GSTR 2000/14 - Goods and services tax: transitional valuation of work-in-progress for head contractors in the building or civil engineering industries

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Goods and Services Tax Ruling

Goods and services tax: transitional valuation of work-in-progress for head contractors in the building or civil engineering industries

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Preamble

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you - provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

*[**Note:** This is a consolidated version of this document. Refer to the Legal Database (http://law.ato.gov.au) to check its currency and to view the details of all changes.]*

What this Ruling is about

1. This Ruling explains how a head contractor should determine the value of work and materials permanently incorporated into or affixed to the site of a building or civil engineering work as at the start of 1 July 2000, where the building or civil engineering work is incomplete (that is, work-in-progress) at that date.

2. The value should be determined in a manner specified by the Commissioner, as required by section 19 of *A New Tax System (Goods and Services Tax Transition) Act 1999* (the 'Transition Act').

3. The methods of valuation specified by the Commissioner are set out in the attached Commissioner's Specification - *A New Tax System (Goods and Services Tax Transition) Act 1999 Specified Manner of Determining Value of Construction Work-in-Progress Specification (No.1) 2000*. This Ruling further explains the valuation options set out in that Specification.

4. This Ruling applies to a supply of goods or real property to the extent that the supply is the construction, major reconstruction, manufacture or extension of a building or civil engineering work.

5. This Ruling does not apply to:

(i) a supply of professional services (for example design services), where the supply is made under a separate agreement from the construction agreement; or

(ii) a construction you undertake on your own land.[1]

6. All legislative references in this Ruling are to the Transition Act unless otherwise stated.

Date of effect

7. This Ruling applies [to tax periods commencing] both before and after its date of issue. However, this Ruling will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Background

8. The 'time of supply' rules contained in section 6 of the Transition Act determine when a supply is made under an agreement which spans 1 July 2000. Under subsection 6(3), a supply or acquisition of real property is made when the property is made available to the recipient. With a construction project,[2] this would normally occur when the building or civil engineering work is completed.

9. Because of this, where completion occurs on or after 1 July 2000, the entire supply would (without a special transitional rule) be subject to GST, even if most of the work and materials were provided before 1 July 2000.

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[1] Refer Draft Ruling GSTR 1999/D9, titled "The margin scheme for supplies of real property held prior to 1 July 2000"

[2] See paragraph 12 for what is a 'construction project'.

10. To prevent this outcome, subsection 19(3) provides that Goods and Services Tax ('GST') is calculated only on the excess of the value of the total supply over the value of all work and materials permanently incorporated in or affixed on the construction site at the start of 1 July 2000.

11. The value of work and materials as at the start of 1 July 2000 will be excluded from GST only to the extent that the value is determined in a manner specified by the Commissioner[3] – see the attached Commissioner's Specification.

Construction Project

12. For the purposes of this ruling, the construction, major reconstruction, manufacture or extension of a building or civil engineering work is referred to as a 'construction project'.

13. A construction project includes:

(i) building a house, apartment block, factory or office block;

(ii) extending a house to add an extra bedroom, or extending a hospital by adding a new wing;

(iii) the major reconstruction of a warehouse to create commercial offices;

(iv) the construction of a road, a tunnel, a dam, a bridge, a power station, or a water treatment plant.

Head contractor

14. For the purposes of this Ruling, a head contractor is a contractor who supplies a construction project on or after 1 July 2000, under a written agreement entered into before 1 July 2000.

Distinction between section 19 and the margin scheme

15. Section 19 of the Transition Act and Division 75 (the margin scheme) of the *A New Tax System (Goods and Services Tax) Act 1999* both require valuation of real property as at 1 July 2000. However, they are not alternatives from which a supplier may choose in a particular situation.

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[3] Subsection 19(4).

16. Section 19 applies only to a construction project, not to the land on which the construction project is taking place. Because of this, the valuation required does not include the land, and the supplier will be subject to GST only on the work and materials permanently incorporated in or affixed on the construction site on and after 1 July 2000.

17. Under Division 75, the need for a valuation as at 1 July 2000 or a later date only arises where a freehold interest in land, a stratum unit, or a long term lease, which is acquired or held before 1 July 2000, is granted or sold on or after that date. The valuation includes the land.

Previous Rulings

18. This Ruling replaces GST Bulletin, GSTB 1999/2 – *How to determine the value of construction work-in-progress.* Accordingly, that Bulletin is withdrawn from the issue date of this Ruling.

Ruling

19. A head contractor may value the work and materials permanently incorporated in or affixed on the site of a building or civil engineering work under one of three methodologies (Options A-C) as specified in the attached Commissioner's Specification. These are:

(a) total of approved progress claims to 1 July 2000 (see paragraph 38 for further explanation);

(b) uniform increase between approved progress claims (see paragraph 47 for further explanation); and

(c) independent valuation by a recognised person or by an in-house employee with the same qualifications or experience as a recognised person (see paragraph 50 for further explanation).

Explanations (this forms part of the ruling)

Subcontractors and section 19

20. The supply referred to in section 19 is the supply of an entire construction project. This intention is made clear in the Explanatory Memorandum to the Transition Act, at paragraph 2.76:

> 'The supply is the supply of the total construction project itself as provided for in the agreement, not the components in its creation;'

21. Section 19 generally does not apply to an agreement involving a subcontractor, as a supply under such an agreement is typically not a supply of a complete construction project. A subcontractor is typically engaged by a head contractor to supply components of the complete construction project.

22. However, section 19 will apply to an agreement between a subcontractor and a head contractor if the agreement is for the supply of a complete construction project.

23. For example, section 19 will apply to a subcontract agreement for the construction of a complete bridge, where that bridge forms part of the supply by a head contractor of several kilometres of roadway.

Supplies that do not come within section 19

24. Section 19 does not apply to a supply of goods or real property unless that supply is the construction, major reconstruction, manufacture or extension of a building or of a civil engineering work and the supply is made under a written agreement made before 1 July 2000. Whether or not a supply of particular goods comes within section 19 will depend upon the terms of the written agreement between the head contractor and the recipient.

25. In some circumstances the contract will not allow for any separate supplies to be made from those specified in the contract. Some house packages clearly specify that a completed house is to be provided and no variations in relation to the supply are permitted. Likewise contracts to build a whole specialist processing facility are often entire (these are sometimes referred to as 'turn key' contracts).

26. Other contracts may be more flexible and do not prevent the recipient from providing materials for use in construction or for the head contractor to supply materials as directed by the recipient during construction. The client may wish to select the tiles, carpet, light fittings, kitchen or bathroom fittings as construction takes place and the contract price may be altered to reflect these variations (eg more expensive bathroom tiles might increase contract price by $800).

27. Where the written agreement for the construction project is sufficiently flexible to allow separate supplies of goods, and property in the goods passes to the recipient prior to incorporation in the construction project section 19 does not apply to supplies of these goods. Building and civil engineering materials supplied prior to incorporation under a separate agreement or a specific provision in the construction agreement will be taken to be supplied at the time specified in paragraph 6(2)(a).

Example 1

28. Richard and Shirley have entered into a contract with a builder for the construction of a house for $100,000 on their land. They have the option under the contract of providing items such as light fittings, air conditioner, bathroom fittings themselves or where they want items which are different to the standard items specified in the contract (eg white bathroom tiles) they may direct the builder to acquire the goods. The supply of goods in circumstances where a builder's contract allows for such separate supplies of goods and property in the goods is transferred to Richard and Shirley prior to the goods being incorporated or affixed to the house, is not a supply to which section 19 applies. The timing of the supply of these goods will be when the goods are removed.

Affixing services and section 19

29. Although materials may be acquired by a recipient under a supply which does not fall within section 19 any work undertaken in incorporating or affixing those materials by a head contractor will be taken into account in determining the value of work under section 19.

Example 2

30. Richard and Shirley (as continued in the above example) request the builder to supply *specially imported taps and bathroom tiles, and property in those goods passes to Richard and Shirley on 23 June 2000. Although these goods are a supply outside of section 19 any work undertaken installing those materials will to the extent it is undertaken before 1 July 2000 form part of the value determined under options B and C, and under option A to the extent that tap installation or tile laying occurs before the last pre 1 July 2000 progress claim.*

Division 165 and large projects

31. It should however be noted that where a contract for a large construction project (e.g., office block, high rise residential tower, smelter) is altered or a separate agreement is entered into to exclude unaffixed materials from section 19 (e.g., pre 1 July 2000 stockpiling of goods) so that GST is not payable on those unaffixed materials and the recipient would not be entitled to an input tax credit the Commissioner may examine the supply under Division 165 of *A New Tax System (Goods and Services Tax) Act 1999.*

Sales tax and GST

32. The recognition that some supplies of building materials are made to a recipient in circumstances where section 19 does not apply may result in sales tax being payable on those building materials (e.g., air conditioner, sanitary ware) if purchased prior to 1 July 2000 with no credit being available for the sales tax. The exclusion of recipient purchased pre 1 July 2000 building materials from section 19 will however mean that the materials are not subject to GST.

33. The symmetry between GST and sales tax is also maintained where section 19 applies in that if a head contractor holds materials at the start of 1 July 2000 and these materials are not permanently incorporated or affixed to a site, GST will be payable on those materials and a sales tax credit will arise to the head contractor under section 16.[4]

What is the 'operative date'

34. Under subsection 19(2), the value of work and materials must be determined 'as at the start of 1 July 2000'. This is in line with the general premise of the Transition Act that GST is only payable on a supply to the extent it is made on or after that date.[5]

35. However, under section 13, a supply under a written agreement made before 8 July 1999 may remain GST-free beyond 1 July 2000, depending on the date and terms of the agreement. If section 13 applies to an agreement under this Ruling, the date for valuation becomes the earlier of 1 July 2005 and the date the first review opportunity under the agreement arises.[6]

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[4] Refer GSTR 2000/8.
[5] Section 7.
[6] Subsection 19(5).

36. The date valuation is required under a particular agreement is referred to in this Ruling as its 'operative date'. The operative date cannot occur before 1 July 2000. For the purposes of this Ruling, we will assume the operative date is 1 July 2000, although readers should be aware that it may be a later date.

37. We explain section 13 in greater detail in Goods and Services Tax Ruling GSTR 2000/16, titled 'transitional arrangements – GST-free supplies under existing agreements'.

The valuation methodologies

Option A - Total of approved progress claims to 1 July 2000

38. Under this option, the 1 July 2000 valuation of work and materials will be the sum total of all approved progress claims made for the construction project prior to 1 July 2000. This total will include claims approved on or after 1 July 2000 in respect of progress achieved before that date.

39. For Option A to apply, payments under the construction agreement must be approved by a person designated under the agreement. Typically this would be a quantity surveyor, engineer or architect.

40. The designated person should certify either the progress made during a period (for example, a monthly progress claim for work done in that period) or that a particular stage of construction, as specified in the construction agreement, has been completed.

Residential houses

41. An agreement for the construction of a residential house may not have a person designated to certify progress claims. In cases where a financial institution is funding the construction of a residential house, the financial institution may approve the progress claim itself.

42. The release of loan funds by a financial institution for and during the construction of a residential house will be taken to be approval of the progress claim for the purposes of Option A, provided:

(i) funding of the construction of the residential house has been made available by the financial institution on a draw-down basis as specified stages of completion are reached; and

(ii) the financial institution satisfies itself that the claimed stage of completion has been reached prior to releasing the funds.

Retentions

43. Construction agreements generally provide for a percentage (e.g., 5%) to be retained from each progress payment to the head contractor. These funds may not be released until some time after the project has been completed to ensure work of a satisfactory standard.

44. For the purposes of determining the valuation under Option A, the total of approved pre-1 July 2000 progress claims should include all deductions made under retention arrangements.

Materials must be permanently incorporated or affixed

45. For the Option A valuation, where approved progress claims have included an amount for materials not permanently incorporated in or affixed to the construction project, the claim total must be reduced to reflect the extent to which those materials have not been incorporated or affixed as at the start of 1 July 2000. The supply of unaffixed materials to which paragraphs 24 to 27 apply will not be subject to GST if supplied before 1 July 2000 as they will not form part of the value of the supply referred to in subsection 19(3).

Example 3

46. Buildsmall Pty Ltd ('Buildsmall') has been contracted by Joe Big Bucks to build a warehouse on industrial land. The building work is commenced on 1 March 2000 and it is estimated that the job will take 12 months to complete. Under the agreement, Buildsmall lodges monthly progress claims, which are reviewed by an architect, as the designated person under the agreement.

The following table sets out Buildsmall's payment details for progress claims lodged before 1 July 2000.

Date progress claim is lodged	Date approved	Amount approved (including retention amount)	Amount paid net of retention amount (5%)
23 March	10 April	$102,000	$96,900
23 April	10 May	$70,000	$66,500
23 May	10 June	$55,000	$52,250
23 June	10 July	$73,000	$69,350
Total		$300,000	$285,000

If Buildsmall adopts Option A, the value of work and materials at the start of 1 July 2000 will be $300,000.

Note that in this example, Option A would not reflect the value of the work and materials affixed on site on or after 23 June.

Option B - Uniform increase between approved progress claims

47. Option B, like Option A, is based on the total of approved progress claims. The same requirements regarding approval of progress claims apply, as do the treatment of retention amounts and unaffixed materials.

48. However, Option B differs in that it will reflect work done on site up to the start of 1 July 2000. The value under Option B will be the same as determined under Option A, plus a proportion of the first approved progress claim made after 1 July 2000. The proportion is calculated in accordance with the following formula:

$$\text{Amount of the first approved progress claim made after 1 July 2000} \times \frac{\text{Number of pre-1 July days in the claim period covered by the first approved progress claim made after 1 July 2000}}{\text{Total number of days in the claim period covered by the first approved progress claim made after 1 July 2000}}$$

Example 4

49. Mario is a builder who is constructing a house for Gustav on Gustav's land, under a written agreement made in March 2000. In accordance with the agreement, Mario can make progress claims only as the house reaches certain stages of completion specified in the agreement. Gustav's bank has approved a loan for the construction of the house and will release funds on a draw-down basis as the stages of completion are reached.

The construction reaches a specified stage on 10 June and Mario duly makes a claim. The claim is later approved by the bank, making the total of claims approved to that date $90,000.

Further significant progress is made before 30 June, but the next specified stage is not reached until 10 July. Mario's claim on reaching that stage is $30,000, which is duly approved by the bank. There are 30 days from 11 June to 10 July inclusive. Option B treats the $30,000 as having occurred evenly on a daily basis, that is $1,000 a day.

Mario chooses Option B for his valuation. The valuation is $110,000 ($90,000 plus $20,000 for progress from 10 June to 30 June).

Option C – Independent valuation by a recognised person

50. Under this option, you engage the services of an 'recognised person' to determine the 1 July 2000 valuation. This may be the appropriate option for you if:

(a) you are not satisfied that Options A or B will give an accurate valuation of work and materials at 1 July 2000; or

(b) work is not being undertaken on a progress claim basis.

51. Having Options A and B available to you does not prevent you from choosing this option.

Who is a 'recognised person'?

52. For the purposes of this Ruling, a recognised person is a person who is either:

(i) registered as a quantity surveyor, architect, valuer, civil engineer, or surveyor under a State or Territory law; or

(ii) is a member of:

- the Australian Institute of Quantity Surveyors;
- the Royal Australian Institute of Architects;
- the Australian Property Institute (as a Certified Practising Valuer);
- the Institution of Engineers Australia (Civil or Structural Colleges);
- the Association of Consulting Engineers Australia;
- the Institution of Surveyors Australia; or
- the Australian Institute of Building.

53. In addition, the Commissioner will accept valuations from registered persons in these professions who have full professional qualifications from New Zealand or the United Kingdom.

54. A recognised person may adopt different approaches to determining the valuation under this option. Two approaches are outlined below in paragraphs 57 and 58. It is essential that the approach to valuation used is soundly based and reasonable, taking into account the characteristics of the job being valued.

55. In Example 5, the valuation is determined by taking the cost of materials used and work undertaken until 1 July 2000 and adding a profit margin based on the profit margin estimated for the job.

56. In Example 6, the total of approved progress claims made before 1 July 2000 is taken as a base. The value of work and materials incorporated into the job between the last progress claim and the start of 1 July 2000 is then added to this.

Example 5

57. In May 2000, Complete Constructions Pty Ltd enters a contract to construct an inground swimming pool for Springbuck City Council. The project commences on 1 June 2000 and no progress claims are made until 15 July 2000. As a substantial amount of work has been completed on the swimming pool, Complete Constructions engages a quantity surveyor to value the work and materials permanently incorporated or affixed to the site as at the start of 1 July 2000. The value of work and materials is determined as follows:

Valuation component at the start of 1 July 2000	**Amount**
Cost of materials affixed to the swimming pool site	$25,000
Cost of work done re swimming pool site	$55,000
Profit margin allocated to work done as at 30 June 2000 based on the estimated profit margin (10%) for the finished swimming pool	$8,000
Total	$88,000

Complete Constructions may use $88,000 under Option C as the value of work and materials incorporated in or affixed to the swimming pool site at the start of 1 July 2000.

Example 6

58. In January 2000, DEF Ltd entered into an agreement to build a shopping complex for XYZ. The project commenced in February 2000. Trevor is an architect. As the person designated under the agreement, Trevor has previously approved progress claims totalling $750,000. The last claim date was 20 May 2000.

Trevor values the work and materials permanently incorporated or affixed to the site as at the start of 1 July 2000 at $1,000,000. Trevor's valuation is based on the total of his previous approvals plus his valuation of the further work and materials affixed, from 20 May to the start of 1 July 2000.

In-house employees

59. If you have an in-house employee with the same qualifications or experience as a recognised person, that employee may conduct the valuation, provided you have maintained adequate records. For the purposes of valuing the construction of residential houses that you are supplying, your in-house employee need not be professionally qualified, provided you maintain comprehensive records of each house construction, and the employee:

(i) is employed in monitoring construction progress on the individual houses, and managing the trades and materials on site; and

(ii) has several years experience in this role.

Example 7

60. Rippa Homes is a substantial builder of residential housing which expects to have a hundred houses at various stages of completion at 1 July 2000, under written agreement with clients. Rippa operates on a sound business structure, maintaining comprehensive records of each house construction.

Bob is one of a number of staff Rippa employs to monitor the progress of each construction and manage the trades and materials required on site. Bob is not professionally qualified, but has several years experience in his current position with Rippa.

By relying on his experience in his position and the comprehensive records available to him through the company's systems, Bob is able to assess the value of the work and materials permanently affixed on each building site as at the start of 1 July 2000.

Bob (and those of his colleagues at Rippa whose experience and skills are at least the equal of Bob's) may value the constructions for the purposes of this Ruling as an in-house employee.

When is the valuation to be ascertained?

61. The valuation at the start of 1 July 2000 should be determined on or before the end of your first tax period after that date. This will generally be 31 July 2000 if you have elected a one month tax period, or 30 September 2000 for a three monthly tax period. These dates will be later if your operative date is after 1 July 2000.

62. However, subsection 19(5) gives the Commissioner a discretion to allow a later date for the valuation to be determined. A later date may be needed by suppliers using a monthly tax period where Option B is chosen, and the first specified stage of completion after 1 July 2000 is not reached by month end.

63. The Commissioner will allow you a later date for the determination of the operative date valuation provided:

(a) the agreement for the construction project allows you to make progress claims only on reaching specified stages of completion, regardless of the time between stages; and

(b) you have elected a monthly tax period;

(c) you choose to value under Option B;

(d) the first post-1 July 2000 specified stage has not been completed by the end of the first tax period.

64. If the above circumstances apply to you, the later date for the valuation will be the earlier of the end of the tax period in which the specified stage of completion is reached, or 30 September 2000.

Detailed contents list

65. Below is a detailed contents list for this Ruling:

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Commissioner of Taxation
8 June 2000

Previous draft:

Previously issued in draft form as GSTR 2000/D3

Related Rulings/Determinations:

TR 2006/10; GSTR 1999/D9; GSTR 2000/8; GSTR 2000/16; GSTR 2000/18

Subject references:

- agreements spanning 1 July 2000

- building or civil engineering work
- construction project
- head contractor
- one month period
- real property
- recognised person
- special transitional rule
- subcontractor
- three month period
- time of supply
- valuation

Legislative references:

- ANTS(GSTT)A 6(3)
- ANTS(GSTT)A 7
- ANTS(GSTT)A 13
- ANTS(GSTT)A 16
- ANTS(GSTT)A 19
- ANTS(GSTT)A 19(2)
- ANTS(GSTT)A 19(3)
- ANTS(GSTT)A 19(4)
- ANTS(GSTT)A 19(5)
- ANTS(GST)A Div 75
- ANTS(GST)A Div 165
- TAA 1953 Sch 1 Div 358

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COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX TRANSITION) ACT 1999

A NEW TAX SYSTEM (GOODS AND SERVICES TAX TRANSITION) VALUE OF CONTRUCTION WORK-IN-PROGRESS SPECIFICATION (NO. 1) 2000

Citation

1. This specification is the *A New Tax System (Goods and Services Tax Transition) Value of Construction Work-in-Progress Specification (No. 1) 2000*.

Specified manner of determining the value

2. For subsection 19(4) of the *A New Tax System (Goods and Services Tax Transition) Act 1999*, the value mentioned in subsection 19(2) of the Act may be determined in a manner specified in one of the following paragraphs:

(a) the total of approved progress claims method (Option A);

(b) the uniform increase between approved progress claims method (Option B);

(c) the independent valuation method (Option C).

Note 1: The value mentioned in subsection 19(2) of the Act is the value of all work and materials permanently incorporated in or affixed on the site of building or civil engineering work in accordance with a section 19 agreement.

Note 2: An entity may use any of these methods to determine the value mentioned in subsection 19(2) of the Act.

Note 3: These methods are explained in Clauses 3, 4 and 5.

Option A - Total of approved progress claims method

3. This clause sets out the total of approved progress claims method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the sum of the adjusted amounts of any approved progress claims made before 1 July 2000, and approved before the method is to be applied, in respect of the construction project.

Option B - Uniform increase between approved progress claims method

4. This clause sets out the uniform increase between approved progress claims method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the sum of the following amounts:

(a) the sum of the adjusted amounts of any approved progress claims made before 1 July 2000, and approved before the method is to be applied, in respect of the construction project; and

(b) the amount calculated in accordance with the following formula:

$$\text{Amount of the first approved progress claim made after 1 July 2000} \times \frac{\textit{Number of pre-1 July days in the claim period covered by the first approved progress claim made after 1 July 2000}}{\textit{Total number of days in the claim period covered by the first approved progress claim made after 1 July 2000}}$$

Option C - Independent valuation method

5. This clause sets out the independent valuation method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the value as determined by a recognised person or an eligible employee.

Definitions

6. (1) The following expressions are defined for the purposes of this specification:

adjusted amount, in relation to an approved progress claim, means the amount of that progress claim (including any retention amounts) that does not relate to unaffixed materials;

approved progress claim means a progress claim that has been approved for payment by:

(a) where the construction project is in relation to the construction of a house and the funding for the project is provided by a financial institution under a funding agreement - the financial institution; or

(b) in any other case - a person authorised under the section 19 agreement to approve progress claims;

construction project means the supply mentioned in subsection 19(1) of the Act;

Note: A construction project is the construction, major reconstruction, manufacture or extension of a building or a civil engineering work.

eligible employee means:

(a) where the construction project is in relation to the construction of a house - an employee who:

(i) is employed by the supplier of that project to monitor progress on construction projects of the supplier, including managing the personnel and materials on site; and

(ii) has been performing the duties referred to in subparagraph (a)(i) for several years either for the supplier or for other suppliers of construction projects; or

(b) in any other case - an employee of the supplier of the construction project having the same qualifications or experience as a recognised person;

funding agreement means an agreement between a financial institution and a recipient in relation to a construction project where an agreed amount is provided by the institution when it is satisfied that a particular stage of the project has been completed in accordance with the section 19 agreement;

progress claim, in relation to a section 19 agreement, means a claim made by the supplier of a construction project for a progress payment in accordance with the terms of that agreement;

recipient, in relation to a construction project, means the recipient of that supply;

recognised person means a person who is either:

(a) registered as a quantity surveyor, architect, valuer, civil engineer, or surveyor under a State or Territory law; or

(b) a member of:

(i) the Australian Institute of Quantity Surveyors; or

(ii) the Royal Australian Institute of Architects; or

(iii) the Australian Property Institute (as a Certified Practising Valuer); or

(iv) the Institution of Engineers Australia (Civil or Structural College); or

(v) the Association of Consulting Engineers Australia; or

(vi) the Institution of Surveyors Australia; or

(vii) the Australian Institute of Building;

retention amount means an amount retained from a payment made in respect of an approved progress claim until after the construction project is completed to ensure that the project has been completed in a satisfactory manner;

section 19 agreement means the agreement mentioned in paragraph 19(1)(a) of the Act;

Note: This is the agreement pursuant to which the construction project is undertaken.

the Act means the *A New Tax System (Goods and Services Tax Transition) Act 1999*;

unaffixed materials, in relation to a construction project, means materials that are not permanently incorporated in or affixed on the site of the building or civil engineering work as at the start of 1 July 2000.

(2) Unless the contrary intention appears, other expressions in this specification have the same meaning as in the *A New Tax System (Goods and Services Tax Transition) Act 1999*.

Dated this 8th day of June 2000
Lawrie Hill
Assistant Commissioner
Rulings
Goods and Services Tax Program
Delegate of the Commissioner