



Your contract price explained

Building or renovating a new home is an exciting journey for many Australians. However, it can be a mentally and financially stressful time as contract documents are exchanged, variations arise due to item selections or changes to the building work, or the cost of your project may be more than you originally anticipated.

What is the contract price made up of?

HIA fixed price contracts include a fixed price component, allowances for prime costs or provisional sums and GST. The “fixed price component” will often include a margin to cover the builders general business costs and overheads.

Is the builder required to disclose their margin?

No. Under a fixed price contract, the builder is not required to disclose their margin. It may however be included in the contract as it may be applied to variation and prime cost or provisional sum items during construction.

What is the “fixed price component” made up of?

Calculating a contract price is complex and takes into account things such as project specific costs, project fees and charges and general business costs.

- Project specific costs are the costs your builder incurs in completing the works, for example:
 - Labour and services (e.g. your builders hourly rate on site)
 - Cost of building materials (e.g., cost of steel, timber frames or items selected by you)
 - Cost of plant, equipment and services (e.g., scaffolding, cranes and excavators)
- Project fees and charges are external costs your builder has to pay in order for your house to be built or approved, for example:
 - Council fees
 - Building and development approval costs
 - Fees for surveyors, structural engineers, architects
- General business costs are costs that your builder incurs as part of their business, for example any insurances and taxes required to be paid.

How does GST work under a fixed price contract?

Not all items included in a fixed price may attract GST, however, often a builder will provide a fixed price and apply GST directly to that amount. The Contract Price, which is made up of the fixed price component, prime cost allowances and provisional sum allowances (which may include margins) are inclusive of GST.

Can items that are GST-exempt be excluded from the contract price?

Some components of a build may be GST-exempt. However, if these items are required to be included in the contract, your builder must charge GST as it becomes part of the goods and services that they are providing to you.

For example, the following items are common fees, charges, and levies which the builder is required to pay to Government departments. These items are requirements for your build and will generally attract GST if they form part of your building contract. However, some of these items may not attract GST, depending on your state requirements. This includes:

- Government fees, charges, and levies
- Home warranty insurance
- Council fees
- Any levies charged for the project, for example water or sewage
- Inspection fees
- Building application plan fees

If you would like more information on the approach taken in relation to your fixed contract price, feel free to discuss this with your builder.