

TAX OFFICE SOLUTIONS- Taxable Payments Reporting – Building Industry

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What is Taxable Payments Reporting?

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. It is essentially a return to the “prescribed payments system”.

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 data matching to detect contractors who have not lodged tax returns or included all of their income in the tax returns.

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 the ATO on the Taxable payments annual report.

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

Details you need to report

You need to report the following details each financial year for each contractor:

- 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 are contained in the invoices you receive from your contractors.

Banklink has developed software to capture this information and provide the relevant reports. We will be contacting relevant clients about this in the near future.

Clients using MYOB, Quickbooks etc should be able to track the details on their creditors cards. Software updates will specifically track the details.

The ATO has developed a Worksheet that can be printed to help record details of payments made to contractors for their building and construction services, particularly if manual records are kept. The details recorded in the worksheet can be used to assist in the completion of the Taxable Payments Annual Report.

We will require this detail to complete your tax obligations from the 30 June 2013 year.

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