

## **NEW REPORTING SYSTEM FOR BUILDING & CONSTRUCTION INDUSTRY**

As part of the 2011/12 Budget, and commencing from 1 July 2012, businesses in the building and construction industry need to report the total payment they make to EACH CONTRACTOR for building and construction services each year.

These payments are to be reported on a taxable payments annual report by 21<sup>st</sup> July each year (or 28<sup>th</sup> July if you lodge your BAS quarterly). The first report will be due by 21<sup>st</sup> July 2013 (or 28<sup>th</sup> July 2012 if you lodge your BAS quarterly) for the year ended 30/6/13.

### **WHO SHOULD REPORT**

- Businesses primarily in the building and construction industry (see below for examples of the building and construction industry), and if
- You make payments to CONTRACTORS for building and construction services, and
- You have an Australian Business Number (ABN)

You are considered to be primarily in the building and construction industry if:

- In the current financial year, 50% or more of your business ACTIVITY relates to building and construction services, or
- In the current financial year, 50% or more of your INCOME is derived from building and construction services, or
- In the previous financial year, 50% or more of your business INCOME was derived from providing building and construction services.

### **WHAT TO REPORT**

- ABN
- Name and address of contractor
- Gross paid (including GST)
- Total GST paid

We suggest that this information is collected throughout the year to ensure completeness and accuracy (e.g. a contractor cannot be contacted when the reports need to be finalised).

## **WHAT ARE THE TAX OFFICE LOOKING FOR?**

- Contractors not disclosing all their income (they will data match contractor's income on the report with contractor's income tax return)
- Contractor using invalid ABN or using someone else's ABN – you can check the ABN on the ABR website ([www.abr.gov.au](http://www.abr.gov.au)) and then click on ABN lookup.
- Contractor not meeting their GST obligations
- Ensuring you, as the payer, have met your obligations and exposures, particularly in relation to contractors operating as individuals, e.g. for
  - Superannuation
  - PAYG withholding
  - Workcover

Although the Tax Office are stating that this last dot point is not part of the scope of this compliance legislation, it makes sense that they will broaden their activities to follow up on your obligations as a payer as well as checking the credentials of the contractor.

Some contractors operate as companies or trusts, therefore reducing your obligations as far as superannuation, PAYG withholding and workcover are concerned. Where an individual is the only operator under these arrangements, the Tax Office has indicated it may look further into these entities in the future, and lift the "corporate veil" to see if there is a contrived arrangement for tax purposes.

## **PAYMENTS YOU DON'T REPORT**

- Unpaid invoices as at 30<sup>th</sup> June each year
- Wages or workers under voluntary agreements and labour hire arrangements, i.e. payments already subject to PAYG withholding
- Contractors who don't quote an ABN (as they are already subject to withholding obligations as well).

Should you have any queries in relation to these new provisions, do not hesitate to contact us, and we would be happy to discuss them with you.

## Appendix 1: Examples of building and construction services

Below is a list of occupations and work activities that satisfy the definition of building and construction services:

- Architectural work (including drafting and design)
- Asphalt and bitumen work
- Assembly, installation or erection of pre-fabricated houses
- Block laying
- Bricklaying
- Building of room components (for example, kitchens, bathroom components, laundry components, cupboards, etc)
- Cabinet making (including joinery and off-site fabrication for installation at a building site)
- Cable laying
- Communications construction
- Concreting (including formwork, pouring and finishing)
- Construction and sealing roads
- Construction management
- Decorating
- Demolition
- Distribution line construction
- Drainage work
- Dredging
- Earthworks
- Electrical machinery, heavy, installation (on-site assembly)
- Electrical work
- Electrical construction
- Elevator and escalator installation and work
- Engineering
- Equipment rental with operator (if there is no operator, it is just rental of a good and not a building and construction activity)
- Erection of frames
- Erection of scaffolding
- Excavation and grading
- Fencing
- Finishing
- Flood control system construction
- Flooring (for example, tiling, laying carpet, laying linoleum, timber flooring, floating floors, resilient flooring, slate tiles, etc)
- Foundation work
- Gas plumbing
- Glass and glazing work
- Hanging or installing doors
- Installation of fittings
- Installation of hard-wired alarm systems (security, fire, smoke, etc)
- Installation of hot water systems
- Installation of pre-fabricated components (for example, kitchens, bathroom components, laundry components, cupboards, etc)
- Installation of pre-fabricated temperature controlled structures
- Installation of septic tanks
- Installation of solar devices (for example, hot water or electricity connections)
- Installation of tanks
- Installation of window frames
- Installation of windows

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a Scheme approved under Professional Standards Legislation.

Installation or work on devices for heating and cooling  
 Insulation work (walls, roofs, windows, etc)  
 Internet infrastructure construction  
 Irrigation system construction  
 Land clearing  
 Landscaping construction (including paving and design)  
 Levelling sites  
 Painting (internal and external surfaces, including roofs)  
 Pile driving  
 Pipeline construction  
 Plastering (or other wall and ceiling construction)  
 Plumbing work  
 Preparation of site  
 Project management  
 Rendering (or other internal or external surface finishes)  
 Retaining wall construction  
 River work construction  
 Roofing and guttering  
 Sewage or stormwater drainage system construction  
 Stonework  
 Surveying  
 Swimming pool installation  
 Swimming pool construction (below ground concrete or fibreglass)  
 Tiling (walls etc)  
 Timber work  
 Wallpapering  
 Waterproofing interior and exterior surfaces  
 Weatherboarding

## **Appendix 2: Examples of buildings, structures, works, surfaces or sub-surfaces**

Below is a list of what we consider to be buildings, structures, works, surfaces or sub-surfaces:

Aerodrome runways	Industrial buildings
Apartments	Jetties
Breakwaters	Lakes
Bridges	Mine sites
Canals	Office buildings
Commercial buildings	Oil refineries
Communications, internet and electrical infrastructure	Parking lots
Dams	Pipelines
Duplex houses	Power plants
Electricity power plants	Railways
Elevated highway	Roads
Flats	Semi-detached houses
Footpath, kerb and guttering	Sewage storage and treatment plants
Furnaces	Sheds
Garages	Sports fields
Golf courses	Streets
Harbour works	Television or radio transmission towers
High-rise flats	Tunnels
Highways	Water tanks
Housing buildings (including pre-fabricated housing)	Waterworks

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