

***PPS Bulletin 7 - How it affects the professional building and construction industry (project managing, interior designing, decorating etc.)***

# PPS Bulletin

---

Number 7

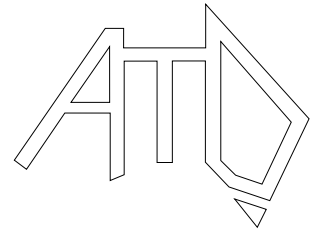
## How it affects the professional building and construction industry (project managing, interior designing, decorating etc.)

---

Valid from 9 January 1997

---

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 professional building and construction industry. The other 8 industries covered by PPS are:

- transport
- cleaning
- joinery and cabinet-making
- surveying
- architectural services
- engineering services
- motor vehicle repair
- 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 professional building and construction services 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 professional building and construction services industry activities are included in PPS ?

Activities in the professional building and construction services industry that are affected by PPS include the preparation of plans and specifications for interior designing and decorating, project managing, compliance monitoring and building project supervising **in connection with** any of the activities described for the building and construction industry such as the construction, erection, installation, alteration, modification, repair and improvement of any structure, road or thoroughfare. It also includes work performed by structural and compliance consultants and draftspersons etc.

For more information about the building and construction industry see the PPS Bulletin Number 2 titled "The Prescribed Payments System - How it affects the building and construction industry".

## 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 of carrying out any of the professional building and construction services mentioned above for other persons; or
- in whole or in part of furnishing or arranging the services of another person to carry out any of the above activities; (i.e. people who are not directly involved in performing any of the activities described above but carry 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 these activities.

A person who satisfies **either** of these conditions will be a prescribed person for the professional building and construction services industry.

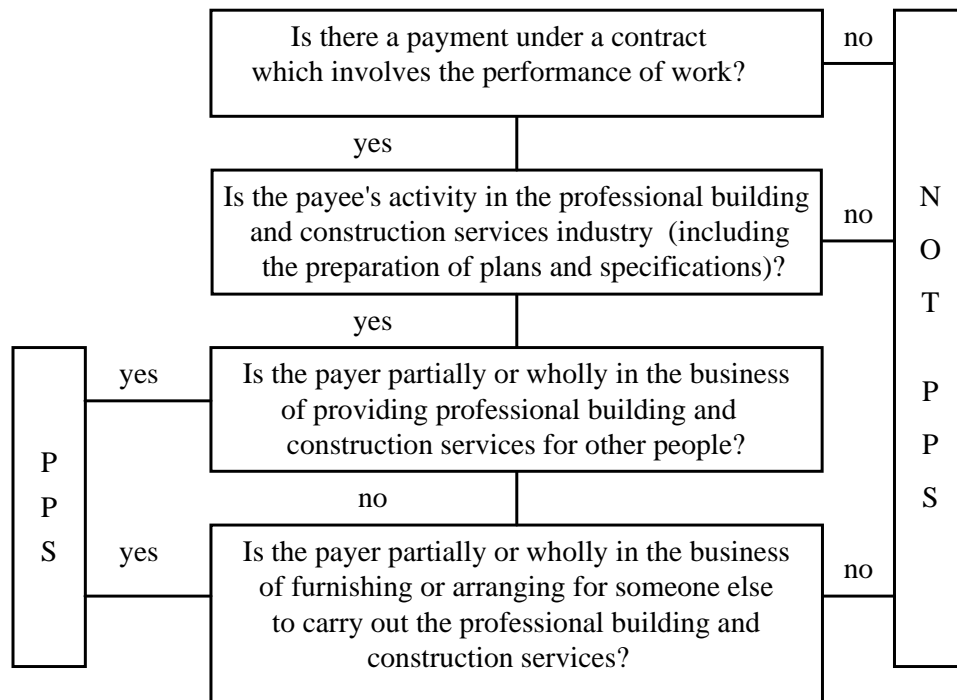
## What about draftspersons?

Draftspersons can sub-contract in any four industry categories, i.e. architectural, engineering, surveying or professional building and construction services. They draw plans and specifications from information or designs supplied to them by persons in those industries.

For the purposes of PPS, if a draftsperson is subcontracting to a person in the professional building and construction services industry in relation to a building and construction project, the activity will be prescribed.

## Professional building and construction industry decision chart

The diagram set out below is designed to help you determine if a payment is a prescribed payment in the professional building and construction industry.



## Examples

- Mr & Mrs Gibson contract a builder to construct their house but contract separately with an agency to provide a project manager to oversee the building work. The agency contracts with a project management company to supervise the construction project. The payment by the agency to the project manager will be prescribed because the agency is in the business of arranging the services of another person to carry out professional building and construction activities.
- A project management company is contracted by a firm of architects to oversee the construction of an office block and provide design details for the interior office space. The project managers hire an interior designer to provide draft specifications and drawings for the architects. The payment from the project manager to the interior designer will be a prescribed payment since the project managers and the interior designers are both in the business of providing professional building and construction services and the contract involves the performance of work.

## 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 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. <sup>1</sup>

<sup>1</sup> Produced by the Withholding and Indirect Taxes Program of the Australian Taxation Office.