary Corporate Body, any part of the Scottish Administration, the Auditor General for Scotland, the National Assembly for Wales (Cynulliad Cenedlaethol Cymru) and the Auditor General for Wales (Archwilydd Cyffredinol Cymru). By Article 2(2), a small business is one which has 50 or fewer full-time employees when calculated in accordance with Schedule 2 to the Late Payment of Commercial Debts (Interest) Act 1998 (Commencement No. 1) Order 1998 (“the first commencement order”).

An employee is defined (paragraph 2 of Schedule 2 to the first commencement order) to include persons who work in the business both under a contract of employment and other than under such a contract, for example, partners and a sole owner. Provision is made for the counting of part-time employees as fractions of full-timers (paragraph 3 of Schedule 2 to the first commencement order) and employees in associated businesses are counted (paragraph 6 of Schedule 2 to the first commencement order). Taking the period of 1st April to 31st March (or a shorter period for new businesses) preceding making the contract (paragraph 4 of Schedule 2 to the first commencement order), the average is taken of the numbers of employees over that period (paragraph 5).