



Australian Government
Australian Taxation Office

Draft guidance: Expansion of the taxable payments reporting system to contractors in the courier and cleaning industries (Form of ATO guidance to be confirmed)

Introduction

This document sets out the proposed draft ATO guidance in relation to the expansion of the taxable payments reporting system to contractors in the courier and cleaning industries.

Draft guidance

Taxable payments reporting for couriers and cleaners

Background

From 1 July 2018, if you are a business that provides courier or cleaning services you will need to report payments you make to contractors if:

- the payments are for courier or cleaning services
- you have an Australian business number (ABN).

Contractors can be sole traders (individuals), companies, partnerships or trusts.

Payments must be reported to the ATO each year using the *Taxable payments annual report*.

Businesses that are required to report will need to collect the relevant information from 1 July 2018. The first annual report will be for the 2018-19 financial year and is due by 28 August 2019.

Work out if you need to report

Couriers

If you're a business that provides courier services, you need to report payments you make to contractors that are wholly or partly for courier services.

Courier services include activities where items or goods are collected from, and/or delivered to, any place in Australia using a variety of methods including by truck, car, station wagon, van, ute, motorcycle, motorised scooter, bicycle or other non-powered means of transport, or on foot.

Courier services do not include:

- passenger transport services e.g. buses and taxis

- transporting of blood, blood products, organs or tissue
- freight transport.

Example 1 - Couriers

ABC Couriers Pty Ltd (ABC) is a business with an ABN and provides parcel and delivery services to a range of clients. ABC engages 4 contractors throughout the year to make deliveries. Lee is one of these contractors and provides ABC with an invoice for the deliveries he completes. As a provider of courier services, ABC will need to prepare and lodge a taxable payments annual report detailing payments it makes to contractors, including Lee, that undertake courier activities for them.

Example 2 – Couriers mixed business

Quick Smart Pty Ltd is a business with an ABN that provides clothing repair and alterations services and also courier services. When they're very busy, Quick Smart engages contractors to carry out their courier services. As Quick Smart is a provider of courier services, they are required to report the payments they make to contractors for courier services.

Example 3 – Mixed transport

Couriers Express has an ABN and provides courier services. Sometimes they need to send items from Melbourne to Brisbane. They engage couriers to pick up items from their warehouse and deliver them to Air Freight Pty Ltd. Air Freight Pty Ltd flies the items to Brisbane, where couriers collect them at the airport and deliver the items to customers. Courier Express is required to report payments that they make to the contractors to pick up and deliver items at each end of the process. They do not need to report payments they make to Air Freight Pty Ltd as they are not providing a courier service, but rather air freight transport.

Cleaners

If you're a business that provides cleaning services, you need to report payments you make to contractors that are wholly or partly for cleaning services.

Cleaning services include any of the following activities undertaken on a building, residence, structure, place, surface, transport/vehicle, industrial machinery or equipment and for events:

- Interior cleaning
- Exterior cleaning (except sand blasting or steam cleaning)
- Carpet cleaning
- Chimney cleaning
- Gutter cleaning
- Road sweeping and street cleaning
- Swimming pool cleaning
- Park and park facilities cleaning.

'Events' include staging of sporting, cultural, scientific, technological, agricultural or entertainment events and exhibitions.

'Transport/vehicles' includes trains, trams, buses, ferries, airplanes, ships, trucks, cars and other motor vehicles.

Example 4 - Cleaners

John and Betty Cleaning Services has an ABN and contracts to clean office buildings and schools in their local area. From time to time, they engage contractors to help them out. As a provider of cleaning services, John and Betty Cleaning Services will need to prepare and lodge a taxable payments annual report detailing payments they make to contractors that undertake cleaning activities for them.

Example 5 – Cleaners mixed business

123 Cleaners (123) sells cleaning products and occasionally engages contractors to provide cleaning services to clients. As 123 has an ABN and provides cleaning services, it will need to report payments it makes to contractors that undertake cleaning activities for them.

Example 6 – Cleaners mixed business

Highlight Management Pty Ltd is a business with an ABN that provides a wide range of services including event management, catering, corporate training and cleaning. As Highlight Management provides cleaning services they are required to report all payments they make to contractors that undertake cleaning activities.

Payments you need to report

If your business provides cleaning services, you only need to report payments you make to contractors for cleaning activities. Similarly, if your business provides courier services, you only need to report payments you make to contractors for courier activities.

If an invoice you receive from a contractor includes both labour and materials, whether itemised or combined, you are required to report the total amount of the payment.

Example 7 - Reporting of mixed invoices

Highlight Management Pty Ltd (Highlight Management), a cleaning business, engaged a contractor to clean a school. As part of the contract the contractor is required to provide their own cleaning products for which they charge Highlight Management. At the end of the month the contractor provides Highlight Management with an invoice of \$3,300 (including GST) for their cleaning services and cleaning products purchased. The total amount of the invoice of \$3,300 is required to be reported.

Details you need to report

The details you need to report for each contractor include:

- ABN (where known)
- name
- address
- gross amount you paid for the financial year (this is the total amount paid including GST)
- total GST included in the gross amount you paid.

Depending on whether you report using the paper form or electronically, we may ask you to include additional information where it is known to you. This additional information includes the contractor's phone number, email address and bank account details (where they are paid by electronic bank transfer).

You are required to report the total payments you make to contractors in the financial year in which the payments are actually made (cash basis).

The details you need to report are generally contained in the invoices you receive from the contractors you engage.

Payments you don't need to report

There are specific payments you don't report on the *Taxable payments annual report*:

- Payments for materials only
- Unpaid invoices as at 30 June each year
- Pay as you go (PAYG) withholding payments, such as those you make to employees, as these amounts are reported in your PAYG withholding payment summary annual report
- Payments within consolidated groups – if you're in a consolidated or multiple entry consolidated group for income tax purposes, you don't need to report payments you make to another member of that same group. This is because members of a consolidated or multiple entry consolidated group are effectively taxed as a single entity. However, each entity in the group will need to consider if they are a business that provides courier or cleaning services, and report payments they make to contractors outside the consolidated group, for courier or cleaning services respectively. If so, they will need to lodge a report.

How to lodge your Taxable payments annual report

The first annual report for businesses that provide courier and cleaning services is due by 28 August 2019, for the year ending 30 June 2019.

Lodging online

Lodging online is a secure, quick and easy way to lodge your report.

You can lodge online through:

- Our portals - if you have business software that can generate the electronic taxable payments annual report, you can lodge online using the Business, Tax Agent or BAS Agent portals. To lodge via the portals your software must meet the electronic reporting specifications. The specifications contain a full list of data elements. You can find a copy of the specifications at <https://softwaredevelopers.ato.gov.au/TPARspecification>
- Standard Business Reporting (SBR) - if you have SBR enabled software that has the reporting functionality, you can lodge directly from the software. If you're unsure, check with your software provider.

Lodging on paper

If you are unable to lodge online, you can order the *Taxable payments annual report* form (NAT 74109) online or by phoning our publications ordering service, and mail us the completed form.

You can't make copies of this form – you must use original forms we've printed.

A sample of the paper form is [available on our website](#).