

## Tax Alert

# New reporting requirements for the building and construction industry

June 2012

From 1 July 2012, new tax rules make it compulsory for anyone carrying on a business in the building and construction industry to report details of payments they make for the supply of 'building and construction services'.

In particular, this will apply to payments that are made to contractors. The ATO has said that the information reported about payments made to contractors will be used to detect contractors who have not lodged tax returns or who have not reported all their income.

### Who has to report?

If you are carrying on a business that is primarily in the building and construction industry and you have an Australian Business Number (ABN), then you will have to report the details of the payment you make where a supplier supplies you with:

- *building and construction services*; or
- a combination of both *goods* and *building and construction services*.

'Building and construction services' includes a wide range of activities. It may include any of the following activities if they are performed on (or in relation to) any part of a building, structure, works, surface or sub-surface:

- Alteration
- Assembly
- Construction

- Demolition
- Design
- Destruction
- Dismantling
- Erection
- Excavation
- Finishing
- Improvement
- Installation
- Maintenance
- Management of building and construction services
- Modification
- Organisation of building and construction services
- Removal
- Repair
- Site preparation

If you have paid for any of these services, you may need to report.

### What needs to be reported?

You will need to include the following information for each supplier (in other words, for each contractor you pay):

- ABN, if known;
- name;
- address;

- gross amount you paid for the financial year (this is the total paid including GST); and
- total GST included in the gross amount you paid.

Generally, this information may be found on invoices that you receive from contractors and other suppliers.

## What doesn't need to be reported?

If you make payments to individuals and entities that are subject to the Pay As You Go Withholding rules ("PAYGW") (for example, employees and contractors that do not have ABNs), then these payments will not need to be reported.

You will not have to report payments for materials only. You also will not have to report where payments are made for services that are only incidental to the supply of goods. For example, if you purchase plumbing supplies and you are charged an additional amount for the labour to install them, the installation may only be incidental to the supply of the plumbing goods and you will not need to report this payment. However, whether you need to report or not will depend on the circumstances of each case.

If both you and the supplier are part of the same consolidated group or MEC group, you will not need to report payments that you make to the supplier.

## Does this apply to my business?

You will be carrying on a business that is *primarily* in the building and construction industry (and will need to report) if you satisfy any of the following tests:

- 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 *business income* is derived from providing building and construction services; or
- in the financial year immediately preceding the current financial year, 50% or more of your *business income* was derived from providing building and construction services.

If you make payments in a private or domestic capacity, for example, if you are building or renovating your own home, then you will not need to report. This is because you are not deriving income from building and construction services.

The tax law provides examples of what are building and construction services. If you pay for any of the following services, and meet any of the tests for carrying on a business, then you may need to report:

- 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
- 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

Finally, you should be careful to report at the correct time. The ATO has said that any unpaid invoices for the current financial year should not be reported. If you account for expenses on an accrual basis, then even though your accounts will show any payments owing, you will not need to report until you have actually paid the invoices.

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