



Level 1
Suite 5, 796 High Street
Kew East, Vic, 3102

Tel: (03) 9859 8555
Fax: (03) 9859 8777

www.vantagetbs.com.au
info@vantagetbs.com.au

1st July 2012

Dear Client,

From the 1st July 2012, all businesses in the **Building & Construction** industry, will on a yearly basis need to report to the ATO, the total payments they make to **'each' contractor**. It's more red tape from a government that promised to cut red tape for small business.

All clients need to ensure that their record keeping systems are able to produce the reports the ATO require.

We have enclosed the link to the ATO website that sets out in more detail such issues as:

- Who needs to report?
- The details you need to report;
- The type of payments you need to report and the types you do not;
- When the report is due;
- A comprehensive list of occupations and work activities that are captured by these new rules;

<http://www.ato.gov.au/businesses/content.aspx?doc=/content/00313486.htm&alias=taxablepaymentsreporting>

An important point we wish to stress to our clients is an issue we raised several months ago (that letter is also attached). The issue was that of contractors being deemed employees by the ATO, and hence leaving many businesses exposed to:

- Superannuation;
- PAYG withholding at 46.5%;
- Possible leave entitlement issues;

In our previous letter to clients, we highlighted in more detail the severe consequences of the ATO's actions on contractors being deemed employees and provided a link to an ATO tool to assist with the distinction.

Note that with the introduction of these new reporting rules on the 1st July 2012, you will actually be telling the ATO, amongst other things, which contractors you engage and what their ABN is. They can then search that ABN and determine that the contractor is a sole trader and then seek to investigate whether that contractor is in fact an employee instead.

If you have any queries regarding the new reporting requirements and/or the issue of whether you have contractors that could be deemed employees, we urge you to contact our office.

Yours truly,
VANTAGE - Tax & Business Services

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The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.