

## Essentials on taxable payments annual reports



Operators in some Australian industries as well as select government entities are required by the ATO to lodge a taxable payments annual report (TPAR). The information provided in these reports provides the ATO with the information that allows it to identify contractors who have:

- not included all their income on their tax return
- not lodged tax returns or activity statements
- not registered for GST where they are required to do so
- quoted the wrong ABN on their invoices.

It also allows the ATO to help individual contractors (sole traders) by pre-filling information about these payments into their tax return. There is no requirement for businesses to provide their contractors with details of the information reported, however contractors are within their rights to request this information.

The TPAR lets the ATO know about payments that are made to contractors for providing services. Contractors can include subcontractors, consultants and independent contractors, and they can be operating as sole traders (individuals), companies, partnerships or trusts.

The taxable payments reporting system was initially introduced to address longstanding compliance issues the ATO had identified in the tax affairs of 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.

### The industries

Building and construction service providers have been required to lodge TPARs since 1 July 2012, and operators in this industry are expected to lodge a TPAR by 28 August each year covering payments made over the most recent financial year (for example, the TPAR due in August 2019 will report payments made from 1 July 2018 to 30 June 2019).

The system has since been extended to include other industries. Initially these included cleaning services and courier services, and later was extended to road freight services, IT service providers, and security, investigation or surveillance services. The periods covered and the due dates for each are as follows:

- Cleaning services: for contractor payments from 1 July 2018 (first report due by 28 August 2019)
- Courier services: for contractor payments from 1 July 2018 (first report due by 28 August 2019)
- Road freight services: for contractor payments from 1 July 2019 (first report due by 28 August 2020).
- Information technology (IT) services: for contractor payments from 1 July 2019 (first report due by 28 August 2020)

- Security, investigation or surveillance services: for contractor payments from 1 July 2019 (first report due by 28 August 2020).

### What needs to be reported

Operators in each of the industries covered need to report payments made to contractors that provide those services to each industry.

The details that are required about contractors are generally contained in the invoices (or grant applications in the case of government bodies) that a business receives from them.

The details for each payee include the:

- ABN (where known)
- name (business name or individual's name)
- address
- total amounts for the financial year of the:
  - gross amount paid (including GST plus any tax withheld)
  - total GST you paid them
  - total tax withheld where ABN was not quoted.

If an invoice received from a contractor includes both labour and materials, whether itemised or combined, the total amount of the payment may need to be reported, unless the labour component is only incidental. The ATO says that a payment for labour is considered to be incidental if the labour component "is immaterial to the actual supply".

These are some payments not required in the TPAR:

- payments for materials only
- payments for incidental labour
- unpaid invoices as at 30 June each year
- PAYG withholding payments
- payments within consolidated groups
- payments for private and domestic services.

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