



INFORMATION SHEET

Workplace Services

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NAT – Requirement to report payments made to subcontractors

Businesses in the building and construction industry are required to report to the Australian Tax Office (ATO) payments made to contractors who carry out building and construction work.

Do I have to report?

The contractor reporting requirements apply if you:

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

“Primarily in the Building and Construction Industry”

You are ‘primarily’ in the building and construction industry if you earned more than 50% of your income from “building and construction services” in the current or previous financial year. This means that builders, developers, kitchen and bathroom and cabinet making businesses are required to report. In most instances businesses like hardware and department stores that may occasionally arrange for the supply and installation of certain products will be excluded.

What payments need to be reported?

Payments made to contractors for building and construction services need to be reported.

Building and construction services include the following activities performed on, or in relation to, any part of a building, structure, works, surface or sub-surface:

- Alteration
- Demolition
- Dismantling
- Finishing
- Maintenance
- Repair
- Management of building and construction services (i.e. project management, contract administration)
- Organisation of building and construction services
- Assembly
- Design
- Erection
- Improvement
- Modification
- Site preparation
- Construction
- Destruction
- Excavation
- Installation
- Removal

In the **attached** appendix are examples of building and construction activities and examples of things that are considered buildings, structures, works, surfaces or sub-surfaces.

Payments to Suppliers

You will also need to remember to report payments made to suppliers in situations where you are paying for more than just a product. For example if you hire an excavator **with an operator** you will have to report the payment made to the hire company.

If you are only purchasing goods then no reporting is required. However if you are invoiced for **goods and services**, you should report the total amount of the payment unless the services are merely incidental.

ATO Examples

Example with incidental labour component

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: Not incidental

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.

Payments for private and domestic building work

Owner builders and other individuals who are building or renovating their own homes and are making payments to contractors for building and construction services are not required to report.

What information will you need to gather?

For each contractor, you are required to report the following information each financial year:

- Australian business number (ABN)
- Contractors name and address
- The gross amount paid for the financial year (this is the total paid including any GST)
- The amount of goods and services tax included in the gross (total) amount paid.

You are only required to report payments in the financial year in which the payment is made.

Therefore to make complying with these new requirements as easy as possible it will be important to review your current record keeping practices and ensure that you are gathering the above information for each contractor you engage.

When do you need to lodge your report?

You are required to lodge a report each year. From 2015 onwards the due date is **28 August**.

How to report

You will need to complete a *Taxable payments annual report* form. This can be completed online provided you have an AUSkey and your accounting software can produce a report which meets ATO specifications; or you can order a paper form online or by calling the ATO on 13 28 66.

For further information and assistance please call HIA Workplace Services on 1300 650 620.

Appendix - Examples of work that falls within the definition of building and construction services

- Architectural work (including drafting and design)
- Asphalt and bitumen work
- Block laying
- Assembly, installation or erection of pre-fabricated houses
- Bricklaying
- Building of room components (e.g. kitchens, bathroom components, laundry components, cupboards, etc)
- Cabinet making (including joinery and offsite 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
- Erection of frames
- Erection of scaffolding
- Excavation and grading
- Fencing
- Finishing
- Flood control system construction
- Flooring (e.g. tiling, laying carpet, linoleum, timber flooring, floating floors)
- 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 (e.g. kitchens, bathroom components, laundry components, cupboards, etc)
- Installation of pre-fabricated temperature controlled structures
- Installation of septic tanks
- Installation of solar devices (e.g. 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)
- Internet infrastructure construction
- Irrigation system construction
- Land clearing
- Landscaping construction (including paving and design)
- Levelling sites
- Painting
- 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, below ground concrete or fibreglass, construction
- Tiling
- Timber work
- Wallpapering
- Waterproofing interior and exterior surfaces
- Weatherboarding

Examples of 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