LCR 2018/8 - Expansion of the taxable payments reporting system to courier and cleaning services

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Expansion of the taxable payments reporting system to courier and cleaning services

Relying on this Ruling

This publication (with the exception of Appendix 1) is a public ruling for the purposes of the Taxation Administration Act 1953.

This Ruling describes how the Commissioner will apply the amendments in Treasury Laws Amendment (Black Economy Taskforce Measures No. 1) Act 2018.

To the extent it is a public ruling, if you rely on this Ruling in good faith, you will not have to pay any underpaid tax, penalties or interest in respect of matters covered by the Ruling if it does not correctly state how a relevant provision applies to you.

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What this Ruling is about

1. This Ruling sets out the ATO view of amendments made by Schedule 2 of the *Treasury Laws Amendment (Black Economy Taskforce Measures No. 1) Act 2018* (Amending Act) in relation to the expansion of the taxable payments reporting system (TPRS). This Amending Act requires entities that provide courier or cleaning services to report details of transactions where they pay contractors to provide that courier or cleaning service for them.[1] The reporting requirement applies to such payments made from 1 July 2018, unless a reporting exemption applies.

Date of effect

2. This Ruling is effective from 1 July 2018 being the commencement date of the Amending Act.

Context

3. The tax law requires third party reporting of tax-related information about certain transactions to the Commissioner.[2] The reporting of contractor payments was introduced in the building and construction industry from 1 July 2012. The Amending Act extends reporting obligations from 1 July 2018 to courier services and cleaning services by expanding the TPRS. For the purposes of this Ruling, courier services and cleaning services are collectively referred to as **'relevant services'**.

[1] The Amending Act amends section 396-55 of Schedule 1 to the *Taxation Administration Act 1953* (TAA 1953).
[2] Division 396 of Schedule 1 to the TAA 1953.

Reporting requirement

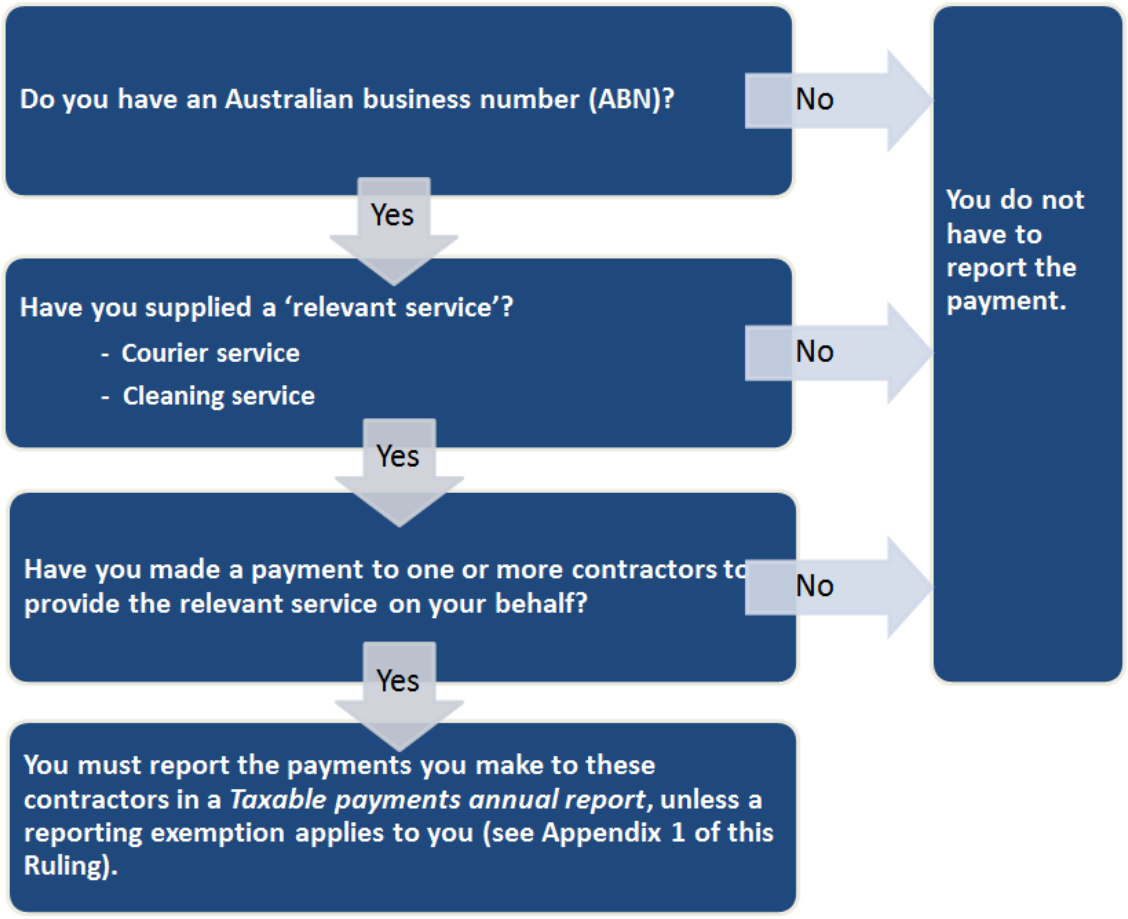
4. Suppliers of relevant services must report any payments made to contractors if:

- the supplier has an Australian business number (ABN)[3]
- the payment is wholly or partly for providing that service on their behalf, and
- a reporting exemption does not apply to them (see Appendix 1 – Reporting exemption of this Ruling).

5. Contractors (or sub-contractors) include sole traders (individuals), companies, partnerships and trusts.[4] The identity of the recipient is not a relevant factor in determining whether a reporting obligation applies.

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

Work out if you need to report



Entities that make a supply

7. 'Supply' takes its meaning from section 9-10 of *A New Tax System (Goods and Services Tax) Act 1999*.

8. You supply a courier or cleaning service when you provide a courier or cleaning service to your customer or client.[5]

[3] Any ABN holder may be subject to the reporting requirement (including individuals, businesses and charities).
[4] Table items 11 and 12 in section 396-55 of Schedule 1 to the TAA 1953 use the word 'entity', which is defined in section 8AAZA of the TAA 1953 as meaning 'a company; a partnership; a person in a particular capacity of trustee; a body politic; a corporation sole; any other person'.

9. If a service you provide to your customer or client can be split into separately identifiable parts and at least one of these parts is a 'relevant service', then that part is a supply of a relevant service for the purposes of lodging a Taxable payments annual report (TPAR). (We refer to this as a '**mixed supply**'.[6])

10. If you provide a relevant service that is merely ancillary or incidental to another product or service you provide, then you are not supplying a relevant service for the purposes of lodging a TPAR. (We refer to this as a '**composite supply**'.[7])

Courier services

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

12. While the mode of transportation can be useful in identifying a courier activity, mode of transportation alone is not determinative. Courier services are usually door-to-door services that are often used for specialty deliveries or for small parcels or packages. Goods commonly transported using courier services include parcels, packages, letters and food.

13. Courier services do not include passenger transport services (for example, buses and taxis) or freight transport.[8]

14. Where an arrangement with a customer involves the supply of goods delivered to the customer, you must determine whether the supply is a composite supply of delivered goods or a mixed supply of a delivery service and of goods:

- Where the delivery is integral (that is, integrated), ancillary or incidental to the supply of the goods, the supply is a **composite supply** of delivered goods. The delivery involved in the composite supply will therefore not constitute the supply of a courier service.
- Where the delivery is a significant component, or could realistically be made as a separate supply, the supply is a **mixed supply** of a delivery service and the goods. The supply of the delivery service as part of the mixed supply will therefore be a supply of a courier service.

15. The Commissioner's view on whether the integrated supply of delivered goods is a mixed or composite supply is contained in Goods and Services Tax Determination GSTD 2002/3 *Goods and services tax: how do I account for GST when I supply taxable goods, non-taxable goods and delivery services together?*

[5] Goods and Services Tax Ruling GSTR 2006/9 *Goods and services tax: supplies*.
[6] This principle adopts the concept of 'mixed supplies' as it is used in relation to GST, see Goods and Services Tax Ruling GSTR 2001/8 *Goods and services tax: apportioning the consideration for a supply that includes taxable and non-taxable parts*.
[7] This principle adopts the concept of 'composite supplies' as it is used in relation to GST, see GSTR 2001/8.
[8] The Government has announced that businesses in the road freight transport industry will be required to report payments to contractors for road freight transport services starting from 1 July 2019, see Budget Paper No. 2: Budget Measures 2018–2019 and Treasury Laws Amendment (Black Economy Taskforce Measures No. 2) Bill 2018 introduced in Parliament on 20 September 2018.

Example 1 – business providing courier and other services

16. *Quick Smart Tailors Pty Ltd operates a business (with an ABN) that provides clothing repair and alteration services. They also operate another business that provides express parcel and letter delivery services for businesses. Even though Quick Smart Tailors provides different services, the parcel and letter delivery service they provide is a courier service that can be identified separately from their clothing repair and alteration service. Further, the delivery service Quick Smart Tailors provides is not ancillary or incidental to their clothing repair and alteration service, because they are separate services in separate businesses. Therefore, Quick Smart Tailors is supplying a courier service to customers via its parcel and letter delivery service.*

17. *Quick Smart Tailors hires couriers to deliver the parcels and letters on their behalf. Therefore they are required to report payments to these contractors, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).*

Example 2 – restaurant with takeaway delivery service

18. *Terrific Thai Pty Ltd operates a Thai restaurant business (with an ABN) which has a takeaway service. Terrific Thai accepts orders directly from customers via telephone and their website. Customers are charged a $5 delivery fee on each order, irrespective of which method they use to order their food. Terrific Thai has contracted directly with Riders Pty Ltd to provide delivery services on their behalf.*

19. *Terrific Thai are selling food which may be consumed on the premises, picked up or delivered. Their delivery service is a separate identifiable service; it is not integral. Their provision of delivered food is a mixed supply of food and courier services. As the courier service is provided by a contractor (Riders Pty Ltd), payments to that contractor which occur on or after 1 July 2018 are reportable in a TPAR (unless a reporting exemption applies).*

20. *Riders Pty Ltd is providing courier services to their clients. If they engage contractors (or sub-contractors) to provide those services on their behalf, Riders Pty Ltd will also be subject to the TPRS reporting obligation (unless a reporting exemption applies).*[9]

Example 3 – online florist contracting out delivery

21. *Daisy Bouquet Pty Ltd operates a business (with an ABN) that runs a floristry business via a website. It does not have a shopfront. Customers purchase flowers from Daisy Bouquet on its website and the flowers are delivered via courier (with no option for the customer to collect the flowers themselves). The courier drivers are contractors engaged by Daisy Bouquet. Daisy Bouquet charges customers a delivery fee in addition to the price of the flowers. Because customers can only obtain the flowers they purchase via delivery and the delivery is ancillary and incidental to the supply of the delivered flowers, Daisy Bouquet is making a composite supply of delivered flowers. Daisy Bouquet is not supplying a courier service when it sells flowers to customers, even though it charges customers a fee for delivery. Therefore Daisy Bouquet is not required to report payments it makes to its contractor couriers.*

[9] If Riders Pty Ltd use employees to provide the services, payments to the employees are not reportable under the TPRS, as they are subject to Pay As You Go Withholding and otherwise reportable: paragraph (b) in Column 2 of table item 12 in section 396-55 of Schedule 1 to the TAA 1953.

Example 4 – business providing freight transport services

22. *Longhaul Freight Pty Ltd operates a business (with an ABN) that uses semi-trailer trucks to receive and deliver bulk groceries, from grocery suppliers to supermarket stores. Longhaul Freight uses contractors to drive its trucks. As Longhaul Freight is transporting bulk quantities of groceries, it is supplying a freight transport service. A freight transport service is not a courier service, so Longhaul Freight is not required to report payments it makes to contractors in the 2018–19 income year.*[10]

Example 5 – freight transport via smaller vehicles due to operational requirements

23. *Continuing from Example 4, Longhaul Freight Pty Ltd is contracted to transport a consignment of bulk groceries to a supermarket in a remote location. There is only one road to this location from Longhaul Freight's nearest distribution centre and the road is not suitable for heavy vehicles. Longhaul Freight divides the consignment into smaller loads and uses contractors to transport these smaller loads in vans to the supermarket. As the agreement between parties was for the transportation of a bulk quantity from one location to another, Longhaul Freight is still supplying a road freight service (not a courier service) even though it transports the groceries in smaller vehicles. The manner of transport does not necessarily change the nature of the service provided. Longhaul Freight is therefore not required to report payments made to their contractors in the 2018–19 income year.*

Example 6 – transporting goods to a distribution centre for further delivery by couriers

24. *Wow Couriers Pty Ltd operates a business (with an ABN) that provides delivery services Australia-wide. Wow Couriers uses contractors to transport shipping containers from docks to its distribution centres around Australia. This service is a freight service rather than a courier service, so Wow Couriers is not required to report payments it makes to contractors to provide these services in the 2018–19 income year.*

25. *Once the items arrive at the distribution centres, Wow Couriers' staff sort and batch the items, then local couriers are contracted to deliver the items to their individual intended recipients. The delivery of these items to the intended recipients is a supply of a courier service as Wow Couriers is now providing a door-to-door delivery service of numerous items to various recipients. Therefore Wow Couriers are required to report payments to the contractors who provide the courier service on their behalf, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).*

Cleaning services

26. Cleaning services include, but are not limited to, 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)
- carpet cleaning
- chimney cleaning
- gutter cleaning
- road sweeping and street cleaning
- swimming pool cleaning, and

[10] See footnote 8 of this Ruling.

- park and park facilities cleaning.

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

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

29. Where an arrangement with a customer involves the supply of cleaning services and other services, you must determine whether the supply is a composite supply of the services or a mixed supply of a cleaning service and the other services:

- Where the cleaning is integral (that is, integrated), ancillary or incidental to the supply of the service, the supply is a **composite supply**. The cleaning part of the composite supply will therefore not constitute the supply of a cleaning service for present purposes.
- Where the cleaning is a material component, or could realistically be made as a separate supply, the supply is a **mixed supply** of a cleaning service and other services. The supply of the cleaning service as part of the mixed supply will therefore be a supply of a cleaning service for present purposes.

Example 7 – business selling cleaning products and occasionally providing cleaning

30. *Cleaners & All operates a business (with an ABN) that sells cleaning products. Occasionally, customers that purchase their cleaning products also engage them to provide cleaning services. The cleaning services provided to these customers are separate to the sale of their cleaning products, so Cleaners & All is supplying a cleaning service.*

31. *Cleaners & All hires contractors to provide the cleaning services on their behalf. Therefore Cleaners & All are required to report payments it makes to contractors who provide the cleaning services, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).*

Example 8 – business providing gardening and ancillary cleaning services

32. *Efficient Gardening Pty Ltd operates a business (with an ABN) that provides gardening services to homes, including trimming, hedging and weed control. Efficient Gardening pays contractors to provide these gardening services on their behalf. As part of the gardening services, the contractors clean up after themselves at the end of a job by sweeping verandahs and pavements, and removing plant cuttings, weeds and dirt.*

33. *This cleaning service is incidental to and integrated with the gardening services provided by Efficient Gardening. The cleaning is undertaken as a part of providing the gardening services to customers. This a composite supply of a garden care/maintenance service. Efficient Gardening is not supplying a cleaning service when its contractors clean up after a job for a client. Efficient Gardening is therefore not required to report payments made to their contractors.*

Example 9 – business providing cleaning and other services

34. *Highlight Management Pty Ltd operates a business (with an ABN) that provides a wide range of services including event management, catering, corporate training and cleaning. Highlight Management has an agreement with an industry association to manage a five-day industry forum event. The agreement specifies that Highlight Management will provide and manage the IT equipment for the event venue, provide chauffeurs for specific attendees, provide daily catering and ensure the venue is cleaned at the end of each day.*

35. *The cleaning services Highlight Management provide are discrete and separate from the other services they provide to their client. The cleaning services are not ancillary or incidental to the other services because the cleaning services can be undertaken independently of the other activities (and in fact are provided by different teams). Highlight Management is supplying a mix of cleaning services and other services to their client (the industry association) and engaging contractors to provide these services on their behalf. Therefore Highlight Management are required to report payments to the contractors who provide the cleaning services on their behalf, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).*

Example 10 – owners corporation manager contracting cleaners as agent

36. *Condo Living Pty Ltd is the appointed owners corporation manager for an apartment block in Melbourne and has an ABN. Condo Living is acting as agent for the owners corporation when it contracts cleaners to regularly clean and maintain the common areas of the property. Condo Living pays for the contractors' services from the owners corporation fees which are periodically collected.*

37. *Condo Living is not supplying a cleaning service to the owners corporation or owners, rather it is acting as agent for the owners corporation. Condo Living is not supplying a relevant service, therefore is not required to report the payments it makes to the contracted cleaners.*

Payments to contractors to provide this service on your behalf

38. If you supply a relevant service, you must report payments you make during the income year to one or more contractors to provide that service on your behalf. Contractors you engage to provide other services are not within the scope of this reporting requirement.

39. 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.

40. You are required to report these payments in a TPAR, unless a reporting exemption applies (see Appendix 1 of this Ruling).

Example 11 – business with mostly employees engages a contractor

41. *Clean Faster Pty Ltd operates a cleaning service business (with an ABN). Clean Faster has several employees to provide cleaning services to clients.*

42. *In the 2018–19 income year Clean Faster did not use any contractors to provide cleaning services, so has not made any payments which would be reportable under the TPRS.*

43. *In the 2019–20 income year, Clean Faster engaged a contractor to fill in whilst an employee was on long term leave. That contractor provided cleaning services on Clean Faster's behalf. Therefore Clean Faster is required to report payments to the contractor in a TPAR (unless a reporting exemption applies).*

Example 12 – employees and contractors delivering products via different modes of transport

44. *In A Hurry Pty Ltd operates a business (with an ABN) that provides courier services mainly within Melbourne. On one occasion in the 2018–19 income year, In A Hurry needs to send items to Brisbane. To facilitate this:*

- *their employees transfer the items from their Melbourne warehouse to an air freight company, Speedy Air Freight Pty Ltd*
- *Speedy Air Freight adds the items to their larger consignment and flies the consignment to Brisbane*
- *In A Hurry engages local Brisbane couriers to collect the items and deliver them to the Brisbane recipient.*

45. *In A Hurry provides courier services to their clients. As they engaged a contractor to provide that courier service on their behalf (the Brisbane courier), In A Hurry is required to report payments it made to the contractor in a TPAR for the 2018–19 income year (unless a reporting exemption applies).*

46. *In A Hurry does not need to report payments it made to Speedy Air Freight because they are supplying a freight service, not a courier service.*

Example 13 – payments for combined labour and materials

47. *Cleanest Management Pty Ltd operates a business (with an ABN) that provides cleaning services. Cleanest Management is engaged to clean a school and hires a contractor to undertake this work. The contractor is required to provide their own cleaning products, for which they may invoice Cleanest Management.*

48. *During the 2018-19 income year the contractor invoices Cleanest Management for $3,300 (GST-inclusive) for their cleaning services and cleaning products purchased. The total amount of the payment ($3,300) must be reported by Cleanest Management in a TPAR (unless a reporting exemption applies).*

Payments you don't need to report

49. The following types of payments are not required to be reported in the TPAR:

- payments for materials only
- invoices unpaid at the end of the income year
- PAYG withholding payments, such as those you make to employees or under a voluntary agreement to withhold[11]
- payments within consolidated groups[12]
- payments made by individuals for private or domestic reasons.

Consolidated groups

50. Payments within consolidated groups are excluded from the reporting obligation imposed by the Amending Act.[13] This exclusion does not extend to payments made by a member of a consolidated group to contractors outside the group.

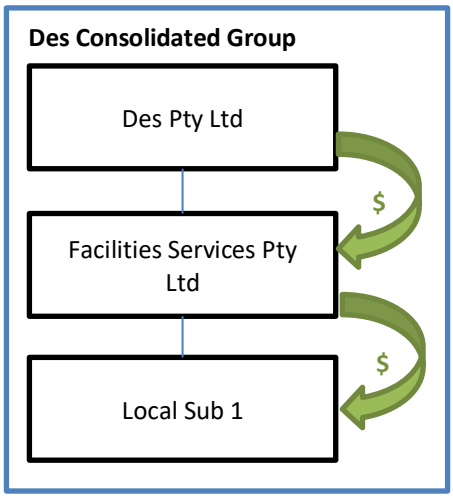
51. As noted in paragraph 5 of this Ruling, the identity of the recipient is not relevant in determining whether the TPRS reporting obligation applies. As such, an entity that is a member of a consolidated group who supplies a relevant service and pays someone outside the group to provide that service may have a reporting obligation regardless of whether the recipient of the service is another member of the consolidated group or a third party outside the group.

[11] Column 2 of table items 11 and 12 in section 396-55 of Schedule 1 to the TAA 1953.
[12] See footnote 11 of this Ruling.
[13] See footnote 11 of this Ruling.

52. The reason is that the core purposes for which the consolidation rules apply are limited to working out the amount of the head company and subsidiary members' liability for income tax and the amount of any loss.[14] That is, the single entity rule does not apply to the circumstances giving rise to TPRS reporting obligations.

Example 14 – consolidated group

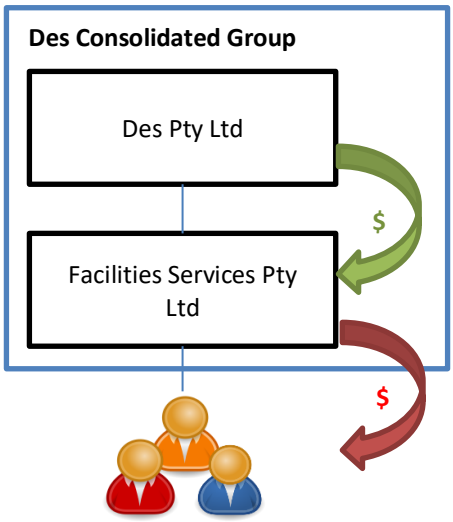
53. *Des Pty Ltd is the head company of a tax consolidated group which operates a commercial property business. It rents office space in three cities for the group's staff to conduct their business. In relation to its premises, Des contracts one of the subsidiary companies within the group, Facilities Services Pty Ltd, to manage contracts with landlords, fit out, maintenance, refuse and cleaning services on behalf of the group. Facilities Services has a subsidiary company setup to operate in each city: Local Sub 1, Local Sub 2 and Local Sub 3. The Local Sub companies employ local staff to provide the functions; they generally do not sub-contract out these functions. A partial group structure showing the payment flow of this arrangement is set out below.*



54. *Facilities Services are providing cleaning services (amongst other services) to Des, and payments from Facilities Services to Local Sub companies are contractor payments for those cleaning services. However, the payments are made by an entity that is part of a consolidated group to an entity within the consolidated group. Therefore, the payments are not subject to the TPRS reporting obligation.*

55. *In a later year, Des opens a new office in another city. Facilities Services decides to trial contracting directly with local cleaners (who are not within the consolidated group) for the first year of the building's operation. A partial group structure showing the payment flow of this arrangement is set out below.*

[14] See subsections 701-1(2) and (3) of the *Income Tax Assessment Act 1997* and Taxation Ruling TR 2004/11 *Income tax: consolidation: the meaning and application of the single entity rule in Part 3-90 of the Income Tax Assessment Act 1997*.



56. *As Facilities Services has an ABN, supplies a relevant service (being cleaning) to Des and makes payments to contractors outside the consolidated group to provide those cleaning services, Facilities Services must report the contractor payments in a TPAR (unless a reporting exemption applies).*

Example 15 – mixed personal and business payments

57. *Svetlana is a sole trader (with an ABN) who runs her own cleaning agency. Clients contact her asking for their homes and offices to be cleaned. Svetlana keeps a list of contract cleaners she engages and pays for each cleaning job. Svetlana asks one of these contractors to clean her own home and pays the contractor for this from her personal bank account.*

58. *Svetlana is required to report the payments made to contractors that undertake cleaning services for her business (that is, providing cleaning services to her clients on her behalf). Svetlana is not required to report the payment made to the contractor for cleaning her personal home, as this is a payment made by Svetlana in her private capacity. She is a consumer of that service for her private residence, it is not a business transaction; she has not been contracted to provide that service.*

Appendix 1 – Reporting exemption

This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.

59. If you have an ABN, supply a relevant service and you make payments to one or more contractors to provide that service on your behalf, as described in the Ruling, you must report information about those payments to the Commissioner in a TPAR. However, if your circumstances are within a reporting exemption, you are exempt from the requirement to report these payments.

60. The reporting exemptions for cleaning services and courier services included in the Amending Act are[15]:

- Where payments received by the entity for **courier services** are less than 10% of the entity's current or projected GST turnover (whichever is applicable to the business).
- Where payments received by the entity for **cleaning services** are less than 10% of the entity's current or projected GST turnover (whichever is applicable to the business).

61. If you are not required to report your contractor payments under the tax law, you may still lodge a TPAR disclosing payments you have made to contractors. If you decide to voluntarily report payments to contractors, that choice does not restrict you from choosing whether or not to give a report for a later period.

Work out if a reporting exemption applies

62. If you supply a relevant service and make payments to contractors to provide those services on your behalf, use this formula to work out if you are exempt from reporting those payments in a TPAR:

$$\frac{\text{Total payments you receive for supplies of a relevant service in the income year}}{\text{Total current or projected GST turnover of your entity}} \times 100$$

63. If the result of you applying this formula is less than 10%, you do not have to report the payments to contractors for supplying the relevant service on your behalf.

64. Your **'current GST turnover'** for the purposes of the formula is your GST turnover for the current income year, provided you have been operating as a business for at least 12 months.[16] If you have been operating as a business for less than 12 months, then you must use 'projected GST turnover' in the formula.[17] Your **'projected GST turnover'** for the purposes of the formula is your likely GST turnover for the following income year.[18]

[15] See Schedule 2 Part 2 items 3(2) and 3(3) of the Amending Act.
[16] Section 188-15 of the *A New Tax System (GST) Act 1999*.
[17] See Schedule 2 Part 2 item 3(7) of the Amending Act. See also Goods and Services Tax Ruling GSTR 2001/7 *Goods and services tax: meaning of GST turnover, including the effect of section 188-25 on projected GST turnover*.
[18] Section 188-20 of the *A New Tax System (GST) Act 1999*.

65. When you calculate the total payments you receive for supplies of courier or cleaning services for the income year, you must include all payments you receive for supplies of courier services or cleaning services you provide, regardless of whether an employee or a contractor performed those services for you.[19]

66. If your business supplies more than one relevant service, you must work out if you are exempt for each service separately. If, for example, you are exempt from reporting contractor payments for cleaning services but not for courier services, you only need to report contractor payments for courier services.[20]

Example 16 – takeaway restaurant charging for some deliveries

67. *Wai's Pizza operates a dine-in and takeaway pizza business (with an ABN). Wai's Pizza also offers a delivery service which is provided free for orders over $50, and charged at $10 for lower value orders. The delivery service is not integrated with their pizza production business, rather it is a separate supply of a courier service. Wai's Pizza uses contractors to deliver their pizzas.*

68. *For the 2018–19 income year, Wai's Pizza's current GST turnover was $100,000, which included $5,000 in delivery fees. The $5,000 received in delivery fees is 5% of the business' current GST turnover for that year. As less than 10% of their GST turnover came from providing a relevant service, Wai's Pizza is within the reporting exemption and is not required to report its payments to contractor couriers for the 2018–19 income year.*

Example 17 – business providing cleaning and other services

69. *JB Building Services (JBBS) operates a business (with an ABN) that provides a range of building maintenance services including office cleaning. The office cleaning can be identified separately from the other building maintenance services it provides. JBBS are supplying a cleaning service to its customers when it provides office cleaning, for which it uses both employees and contractors.*

70. *In the 2018–19 income year, the total current GST turnover for JBBS is $100,000, of which $10,000 was for cleaning services. The payments it received for cleaning services are 10% of its total current GST turnover for that year. Therefore JBBS is not exempt from the reporting requirement; it must report the payments it made to its cleaning contractors in a TPAR for the 2018–19 income year.*

71. *JBBS' records show that they paid $7,000 to their cleaning contractors in that year. Note that the reporting exemption is based on payments the business receives for providing relevant services to their customers, rather than the payments it makes to its contractors. Details of the $7,000 payments are what must be reported in the TPAR as payments to contractors for providing relevant services.*

Example 18 – business that has been operating for less than 12 months

72. *Alphonso Cleaning Agents Pty Ltd operates a business (with an ABN) that provides cleaning services and hires contractors to undertake those cleaning activities.*

73. *Alphonso Cleaning Agents has only been operating for six months by the end of the 2018–19 income year. Therefore Alphonso Cleaning Agents must estimate its projected GST turnover for the 2019–20 income year to work out if it is exempt from the reporting requirement.*

[19] See Schedule 2 Part 2 items 3(2)(a) and 3(3)(a) of the Amending Act.

[20] See paragraph 2.24 of the Revised Explanatory Memorandum to the Treasury Laws Amendment (Black Economy Taskforce Measures No. 1) Bill 2018.

74. *Alphonso Cleaning Agents expects its projected GST turnover in the 2019–20 income year to be $90,000. The payments it has received for its cleaning services in the 2018–19 income year are $36,000. This equals 40% of its projected GST turnover for the 2019–20 income year. As this is not less than 10%, Alphonso Cleaning Agents is not exempt and must report the payments it made to its cleaning contractors in a TPAR for the 2018–19 income year.*

Example 19 – business providing courier and cleaning services

75. *Best Cleaners and Couriers Pty Ltd operates a business (with an ABN) that provides separate cleaning and parcel delivery agencies. Its cleaning agency supplies cleaning services to homes, while its parcel delivery agency supplies courier services to small businesses. Best Cleaners and Couriers engage contractors to provide each of these services.*

76. *Best Cleaners and Couriers has a current GST turnover in the 2018–19 income year of $1 million, $950,000 of which is received from customers for its cleaning services. This is 95% of the current GST turnover for Best Cleaners and Couriers in that year. Best Cleaners and Couriers is not exempt from reporting the payments it made to its cleaning contractors in a TPAR for the 2018–19 income year.*

77. *Best Cleaners and Couriers received $50,000 for its courier services in the 2018-19 income year. This is 5% of its current GST turnover for that year. As this is less than 10%, Best Cleaners and Couriers is exempt from reporting the payments it made to its courier contractors in that year.*

Commissioner of Taxation
31 October 2018

References

Previous draft:

Previously released in draft format as LCR 2018/D6.

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