



Legislative Instrument

Goods and Services Tax: Recipient Created Tax Invoice Determination (No. 12) 2016 for Construction Work

I, Timothy Dyce, Deputy Commissioner of Taxation, make this determination under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

Timothy Dyce

Deputy Commissioner of Taxation

Dated: 24 February 2016

Name of determination

1. This determination is the *Goods and Services Tax: Recipient Created Tax Invoice Determination (No. 12) 2016 for Construction Work*.

Commencement

2. This determination commences on the day after registration.

Repeal of previous determination

3. *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 27) 2000* (the previous determination) - F200502751, registered on 5 October 2005, is repealed on commencement of this determination.

Determination (Who is covered under this determination)

4. This determination applies to an entity that is a recipient of a taxable supply of construction work or related goods and services, provided they satisfy the requirements of the determination.
5. A recipient who satisfied the requirements of the previous determination will satisfy the requirements of this determination.

Class of tax invoices that may be issued by a recipient of a taxable supply under this determination

6. A recipient of a taxable supply of construction work or related goods and services, may issue a tax invoice called a recipient created tax invoice (RCTI) for the taxable supply if the recipient:
 - (a) makes taxable supplies of construction work or related goods and services;

- (b) reviews progress claims or relies on certification (where an independent valuation process is undertaken) to determine amounts to be paid to the supplier;
- (c) has a current GST turnover or projected GST turnover of greater than one million dollars; and
- (b) satisfies the requirements set out in Clause 7.

Requirements that must be satisfied by the recipient under this determination

7. A recipient must satisfy the following requirements when issuing a RCTI under this determination:
 - (a) be registered for GST;
 - (b) set out the ABN of the supplier on the RCTI;
 - (c) issue the original or a copy of the RCTI to the supplier within 28 days of making, or determining, the value of a taxable supply and retain the original or the copy;
 - (d) the recipient must issue the original or a copy of an adjustment note to the supplier within 28 days of any adjustment and must retain the original or the copy;
 - (e) reasonably comply with its obligations under the taxation laws; and
 - (f) have either a written agreement with the supplier that meets the requirements of Clause 8, or a written agreement embedded in the RCTI that meets the requirements of Clause 9.

Requirements of a written agreement with the supplier

8. The written agreement the recipient has with the supplier must:
 - (a) specify the supplies to which it relates;
 - (b) be current and effective when the RCTI is issued; and
 - (c) have the following conditions:
 - (i) the recipient can issue RCTIs in respect of the supplies;
 - (ii) the supplier will not issue tax invoices in respect of the supplies;
 - (iii) the supplier acknowledges that it is registered for GST when it enters into the agreement and that it will notify the recipient if it ceases to be registered for GST; and
 - (iv) the recipient acknowledges that it is registered for GST when it enters into the agreement and that it will notify the supplier if it ceases to be registered for GST.

Requirements of a written agreement embedded in the RCTI

9. The embedded agreement in the RCTI that the recipient has with the supplier must contain the following statement:

The recipient and the supplier declare that this agreement applies to supplies to which this tax invoice relates. The recipient can issue tax invoices in respect of these supplies. The supplier will not issue tax invoices in respect of these

supplies. The supplier acknowledges that it is registered for GST and that it will notify the recipient if it ceases to be registered. The recipient acknowledges that it is registered for GST and that it will notify the supplier if it ceases to be registered for GST. Acceptance of this RCTI constitutes acceptance of the terms of this written agreement.

Both parties to this supply agree that they are parties to a RCTI agreement. The supplier must notify the recipient within 21 days of receiving this document if the supplier does not wish to accept the proposed agreement.

Definitions

10. The following expressions are defined for the purposes of this determination:

construction work means any of the following work:

- (a) the construction, alteration, repair, restoration, maintenance, extension, demolition or dismantling of buildings or structures forming, or to form, part of land (whether permanent or not);
- (b) the construction, alteration, repair, restoration, maintenance, extension, demolition or dismantling of any works forming, or to form, part of land, including walls, roadworks, powerlines, telecommunication apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage or coast protection;
- (c) the installation in any building or structure of fittings forming, or to form, part of land, including heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply, fire protection, security and communications systems;
- (d) the external or internal cleaning of buildings and structures, so far as it is carried out in the course of their construction, alteration, repair, restoration, maintenance or extension;
- (e) any operation which forms an integral part of, or is preparatory to or is for rendering complete, work of the kind referred to in paragraph (a), (b) or (c), including:
 - (i) site clearance, earth-moving, excavation, tunnelling and boring, and
 - (ii) the laying of foundations, and
 - (iii) the erection, maintenance or dismantling of scaffolding, and
 - (iv) the prefabrication of components to form part of any building or structure, whether carried out on-site or off-site, and
 - (v) site restoration, landscaping and the provision of roadways and other access works; and
- (f) the painting or decorating of the internal or external surfaces of any building or structure.

However, construction work does not include any of the following work:

- (g) the drilling for, or extraction of, oil or natural gas; or

- (h) the extraction (whether by underground or surface working) of minerals, including tunnelling or boring, or constructing underground works, for that purpose.

related goods and services means any of the following goods and services:

- (a) goods of the following kind:
 - (i) materials and components to form part of any building, structure or work arising from construction work;
 - (ii) plant or materials (whether supplied by sale, hire or otherwise) for use in connection with the carrying out of construction work.
- (b) services of the following kind:
 - (i) the provision of labour to carry out construction work;
 - (ii) architectural, design, surveying or quantity surveying services in relation to construction work;
 - (iii) building, engineering, interior or exterior decoration or landscape advisory services in relation to construction work.

11. Other expressions in this determination have the same meaning as in the GST Act.