

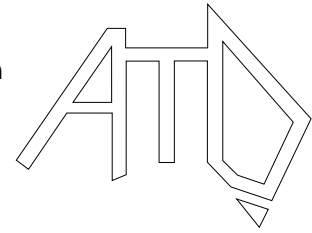
PPS Bulletin 3 - How it affects the cleaning industry

PPS Bulletin

Number 3 How it affects the cleaning industry

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Australian
Taxation
Office



Withholding and Indirect Taxes

If you are carrying on a business in an industry covered by the Prescribed Payments System and you pay another person for work in that same industry, then you may be obliged to deduct tax from any payments you make to that person.

This bulletin explains what Prescribed Payments are and how they affect the cleaning industry. The other 8 industries covered by PPS are:

- building and construction
- road transport
- joinery and cabinet making
- surveying
- architectural services
- engineering services
- motor vehicle repair
- professional building and construction services

Similar bulletins are also available for each of these other industries.

What is a prescribed payment?

A prescribed payment must satisfy **all** of the following conditions:

- It must be a payment made under a contract which involves the performance of work.
- The work performed must consist of an activity within an industry covered by PPS. (See the section titled *Which cleaning industry activities are included in PPS?*)
- The activity must be carried out for a prescribed person. (See the section titled *Who must the work be carried out for?*)

Note also that PPS doesn't only apply to payments to individuals. It can also apply to payments to companies, partnerships, trusts, trustees of trust estates, body corporates, etc.

Once you have determined that a payment is prescribed, please refer to the relevant booklet titled "PPS Payers", "PPS Payees", or "PPS Tax exempt organisations & businesses in non-prescribed industries". These publications explain what you must do when making or receiving a prescribed payment and are available from your local Tax Office.

Which payments are not covered by PPS ?

The following payments are **not** covered by PPS:

- a payment made under contract **only** for the sale of goods or materials
- a payment of salary or wages made to a common law employee.

Which cleaning industry activities are included in PPS?

- cleaning office, business, residential, institutional, or any other premises
(This includes cleaning windows, furniture, fixtures, and fittings.)
- cleaning roadways, thoroughfares, venues and other places
(This includes recreational sporting or other venues.)

Note: This does not include payments for cleaning in connection with building and construction activities. (See section titled *Is there anything else I need to know?*)

For whom must the work be carried out?

To be a prescribed payment the work must be carried out for any person who is carrying on a business that consists:

- in whole or in part carrying out any of the above cleaning activities for other persons; or
- in whole or in part, furnishing or arranging the services of another person to carry out any of the above cleaning activities; (i.e. people who are not directly involved in performing any of the activities described above but are carrying on a business [agency] that provides the services of others to perform these activities).

In these cases the prescribed payments are those made by the agency to sub-contractors which the agency has separately contracted to perform the activities.

A person who satisfies **either** of these conditions will be a prescribed person for the cleaning industry.

Is there anything else I need to know?

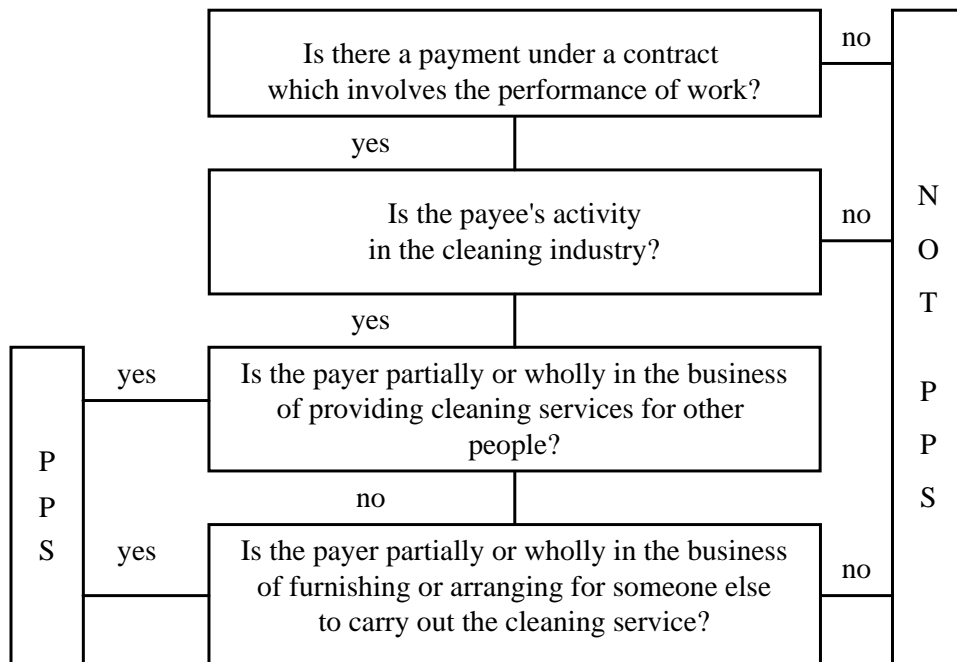
There are certain cleaning activities carried out in connection with the building and construction industry that fall within PPS.

These include any cleaning activity on a structure, road works or thoroughfare or on land on which these are situated, that is preparatory to, forms part of, or is rendering complete any building and construction activity, e.g. site clearance.

A payment from a builder to a cleaner where the activity is in the building and construction industry is a prescribed payment in the context of the building and construction industry, not the cleaning industry.

Cleaning industry decision chart

The diagram set out below will help you determine if a payment is a prescribed payment in the cleaning industry.



Example

- A cleaner contracts to clean a newsagent's business premises twice a week. The cleaner then sub-contracts the cleaning contract to another cleaning company. The payment from the cleaning contractor to the sub-contractor will be prescribed because the payment is from a person whose business consists of arranging cleaning activities to a person whose business consists of carrying out cleaning activities.

Do you need more information?

If you have any questions or need more information about how PPS applies to you, please contact your local Tax Office:

by phone on **13 28 66** from anywhere in Australia for the cost of a local call; or

in person by visiting the enquiries counter at your local Tax Office. Addresses are listed in TaxPack and in the White Pages of your telephone directory.

This bulletin is a guide to the law only. It has been produced to help you understand the Prescribed Payments System. It is current as at 09/01/97. ¹

¹ Produced by the Withholding and Indirect Taxes Program of the Australian Taxation Office.