

**NOVEMBER 2018**

**TAX ALERT:  
EXPANDING THE TAXABLE PAYMENTS REPORTING SYSTEM TO  
I.T. CONSULTANTS**

**Introduction**

Businesses involved with building and construction were the only industry segment required to lodge a Taxable Payments Reporting System (**TPRS**) disclosure, for the year ended 30 June 2018, with the Australian Taxation Office (**ATO**) by 28 August 2018.

The Government announced in the 2018-19 Budget that it would extend the TPRS regime to include a comprehensive list of information technology (**IT**) service jobs and roles, starting from 1 July 2019. Other industries to be targeted include cleaners, couriers, road freight and security/surveillance services.

The new measures classify the IT industry as high risk in terms of likelihood of tax avoidance, placing it alongside cash-in-hand heavy sectors like cleaning, building and construction and the security industry.

The Government has released exposure drafts and explanatory memoranda for the new laws to detail what types of IT contractors will be targeted by the ATO under the new laws.

Contracting roles set to be targeted which will require IT firms to supply the ATO with contractor payments data include:

- technical support;
- computer facilities management;
- internet and web design consulting;
- computer hardware consulting;
- software development;
- computer network systems design and integration;
- software installation;
- computer programming;
- software simulation and testing;
- computer software consulting; and
- systems analysis.



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### *TPRS reporting*

The TPRS operates on a 30 June year-end for all reporting entities, regardless of the timing of their income year. This is because the focus of the ATO is on the tax affairs of the sub-contractors, rather than on the reporting entity.

A business must self-assess whether its activities come within the ambit of TPRS. For example, the ATO's guidance for the building and construction industry is that an entity will be considered to be in a relevant industry if more than 50 percent of its turnover or activities, in the current or previous financial year, are from that industry.

### *Reporting payments to sub-contractors*

Generally, a TPRS report should only include payments to sub-contractors who carry out services of the specified type on behalf of the reporting business. For example, an IT consulting business would report payments it made to a systems design sub-contractor through TPRS, but not the payments it makes for accounting services or legal advice.

***Please do not hesitate to contact your Lowe Lippmann Relationship Partner if you wish to discuss any of these matters further.***



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