Human Resources Legislative Update

Federal Prompt Payment for Construction Work Act Now in Force

Date: December 14, 2023

On December 9, 2023, the *Federal Prompt Payment for Construction Work Act* (*Act*) was proclaimed into force. The *Act* was originally introduced in 2019 as part of the omnibus *Budget Implementation Act, 2019, No. 1*.

As stated in the government's news release, the *Act* is designed to address the construction industry's long-standing concerns around doing business with the federal government, specifically with respect to the timeliness of payments.

The *Act* applies to "any service provider and to any contractor or subcontractor that is to perform construction work for the purposes of a construction project located in Canada in respect of any federal real property or federal immovable." Among other things, it establishes the following:

- timelines for payment:
  - the federal government will have 28 calendar days to pay after a contractor submits a proper invoice, which is to be submitted on a monthly basis or as specified in the contract
  - the contractor will then have seven days to pay its subcontractors; this seven-day requirement applies to each payment made down the subcontracting chain, if applicable
- a dispute resolution and adjudication process
- provisions for non-payment and holdbacks
- regulation-making authority to prescribe support for the provisions of the *Act*

Existing construction contracts will have one year as of December 9, 2023 to comply with the *Act.*

Editor's Note: On December 8, 2023, the following order/regulations under this Act were registered:

Order Designating Provinces Under Subsection 6(1) of the *Federal Prompt Payment for Construction Work Act*

Federal Prompt Payment for Construction Work Regulations (Criteria, Time Limits, Interest and Circumstances)

Federal Prompt Payment for Construction Work Regulations (Dispute Resolution)