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Builders: Get your taxable payments report ready before August 28

Businesses in the building and construction industry, take note – the deadline is August 28, 2018 to report the total payments you made to each contractor you enlisted the services of in 2017-18. You will need to report these payments to the ATO on the Taxable payments annual report.

The taxable payments reporting system was initially introduced to address longstanding compliance issues by contractors in the building and construction industry. Tax compliance issues that were identified included non-lodgement of tax returns, income being omitted from tax returns that were lodged, non-compliance with goods and services tax (GST) obligations, failure to quote an Australian business number (ABN), and use of an invalid ABN.

Note: The most recent Federal Budget announced that from 2019-20 three additional industries on top of building and construction will be required to lodge taxable payments reports with the ATO – security providers and investigation services, road freight transport, and computer system design and related services.

The pointers below will help employers in building and construction, and from next financial year the above mentioned businesses, adequately prepare for the looming deadline.

Work out if you need to report

You need to report if all the following apply:

- you are a business that is primarily in the building and construction industry
- you make payments to contractors for building and construction services, and you have an Australian business number (ABN).

Contractors can be sole traders (individuals), companies, partnerships or trusts.

Examples of what is considered to be “building and constructions services” is broad. You are considered to

be a business that is primarily in the building and construction industry if any of the following apply:

- for the financial year, 50% or more of your business income was derived from providing “building and construction services”, or
- 50% or more of your business activity related to “building and construction services”, or
- in the financial year immediately before the current financial year, 50% or more of your business income was derived from providing “building and construction services”.



Contractors who pay other contractors for building and construction services may also be required to report if they are carrying on a business that is primarily in the building and construction industry. Remember – a contractor can be an individual, partnership, company or trust.

What to report

1) Details you need to report

For each contractor, you need to report the following details each financial year:

- ABN, if known
- name
- address
- gross amount you paid for the financial year – this is the total amount paid, including GST
- total GST included in the gross amount you paid.

The details you need to report will generally be contained in the invoices you receive from your contractors. It is important to check the way you keep your contractor payment information to ensure you have the details you need to complete the *Taxable payments annual report*.

Continued overleaf

2) Payments you need to report

You need to report payments you make to contractors for their building and construction services. Examples of occupations and activities covered by the *Taxable payments annual report* regime can be found on the ATO website at

www.ato.gov.au/taxablepaymentsreporting.

If invoices you received included both labour and materials, whether itemised or combined, you report the whole amount of the payment unless the labour component is only incidental.

For instance, if a concrete truck is used to deliver concrete, and the driver merely directs the pouring of the concrete into the trenches, the driver's labour component is incidental, or minor, to the supply of the concrete. You are paying for concrete and you do not need to report the amount paid.

If however the driver is a go-getter who pours the concrete, levels and does the formwork, then this is more than incidental. You are paying for the concrete as well as the building and construction service, and the total amount paid is reported.

3) Payments you do not report

You do not need to report:

- payments for building supplies and materials only – also, maintenance of equipment and tools is not a building and construction service

- unpaid invoices as of June 30 each year – for example, if you receive an invoice in June 2018, but you do not pay that invoice until sometime in July 2018, you report that payment in the 2018-19 *Taxable payments annual report*
- pay-as-you-go (PAYG) withholding payments – for example, payments to employees, workers engaged under a voluntary agreement to withhold, workers engaged under a labour-hire or on-hire arrangement. If amounts are withheld because a contractor didn't quote an ABN, you can choose to report the details in the *Taxable payments annual report* instead of reporting them separately in the PAYG withholding where ABN not quoted – annual report. If you make this choice, only report the information in one report.
- if you are a home owner making payments to contractors for building and construction services – for example, if you are building or renovating your own home.



Consult this office for assistance on how to lodge your Taxable payments annual report before August 28 this year. Penalties may apply for not lodging the annual report by the due date.

Important: Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without our prior approval.