



Operating outside the system

Our focus on small businesses who deliberately operate outside the tax, super and registry system.

Contractors omitting income



Our focus on contractors incorrectly reporting or omitting contractor income.

Getting taxi service and ride-sourcing provider GST registration and income right



How to get your taxi, limousine and ride-sourcing provider goods and services tax registration right and declare income.

Property and construction industry – key tax and super risks



Our focus on the property and construction industry, including businesses that incorrectly report income or expenses.

Tax risks: property, construction and professional services



As small businesses grow, they must report income and claim deductions and offsets correctly.

Contractors omitting income

Our focus on contractors incorrectly reporting or omitting contractor income.

Published 21 February 2025

Our focus

As part of the taxable payments reporting system (TPRS), businesses must lodge a **Taxable payments annual report (TPAR)** to report payments made to contractors for providing the following services.

- building and construction
- courier
- cleaning
- information technology (IT)
- road freight
- security, investigation or surveillance.

If you work as a contractor and provide any of these services, the business you contract to will report those payments to us on their TPAR. You need to include this income on your tax return.

Through data matching, we are seeing some contractors incorrectly reporting or omitting contractor income. You need to report all your income, including payments made by businesses for your contracting work. If we suspect you may have omitted TPRS income on your tax return, we may:

- contact you or your tax professional via email to request you **amend your tax return**
- contact you or your tax professional via phone call to better understand your circumstances and potentially request you amend your tax return.

If you don't take action, we may conduct a review and audit of your business. Penalties and interest may apply.

For more information, see **Taxable payments reporting and contractors**

How to get it right

If you are a contractor providing TPRS services, remember to include all your income on your tax return. To help you get it right, we include information reported to us about contractor payments to you, in our:

- pre-filling service – easily include these payments in your tax return if you are a sole trader
- **Reported transactions service in ATO online platform** – these records give you transparency about the data that has been provided to us about your business transactions.

Example: Mike the carpenter

Mike is a carpenter who operates his business as a sole trader. Mike sub-contracts to multiple builders and completes his tax return himself.

As he provides building and construction services, the builders must report the payments they made to him during the 2024 income year. They must do this by lodging a Taxable Payment Annual Report (TPAR) with the ATO by 28 August 2024.

Mike does not use the pre-filled TPAR amounts for his tax return. This results in Mike not including all his contractor payments in his reported income. On review, the error was identified, and his 2024 assessment was amended to include the missing income. Mike was required to repay the tax shortfall and may be subject to penalties and interest.



Next year when Mike is completing his tax return, he can review and accept the pre-filled TPAR amounts. These will auto fill into his tax return, making it easy to ensure he has included all his contractor payments in his income.

Keep up to date

We want to make sure you're aware that:

- your tax obligations and allowable deductions may change if the personal services income rules apply to your income
- keeping accurate and complete records will help you meet your tax, super and employer obligations, and help you stay on track.

Learn more by taking our free self-paced online courses at:

- [Record keeping](#) 
- [Personal services income](#) 

You can also:

- Subscribe to our free Small business newsletter to get updates that might impact your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 103860

Getting taxi service and ride-sourcing provider GST registration and income right

How to get your taxi, limousine and ride-sourcing provider goods and services tax registration right and declare income.

Last updated 16 May 2025

Our focus

If you provide taxi, limousine or ride-sourcing services you must register for goods and services tax (GST) regardless of your turnover.



You must collect and pay the GST and income tax on all your rides and all other business income.

We use a range of data sources, including data provided to the ATO by taxi and ride-sourcing platforms, to review the tax file number (TFN), Australian business number (ABN) and GST registration status and other activities of drivers in this industry.

If you're a driver in this industry and don't have a TFN, ABN and GST registration, you need to:

- register now
- collect, report and pay GST on all your future rides as required under the law
- report all your income from your rides in your next tax return.

How to get it right

To get it right, you'll need a TFN, an [ABN](#)  and register for GST. If you're not using a tax professional for your tax affairs, the best way to securely register, report and pay your GST on all your future rides is to get a [myID](#)  and register for ATO online services or Online services for business.

If you don't register for GST, penalties and interest may apply. If you haven't declared all your income for ride-sourcing in prior years you can amend a previous tax return.

You can also contact your tax professional to obtain advice specific to your business needs.

What we'll do if you don't register

We'll continue to monitor drivers who don't have a TFN, ABN or GST registration and those who haven't declared all their assessable income.

If you're a driver who is not registered and complying with your GST and income tax obligations, we may:

- register you for GST
- back-date your GST registration
- instruct you to back-pay all the GST on your prior rides, plus interest

- determine what income tax you need to pay on your taxable income
- apply financial penalties, which you'll also need to pay
- instruct you to complete a number of online courses.


Ride-sourcing driver campaign results

We have seen a positive response to a recent campaign contacting ride-sourcing drivers to remind them to register for GST and check that their tax affairs are in order.

Over 3,000 ride-sourcing drivers registered for GST over a 6-week period through this campaign.

We continue to monitor driver responses to our contact and may take firmer action with drivers who don't engage with us.

Keep up to date

Learn more by taking our free self-paced online courses at [Essentials to strengthen your small business](#) .

You can also:

- subscribe to our free **Small business newsletter** to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103456

Property and construction industry – key tax and super risks

Our focus on the property and construction industry, including businesses that incorrectly report income or expenses.

Last updated 1 August 2025

Our focus

The property and construction industry is a major contributor to Australia's economy, with businesses ranging from sole traders to large businesses. It's also one of the **top industries we receive tip-offs about**, particularly regarding tax and super compliance concerns.

While most small businesses try to do the right thing, we see ongoing issues in this industry with paying the correct amount of tax and GST compliance.

We want to ensure that small businesses in the property and construction industries, for example, builders, contractors or tradies, understand their tax and super obligations and are reporting and claiming correctly. We will take firm action against those who deliberately choose not to engage with us or comply with their obligations.

Due to mistakes, misunderstanding or deliberate behaviour, we are seeing some small businesses in the property and construction industry:

- omitting income through
 - not reporting all income, whether received in cash or money deposited into bank accounts
 - incorrectly classifying income from property development
 - **contractors omitting income** reported to the ATO through the taxable payments reporting system
- overclaiming expenses and GST credits
- incorrectly reporting expenses that are private in nature as business expenses, or not apportioning an expense correctly for business and personal use
- not registering for GST when required
- **using business funds and assets to support their personal lifestyle, tax-free.**

How to get it right

To get it right, you need to report all **assessable business income**, including cash income and any money deposited to your business and private accounts that is related to your business activities. You also need to correctly report your expenses and **business deductions**, including correct apportionment of expenses if the asset was used for both business and private purposes.

Over the coming months we will have a specific focus on the property and construction industry. If we suspect you may have omitted income or overclaimed expenses in your tax return or business activity statements (BAS), we may:

- contact you or your tax professional to request you fix a mistake or amend your tax return or adjust or fix your BAS
- contact you or your tax professional to better understand your circumstances and potentially request you amend your tax return or BAS
- conduct a review or audit of your business – penalties and interest may apply.

Example: omitted TPRS income

Ethan is a sole trader. During the 2024 income year most of his work came from a contracting job through Stonewell Property Group Pty Ltd (Stonewell Property Group), who paid him \$50,000 (GST inclusive) for a commercial retail fit out.

When preparing his BAS and income tax return, Ethan failed to include the income from Stonewell Property Group. This income was reported to the ATO by Stonewell Property Group through the Taxable Payments Reporting System (TPRS).




Ethan was selected for an audit because he didn't report his TPRS income from Stonewell Property Group. During the audit it was found that he also claimed motor vehicle expenses in both his BAS and income tax return without apportioning it between business and personal use.

As a result, Ethan's income tax return and BAS were amended to reflect the correct income and apportionment of deductions. The ATO issued amended assessments with a tax shortfall for the 2024 income year, along with a 50% base penalty as Ethan made

a false and misleading statement when reporting his income and expenses. Interest charges also applied to the shortfall.

Keep up to date

Learn more by taking our free self-paced online courses:

- [Claiming small business tax deductions](#) 
- [Goods and services tax \(GST\)](#) 
- [Essentials to strengthen your small business](#)  provides a suite of self-paced courses that can help you get it right.
- **Small business benchmarks** can help you compare your business's performance against similar businesses in the same industry.

You can also:

- Subscribe to our free **Small business newsletter** to get updates that might impact your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 105299

Tax risks: property, construction and professional services

As small businesses grow, they must report income and claim deductions and offsets correctly.

Last updated 1 October 2025

Our focus

As small businesses grow, their tax and super obligations often become more complex. We want to ensure that growing small businesses with a turnover of between \$1 million to \$10 million clearly

understand their responsibilities, particularly when it comes to accurately reporting all income, deductions and offsets.

We continue to see recurring issues in specific industries. We're watching closely, conducting audits, and applying penalties and interest where needed.

Our focus is on small businesses in:

- the property and construction industry – including builders, contractors and tradies.
- the professional, scientific and technical services sector – such as engineering, design, IT, management and consulting professionals.

In these industries, we continue to see recurring issues due to mistakes, misunderstandings or deliberate behaviour. Common errors include:

- incorrect claims for the R&D tax incentive (R&DTI), especially for activities that don't meet the eligibility criteria
- omitting sales and income in the BAS and tax returns, including income from related entities
- overclaiming expenses and GST credits
- private expenses incorrectly reported as business-related, or not properly apportioned between business and personal use
- failure to register for GST when required
- not seeking independent advice from a registered tax agent, particularly in head contractor and subcontractor arrangements.

While most small businesses try to do the right thing, these areas remain a concern. We'll continue to detect, treat and address those deliberately not meeting their obligations to ensure all small businesses can compete on a level playing field.

Our goal is to support small businesses in getting it right – so they can meet their tax and GST obligations with confidence and honest businesses doing the right thing aren't disadvantaged.

Example: incorrectly claimed R&D tax incentive

Joe and Angus run a solar retail business, Suntraxion Solar Pty Ltd, selling solar panels, batteries and installation services. The business is structured to operate autonomously, outsourcing core functions to overseas suppliers who work with local contractors for installations.

In 2021, the business registered its research and development (R&D) activities with the Department of Industry, Science and Resources (DISR). The purpose of the activities were to develop software that enabled users to design and quote their own solar system and installation. Between 2021 and 2024, Suntraxion Solar Pty Ltd claimed \$1.3 million in deductions, resulting in \$569,000 in refundable R&DTI offsets, mostly for reporting payments to associates, including family members.

Suntraxion Solar Pty Ltd was selected for review due to their large refunds, payments to associates and their outsourced business model. The review found there was insufficient evidence to support the R&DTI claims, especially for payments to associates and because most expenses claimed were part of the business's day-to-day operations.

Despite multiple extensions, Suntraxion Solar Pty Ltd only provided complete records for 7% of the total claim.


As a result, Suntraxion Solar Pty Ltd made a voluntary disclosure, reducing the R&DTI claim by 93%. We issued the business with:

- a tax shortfall of \$205,000
- a 25% base penalty of \$51,250 for failing to take reasonable care
- interest charges of \$75,153 on the outstanding amount.

Claiming the R&DTI offset: key considerations

We've been seeing some small businesses get the following requirements wrong when claiming the R&DTI offset. When claiming it, ensure:

- you're conducting eligible R&D activities – you can only claim the R&DTI offset if you've actually undertaken **eligible R&D activities** during the income year

- your notional deductions are eligible – only certain R&D-related expenses qualify for the offset, including eligible R&D expenditure, the decline in value of R&D assets and contributions made under the [Cooperative Research Centres Program](#) 
- you're maintaining accurate and complete records – you must keep detailed records that clearly demonstrate the R&D activities undertaken and support the amount claimed, including documentation such as project reports, staff timesheets and evidence of who conducted the activities and when
- your R&D activities are registered with Department of Industry, Science and Resources (DISR) – while registration with DISR is mandatory, it does **not** confirm eligibility or guarantee payment of the tax offset
- you're seeking advice from a registered tax agent – discuss your intent to claim the R&DTI offset with a registered tax agent and be cautious of R&D consultants who don't ask you for supporting evidence or who suggest claims that seem overly generous or too good to be true.

We have detailed information available about the **Research and development tax incentive** to help you get it right.

Example: omitting income and overclaiming expenses

Rakesh, a sole trader in the IT sector, earned income during the 2024 income year from 2 income sources:

- \$66,000 from a contract with a large IT company, for developing a software program. This work was performed on the company's premises.
- \$55,000 from additional IT services – including computer repairs, upgrades and website design – generated via social media and word of mouth.

While preparing his BAS and tax return, Rakesh correctly reported the \$66,000 from the IT company, as this amount was prefilled in his tax return based on data submitted through the Taxable payments annual report (TPAR). However, he failed to report the additional income of \$55,000, assuming it would go

undetected since he'd used the funds to purchase a new car and caravan.

Rakesh was selected for an audit following a tip-off from another small business owner. The tip-off alleged that Rakesh requested payment into his personal account and didn't issue a valid tax invoice. The audit revealed:

- undeclared income deposits in Rakesh's bank account
- large cash payments made towards the car and caravan
- incorrect expense claims, including mortgage interest on his private residence, despite not operating a business from home.

As a result, we amended Rakesh's tax return and BAS to reflect the correct income, and disallowed the deductions. We issued him with:

- an amended assessment with a tax shortfall of \$15,575 and GST payable of \$5,000
- a 50% base penalty for reckless behaviour, amounting to \$10,287
- interest charges on the outstanding amount of \$1,468.

Example: failure to report contractor payments and business income

Liam operates a construction business, Biophilix Build Pty Ltd, contracting for large developers. During the 2024 income year, Liam engaged several subcontractors to assist with a series of property developments. One of these subcontractors was Maya, a sole trader who he paid \$85,000 for carpentry and finishing work.

Liam failed to lodge the Taxable payments annual report (TPAR) by 28 August 2024 deadline, and didn't report the payments made to Maya and other subcontractors. We identified this omission during a data-matching review and, as a result, we selected Biophilix Build for an audit.

Our audit revealed that the business had failed to lodge its TPAR, omitting subcontractor payment details. We then issued the business with a failure to lodge penalty of \$1,650, and required the business to submit its overdue TPAR with accurate contractor payment details.

Our further investigation uncovered that Biophilix Build had also under-reported income earned from contracting work. We issued the business with:

- amended assessments with a tax shortfall of \$180,000
- a 50% base penalty for making false and misleading statements amounting to \$90,000
- interest charges.

We also audited Maya and found she had under-reported her business income in her tax return. We issued her with:

- an amended assessment with a tax shortfall of \$25,500
- a 50% base penalty for false and misleading statements amounting to \$12,720
- interest charges.

How to get it right

To get it right you need to:

- Report all **assessable business income**
 - Include cash income and any deposits into business or private accounts that relate to your business activities
 - If your income is primarily generated from your personal skills and effort, the **personal services income (PSI)** rules may apply. You'll need to complete specific questions in your tax return and associated schedules.
- Correctly report business expenses and deductions
 - Ensure all **business expenses** are accurately reported
 - If an asset is used for both business and private purposes, you must apportion the expense correctly




- Only claim deductions that are directly related to your business activities and supported by appropriate records.
- Correctly claim the R&DTI offset
 - You can only claim the offset if you've actually carried out **eligible R&D activities** during the income year
 - Ensure your notional deductions – such as R&DTI expenses, asset depreciation and contributions under the Cooperative Research Centres Program – are eligible
 - Maintain complete and accurate records that detail the R&DTI activities, who conducted them and the time spent
 - Register your R&DTI activities with the Department of Industry, Science and Resources (DISR). Note: registration does **not** confirm eligibility or payment of the offset.

If we suspect you may not have met your reporting obligations, we may:

- contact you or your tax professional to review your engagement processes and help reduce exposure to high-risk subcontractor arrangements
- request that you **fix a mistake or amend your tax return or adjust or fix your BAS**
- seek further information to understand your circumstances and determine whether amendments are required
- conduct a review or audit of your business – if we identify non-compliance, penalties and interest charges may apply.

Keep up to date

Keep your small business on track by staying up to date with the latest tax and compliance information. Learn more by taking our free self-paced online courses designed to help small businesses get it right:

- [Claiming small business tax deductions](#) 
- [Goods and services tax \(GST\)](#) 
- [Essentials to strengthen your small business](#)  – a suite of courses to help you build confidence in managing your obligations

- **Small business benchmarks** – compare your business's performance against similar businesses in your industry.

You can also:

- Subscribe to our free **Small business newsletter** to get updates that might affect your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 105558

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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