



# Taxable payments reporting - building and construction industry

## Overview

From 1 July 2012, businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year. You need to report these payments to us on the *Taxable payments annual report*.



To make it easier to complete the annual report you may need to check the way you currently record your contractor payment information.

## Background

As part of the 2011-12 Federal Budget, the government announced the introduction of taxable payments reporting for businesses in the building and construction industry.

The aim of the system is to improve compliance with tax obligations by those contractors who are currently not doing the right thing.

The information reported about payments made to contractors will be used for our data matching to detect contractors who have not:

- lodged tax returns
- included all their income on tax returns that have been lodged.

## Who needs to report?

From 1 July 2012, you need to report if all of 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
- you have an Australian business number (ABN).

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

- in the current financial year, 50% or more of your business activity relates to building and construction services
- in the current financial year, 50% or more of your business income is derived from providing building and construction services
- 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.

## 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 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.

## Worksheet

We have developed a worksheet you can print to help you record details of payments you make to contractors for their building and construction services, particularly if you keep manual records. You can use the details you record in the worksheet to help you complete your *Taxable payments annual report*.

The worksheet is for your records only - do not send it to us.



For a copy of the worksheet, refer to [Taxable payments reporting - worksheet](#).

## Keeping records

It is important to check the way you keep your contractor payment information to make sure you have the details you need to complete the *Taxable payments annual report*.

For information about record keeping, refer to [Record keeping essentials](#).

## Payments you need to report

You will need to report payments you make to contractors for building and construction services.

Building and construction services include any of the activities listed below 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.



For a list of occupations and work activities that qualify as building and construction services, see [Appendix 1](#).

For examples of what we consider to be buildings, structures, works, surfaces or sub-surfaces, see [Appendix 2](#).

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.



A contractor can be an individual, partnership, company or trust.

### Example 1: Business primarily in the building and construction industry

J and L Builders earns all of its income from building commercial properties for its clients. As 50% or more of J and L Builders' income is from providing building and construction services, it is primarily in the building and construction industry. J and L Builders will be required to report payments it makes to contractors for providing building and construction services.

### Example 2: All business activity in building and construction

ABC, a property developer, has purchased a block of land in the Melbourne city precinct and intends to build apartments. ABC has created a separate entity, Upmarket Apartments Pty Ltd, to manage the project and construction of the apartments. Upmarket Apartments will be required to report payments it makes to contractors for providing building and construction services because 50% or more of its

business activity will relate to building and construction services.

### Example 3: Not all income from building and construction

Scott's Cabinet Makers Pty Ltd is a business that makes and installs custom-made kitchen cabinets, which is a type of activity that is a building and construction service. It also makes and sells ornamental wooden carvings. The table below shows the income Scott's Cabinet Makers earned from its different activities.

Financial year	Income from...	
	Cabinet making	Carvings
Year ended 30 June 2013	45%	55%
Year ended 30 June 2014	60%	40%
Year ended 30 June 2015	40%	60%

As Scott's Cabinet Makers earns 50% or more of its income from building and construction services in the financial year ending 30 June 2014, it will need to report on payments made to contractors in the 2013-14 financial year. Although it will not earn 50% or more of its income from building and construction services in the 2014-15 financial year, it will still need to report payments made to contractors in that year because of its 2013-14 income.

### Example 4: Retail business providing minor building and construction services

Harry's Hardware is a business that sells building equipment to builders and home owners. For an additional fee, Harry's Hardware can arrange for the installation of certain products, such as a skylight. The store will not be required to report payments it makes to contractors who do the installation as its business is not primarily in the building and construction industry, but rather in the retail industry. It does not meet either the activity or income tests of being primarily in the building and construction industry.

### Example 5: Business with separate entity for building and construction services

Harry's Hardware sets up a separate business entity, Harry's Installation Services, to install the products it sells. Harry's Hardware will not have to report on payments made to contractors as it is not carrying on a business that is primarily in the building and construction industry. However, as all of the income for Harry's Installation Services is from the provision of building and construction services (installation of products), it will have to report payments it makes to contractors for such services.

### Example 6: Mining infrastructure

Black Coal establishes a new mining facility that requires the construction of a range of infrastructure. Black Coal contracts Earl's Earthworks to carry out the work. Earl's Earthworks in turn subcontracts the work. Black Coal will not be required to report payments it makes to Earl's Earthworks because all of its income is from coal mining. Earl's Earthworks, which is carrying on a business primarily in the building and construction industry, will need to report payments it makes to subcontractors.

### Example 7: Equipment hire with or without an operator

An equipment hire store provides plant and machinery for hire to the building and construction industry - for example, bobcats, scaffolding and tippers (commonly known as 'dry hire'). The store can also provide the equipment with an operator (commonly known as 'wet hire') for an additional fee. The operator is not an employee of the store but a contractor the store engages. The store will not be required to report payments it makes to the operator if 50% or more of the equipment hire store's income or business activity relates to the 'dry hire' of the equipment, as this is not a building and construction service.

A builder who hires a bobcat **with a driver** will have to report the payment it makes to the equipment hire store for providing a building and construction service. Wet hire is a building and construction service.

#### Example 8: Contractor paying another contractor

Rob's Installation Services (principal contractor) contracts Simon (first tier subcontractor) to install products. Simon is not coping with the amount of work Rob's Installation Services is providing him and subcontracts some of the work to Bill (second tier subcontractor). Rob's Installation Services will need to report on the payments it makes to Simon. If Simon is carrying on a business that is primarily in the building and construction industry he will be required to report the payments he makes to Bill.

## Payments for both labour and materials

Where invoices you receive include both labour and materials, whether itemised or combined, you report the whole amount of the payment unless the labour is incidental.

#### Example 9: Incidental supply of services

Kevin purchases a stock of new taps from Harry's Hardware to install in a commercial building. Harry installs one tap by way of demonstration so that Kevin knows how to install the rest. Harry's Hardware invoices Kevin for the taps and includes a small amount for the labour to demonstrate the installation. Kevin does not need to report the payment he makes to Harry's Hardware because the labour component of installing the tap is incidental to the supply of the materials.

#### Example 10: More than incidental supply of services

An electrical business provides labour and materials for various electrical applications. A builder pays the electrical business for the supply and installation of wiring in a commercial fit out that he is managing. As the provision of the installation service is a building and construction activity and more than incidental to the supply of materials, the builder will be required to report the total payment made to the electrical business. The builder is carrying on a business that is primarily in the building and construction industry.

## When to report

Your *Taxable payments annual report* is due 21 July each year.

The first *Taxable payments annual report* is due 21 July **2013** for payments made in the 2012-13 financial year. In this first year, if you lodge your business activity statement quarterly, you can lodge by 28 July 2013.

## Lodging your Taxable payments annual report

You can lodge your report [online](#) or on [paper](#). You can download a sample *Taxable payments annual report* in Portable Document Format (PDF) - download [Taxable payments annual report](#) (NAT 74109, PDF, 279KB).

Instructions on how to complete the report and the form will be available for ordering online from 1 July 2012.

## Online

If you use commercial software, you can refer to our [Product register](#) to see if your software provider has registered their intention to have the software produce the new annual report or check with your software provider.

More information about lodging the new annual report online will be available closer to the due date for lodgment of the report. You can find general information about how to lodge online by visiting [Online Services](#).

## Product register

The Product register contains a list of software products and providers that have registered their intent to support the new *Taxable payments annual report* in their products for the 2012-13 financial year.

Below are instructions on how to access the list:

### Step 1

Go to the [Product Register](#).

## Step 2

The first time you access the product register, a disclaimer page will appear. Read the disclaimer page.

Select yes to view the first page of the list displaying the first ten products in alphabetical order. If the product you want is not listed on the first page, go to Step 3.

## Step 3

To find a particular product you can either:

- select the next arrow icon, page number or 'Next' that appears at the end of the list for that page
- type the name of the product or the software provider in the 'Enter your keywords' box and select 'Search', or under 'Search on tax requirements' select 'Taxable payments reporting' and select 'Search'

## Paper

If you want to lodge a paper form, you must complete and send the *Taxable payments annual report* to us. You must use this form. You can order it online or by phone after 1 July 2012. If you have more than nine contractors, you will need to order additional forms.

## Payments you do not report

### Payments for materials only

You are not required to report on payments where the invoices are for materials only, such as building supplies and materials.

### Unpaid invoices as at 30 June each year

Do not report any unpaid invoices as at 30 June each year. For example, if you receive an invoice in June 2012, but you do not pay that invoice until some time in July 2012, you report that payment in the 2012-13 *Taxable payments annual report*.

### Pay as you go withholding payments

You do not report payments that are required to be reported in a *Pay as you go (PAYG) withholding payment summary annual report* or a *Pay as you go (PAYG) withholding where ABN not quoted annual report* - for example, payments to:

- employees
- workers engaged under a voluntary agreement to withhold
- workers engaged under a labour hire or on-hire arrangement
- contractors who do not quote an ABN\*.

\* Where an ABN is not provided, the payer must withhold under the existing pay as you go withholding arrangements. If there are instances of no-ABN withholding, you can report the details in the new *Taxable payments annual report* instead of the *Pay as you go (PAYG) withholding where ABN not quoted annual report*.



If a contractor has not provided their ABN, refer to [No ABN withholding - questions and answers](#).

## Payments for private and domestic projects

You will not need to 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.

### Example 11: Home owner paying for building and construction services

Kristyn, who has an ABN for the purposes of running a bookkeeping business, manages the construction of her new home and makes payments directly to the contractors. Kristyn will not be required to report payments she makes to contractors as she is undertaking the activity in a domestic capacity and not as a business.

## Payments within consolidated groups

If you are in a consolidated group or multiple entry consolidated group for income tax purposes, you do not need to report payments you make to another member of that same consolidated or multiple entry consolidated group. This is because members of a consolidated group or multiple entry consolidated group are effectively taxed as a single entity.

### Example 12: Payments within consolidated groups

Brick Co and Paint Co are both members of the same consolidated group for income tax purposes. Brick Co provides building services and makes a payment to Paint Co for painting its building project. As Paint Co and Brick Co are in the same consolidated group, Brick Co will not have to report on the payment made to Paint Co for the provision of painting services. However, it will have to report on payments made to entities outside the consolidated group for the supply of building and construction services.

## Information for contractors within the building and construction industry

If you are a contractor and you do not pay other contractors, then you do not need to do anything. From 1 July 2012, businesses that are primarily in the building and construction industry that pay you for building and construction services will be required to report these payments to us each year. The information reported will be used for data matching to detect those contractors who may not have included all their income or lodged tax returns.

## Webinars (seminars online)

A 45 minute webinar session will outline the requirements of taxable payments reporting. All you will need is a computer with internet access to register and join in a session.



To register, refer to [Taxable payments reporting - building and construction industry webinars](#).

The webinars will run until 29 June 2012.

## More information

For enquiries, phone us on 13 28 66 between 8.00am and 6.00pm, Monday to Friday.

A fact sheet about *Taxable payments reporting* is available. For a copy refer to [Taxable payments reporting - building and construction industry](#) (NAT 74162).

To obtain a printed copy of this publication:

- Use our automated [self-help publications ordering service](#) at any time. You need to know the full title of the publication to use this service.
- Phone our publications distribution service on 1300 720 092. You can speak to an operator between 8.00am and 6.00pm, Monday to Friday. Before you phone, check whether there are other publications you may need - this will save you time and help us. For each publication you order, you need to know the full title.

For general information, refer to:

- [Pay as you go \(PAYG\) withholding - home](#)
- [Contractors - home](#)
- [Employers - home](#)
- [Record keeping essentials](#).

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on 13 14 50.

If you are deaf, or have a hearing or speech impairment, phone the ATO through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone 13 36 77 and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone 1300 555 727 and ask for the ATO number you need
- internet relay users, connect to the NRS on [www.relayservice.com.au](http://www.relayservice.com.au) and ask for the ATO number you need.

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



Water tanks

- Waterworks

Last Modified: Friday, 1 June 2012

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## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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# Taxable payments annual report

## WHAT THIS FORM IS FOR

This form is the annual report to provide details of taxable payments made to businesses in specified industries.


The Commissioner has varied the reporting requirements:

- from quarterly to annual reporting, and
- to only require the reporting of amounts that are paid.

The report needs to be lodged by 21 July.

This form may also be used to report amounts withheld where a payee did not quote an Australian business number (ABN). Any payments included in this report must not be included in a *PAYG withholding where ABN not quoted – annual report*.

## IMPORTANT INFORMATION

 This form should only be completed for the 2012–2013 financial year or later.

You may incur a penalty if you do not lodge your annual report by the due date.

Do not include in this report payments where you have withheld amounts under PAYG withholding for:

- employees
- voluntary agreements

- labour hire or on-hire arrangements
- payments to foreign residents that are reported in the *PAYG withholding annual report – payments to foreign residents*.

Keep a copy of the completed form for your records.

## REPORTING ONLINE

A report can be lodged online if you have software that will produce an annual report data file that meets ATO requirements.

If you report your taxable payments information to us electronically, you do not need to complete this form.

## ORDERING MORE FORMS

If you made payments to more than nine payees, please complete additional annual reports to cover all your payees. Do not photocopy the form or attach additional pieces of paper.

To order more forms:

- visit our website at [www.ato.gov.au/onlineordering](http://www.ato.gov.au/onlineordering)
- phone our automated publications distribution service on **1300 720 092** at any time.



## HOW TO COMPLETE YOUR TAXABLE PAYMENTS ANNUAL REPORT

### Annual report for year ending 30 June

The year must be shown as a four-digit figure. For example, the year ending 30 June 2013 must be shown as 2013 and not 13.

### Section A: Payer details

#### Payer's ABN and branch number

Write your Australian business number (ABN) in the boxes provided. The ABN should be the same as it appears on your activity statements. If you have one ABN, but multiple branches, you should show the branch number. If you do not have a branch number, leave the boxes blank.

#### Payer's name

The name should be the same as it appears on your activity statements.

#### Payer's address

Your street or postal address – write each part of the address separately in the fields provided.

#### Contact name and phone number

Provide a daytime contact name and phone number so that we can contact you if any information needs to be checked.

### Section B: Declaration

Sign and date the form. The *Taxable payments annual report* is now a legal document and the law imposes penalties for giving false or misleading information.

### Section C: Payee details

#### Payee's ABN

Write the ABN in the boxes provided. The ABN should be the same as it appears on the payee's invoice. If no ABN is quoted, leave the boxes blank.

#### Payee's phone number

The mobile phone number or other telephone number of the payee – if the phone number is not included on the payee's invoice, or is not known to you, leave the boxes blank.

#### Payee's name

Write the business name shown on the invoice.

OR

#### Payee's surname or family name and given names

If the payee is an individual, please write the surname or family name and given names separately in the fields provided. These names should be the same as those that appear on the payee's invoice.

#### Payee's address

The street or postal address of the payee – write each part of the address separately in the fields provided. If the address is not included on the payee's invoice, or is not known to you, leave the boxes blank.

### Total tax withheld where ABN was not quoted

This field only needs to be completed for amounts withheld from payments where a payee did not quote an Australian business number. Where this occurred, write the total tax withheld for each payee in whole dollars. Where you provide this information in this report, do not include it in a *PAYG withholding where ABN not quoted – annual report*.

### Total GST

For each payee, provide the total of any GST included in the gross amount paid, in whole dollars.

### Gross amount paid

For each payee, provide the gross amount paid in whole dollars. This is the total amount paid including any GST and tax withheld.

### Amending a Taxable payments annual report

If you need to correct information which was previously provided in a *Taxable payments annual report*, complete a new *Taxable payments annual report*, marking the 'amending an annual report' box with an 'X'.

You only need to complete an amended annual report where the amount fields have been reported incorrectly.

When preparing an amended annual report:

- only include payees where the information needs to be corrected
- complete all fields, showing the amounts as they should have been reported
- send the amended annual report to the address on the front of the form.



You are not required to complete any information for those payees that were reported correctly in the original report.



### MORE INFORMATION

For more information about the payments that must be reported or completing your *Taxable payments annual report*, you can:

- visit our website at [www.ato.gov.au](http://www.ato.gov.au)
- phone us on **13 28 66** between 8.00am and 6.00pm, Monday to Friday.

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50**.

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May 2012

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We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

This publication was current at **May 2012**.









# TAXABLE PAYMENTS REPORTING – WORKSHEET

## DETAILS OF PAYMENTS TO CONTRACTORS FOR BUILDING AND CONSTRUCTION SERVICES

This worksheet may help you record details of payments you make to contractors for building and construction services. You can use the details you record in this worksheet to help you complete your *Taxable payments annual report*.

**This worksheet is for your records only – do not send it to the ATO.**

Financial year	
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Contractor's name
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Contractor's address
----------------------

Contractor's ABN
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Contractor's contact number
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Date paid <i>(eg 02/07/12)</i>	Details <i>(eg invoice number, labour and materials, etc)</i>	Total tax withheld where ABN not quoted	GST amount paid <i>(eg \$100.00)</i>	Total amount paid (including GST) <i>(eg \$1,100.00)</i>
<b>Total</b>				