

Courier Services

Taxable Payments Reporting

Frequently asked questions.

1. Who needs to report?

You will need to lodge a Taxable Payments Annual Report (“TPAR”) with the ATO if you meet all the following requirements:

- You have an ABN; and
- You make any payments to contractors for courier services they provide on your behalf.

If your business provides mixed services, not just courier services, you may need to lodge a TPAR if the payments you receive for courier services make up 10% or more of your total current or projected GST turnover (“10% GST Turnover Threshold Test”).

If your business does not exceed the 10% GST Turnover Threshold Test, it is not required to report payments made to contractors for courier services provided on its behalf. However, you may still choose to lodge a TPAR disclosing payments you made to contractors.

You must reassess whether you need to lodge a TPAR each year.

2. What are ‘courier services’?

Courier services include activities where items or goods are collected from, and/or delivered to, any place in Australia using a variety of methods, including:

Delivery Methods				
Car	Truck	Station wagon	Van	Ute
Motorcycle	Motorised scooter	Drones	Bicycle or other non-powered means of transport	Foot

While the mode of transportation can be useful in identifying a courier activity, mode of transportation alone is not determinative.

Courier services are usually door-to-door services that are often used for specialty deliveries or for small parcels or packages. Goods commonly transported using courier services include parcels, packages, letters and food.

Courier services do not include passenger transport services (for example, buses and taxis) or freight transport.

If you sell goods and you provide the option of a delivery service, you are supplying a courier service unless the customer doesn’t have the option to obtain the goods from you any other way.

3. What if I supply courier services and other services?

Where an arrangement with one of your customers involves the supply of goods delivered to the customer, you must determine whether the supply is a composite supply of delivered goods (i.e. the delivery service is merely ancillary to the supply of the goods and not a separate supply in its own right) or a mixed supply of delivery services and goods (i.e. the delivery service is a separate supply in its own right). This will depend on the terms of the agreement with your customer.

This is relevant to determining whether the income earned from the delivery service should be included in the 'total payments you receive for supplies of courier services' as part of the 10% GST Turnover Threshold Test, as discussed at question 4 below.

Where the delivery service is ancillary or incidental to the supply of the goods (i.e. it does not constitute a separate supply in its own right), then the supply is a **composite supply**. The delivery involved in the composite supply will therefore not constitute the supply of a courier service and will not form part of 'total payments you receive for supplies of courier services' for the purposes of completing the 10% GST Turnover Threshold Test.

However, where the delivery service is a primary/material part of the supply, or could realistically be made as a separate supply, the supply is a **mixed supply** of a delivery service and the goods. The supply of the delivery service as part of the mixed supply will therefore be a separate supply of a courier service and will form part of 'total payments you receive for supplies of courier services' for the purposes of completing the 10% GST Turnover Threshold Test.

Attached at Appendix 1 is a list of examples which the ATO has provided in its Law Companion Ruling (**LCR**) 2018/8 to assist with determining whether you are providing a delivery service that forms part of a composite supply (i.e. the delivery service is not a separate supply in its own right) or a mixed supply (i.e. the delivery service is a separate supply in its own right).

4. How to apply the 10% GST Turnover Threshold Test

Once you have identified the courier services you provide, the following formula should be used to work out if you are required to report payments to contractors for courier services they provide on your behalf:

$$\frac{\text{Total payments you receive for supplies of 'courier services' in the income year}}{\text{Total 'current GST turnover' or 'projected GST turnover' of your entity}} \times 100\%$$

For the purposes of the formula:

- **Total payments you receive for courier services in the income year** must include all payments you receive for supplies of courier services you provide, regardless of whether an employee or a contractor performed those services for you. Where you provide mixed supplies, you will need to consider whether the supply of courier services is part of a composite or mixed supply as set out in question 3 above.
- **Current GST turnover** is your GST turnover for the current income year, provided you have been operating as a business for at least 12 months. If you have been operating as a business for less than 12 months, then you must use 'projected GST turnover' in the formula.
- **Projected GST turnover** is your likely GST turnover for the following income year.

Attached at Appendix 2 are calculation examples which the ATO has provided in LCR 2018/8.

5. What payments should be reported?

You need to report payments you make to contractors for courier services they provide on your behalf, unless you do not exceed the 10% GST Turnover Threshold Test and are therefore exempt from reporting.

The ATO requires taxpayers to report on a cash basis. Accordingly, unpaid invoices as at 30 June 2019 should be excluded from this year's report.

Invoices that are excluded from this year's report because they have not been paid as at 30 June 2019 should be included in next year's report if they are paid by 30 June 2020.

6. Do you still need to report if both the purchaser and supplier are members of the same tax consolidated or Multiple Entry Consolidated (MEC) group?

No. Members of the same tax consolidated or MEC group are treated as a single entity for tax purposes. Payments between them do not need to be reported.

7. Is an appointed administrator required to report?

While the ATO has not provided any guidance on this issue in relation to entities that are required to report payments made to contractors that provide courier services on their behalf, the ATO has confirmed that where an administrator has been appointed to manage an entity (“the incapacitated entity”) that is primarily in the building and construction services industry, the administrator is required to report payments which the incapacitated entity made to contractors both before and after the date of the administrator’s appointment.

Notwithstanding the administrator’s obligation to report payments made to contractors both before and after the appointment date, the ATO does accept that where an administrator does not have access to details of the payments made to contractors before their appointment, provided the administrator has used best endeavours to include in the report all payments made to contractors that the administrator is aware of, the ATO will accept that the administrator has met their reporting obligations.

We expect the ATO to have the same requirements for incapacitated entities that are required to report payments made to contractors for courier services, where an administrator has been appointed to manage the entity.

8. What payments should not be reported?

The following payments should not be reported:

- Payments to contractors and individuals which are subject to PAYG withholding (e.g. payments to employees, contractors who do not quote an ABN);
- Invoices unpaid at the end of the financial year;
- Payments made within consolidated groups; and
- Payments made by individuals for private or domestic reasons.

9. What information needs to be included in the report?

The following details need to be reported in respect of each contractor you have made a payment to in the year ended 30 June 2019:

- Australian Business Number (ABN);
- Name;
- Address;
- Gross amount paid to the contractor for the financial year (this is the total paid including any GST); and
- The amount of GST included in the gross (total) amount paid to the contractor.

The details you need to report will generally be contained in the invoices you receive from your contractors.

10. In what format can the information be reported?

The format of the information provided to the ATO must comply with the reporting requirements that have been prescribed by the ATO.

The following options are the only ones available:

- Paper – a paper form can be obtained from the ATO;
- Online – the annual report can be lodged through the Business Portal, Tax Agent Portal (for tax agents only) or Standard Business Reporting (SBR);

The ATO will not accept annual reports created using non-approved software including Excel spread sheets and other similar programs.

11. What is the penalty for lodging the report late?

The Taxable Payments Annual Report is due by 28 August 2019 for payments made in the year ended 30 June 2019.

12. What is the penalty for lodging the report late?

The amount of the penalty the ATO can impose for late lodgement of the report will depend on the entity size and the period for which the report is overdue.

Failure to lodge penalty amount according to entity size				
Days overdue	Small	Medium	Large	Significant Global Entity
28 days or less	\$210	\$420	\$1,050	\$105,000
29 to 56 days	\$420	\$840	\$2,100	\$210,000
57 to 84 days	\$630	\$1,260	\$3,150	\$315,000
85 to 112 days	\$840	\$1,680	\$4,200	\$420,000
113 days or more	\$1,050	\$2,100	\$5,250	\$525,000

Size Tests to determine the penalty amount:

A *small* entity is an entity that is neither a medium nor a large entity.

A *medium* entity is a 'medium' withholder for PAYG withholding purposes (i.e. amounts withheld during a financial year were \$25,001 to \$1 million), or an entity that has assessable income or a current annual GST turnover of more than \$1 million and less than \$20 million.

A *large* entity is a 'large' withholder for PAYG withholding purposes (i.e. amounts withheld during a financial year exceeded \$1 million) or that has assessable income or a current annual GST turnover of \$20 million or more.

An entity is a *significant global entity* for a period if it is one of the following:

- a) A 'global parent entity' whose 'annual global income' is AUD\$1 billion or more; or
- b) A member of a group of entities consolidated (for accounting purposes) where the global parent entity has an annual income of AUD\$1 billion or more.

13. How can we assist you with your reporting obligation?

There are several ways in which we can assist you with your reporting obligation:

- a) We can work with you to determine which entities within your group need to report, and what information needs to be reported for the various suppliers you engage.
- b) We can assist you to generate the information from your systems in a suitable format for reporting to the ATO.
- c) We can prepare and lodge the annual report on behalf of the reporting entity, subject to getting the required information. If we act as the entity's tax agent, we can lodge the report through the Tax Agent Portal. Alternatively, we can lodge a paper report with the ATO.

Appendix 1

Examples of when a courier service forms part of a composite supply or a mixed supply (as provided by the ATO in LCR 2018/8).

Example 1 – Business providing courier and other services

Quick Smart Tailors Pty Ltd operates a business (with an ABN) that provides clothing repair and alteration services. They also operate another business that provides express parcel and letter delivery services for businesses. Even though Quick Smart Tailors provides different services, the parcel and letter delivery service they provide is a courier service that can be identified separately from their clothing repair and alteration service. Further, the delivery service Quick Smart Tailors provides is not ancillary or incidental to their clothing repair and alteration service, because they are separate services in separate businesses. Therefore, Quick Smart Tailors is supplying a courier service to customers via its parcel and letter delivery service.

Quick Smart Tailors hires couriers to deliver the parcels and letters on their behalf. Therefore they are required to report payments to these contractors, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).

Example 2 – Restaurant with takeaway delivery service

Terrific Thai Pty Ltd operates a Thai restaurant business (with an ABN) which has a takeaway service. Terrific Thai accepts orders directly from customers via telephone and their website. Customers are charged a \$5 delivery fee on each order, irrespective of which method they use to order their food. Terrific Thai has contracted directly with Riders Pty Ltd to provide delivery services on their behalf.

Terrific Thai are selling food which may be consumed on the premises, picked up or delivered. Their delivery service is a separate identifiable service; it is not integral. Their provision of delivered food is a mixed supply of food and courier services. As the courier service is provided by a contractor (Riders Pty Ltd), payments to that contractor which occur on or after 1 July 2018 are reportable in a TPAR (unless a reporting exemption applies).

Riders Pty Ltd is providing courier services to their clients. If they engage contractors (or sub-contractors) to provide those services on their behalf, Riders Pty Ltd will also be subject to the TPRS reporting obligation (unless a reporting exemption applies).

If Riders Pty Ltd use employees to provide the services, payments to the employees are not reportable under the TPRS, as they are subject to Pay As You Go Withholding and otherwise reportable: paragraph (b) in Column 2 of table item 12 in section 396-55 of Schedule 1 to the TAA 1953.

Example 3 – Online florist contracting out delivery

Daisy Bouquet Pty Ltd operates a business (with an ABN) that runs a floristry business via a website. It does not have a shopfront. Customers purchase flowers from Daisy Bouquet on its website and the flowers are delivered via courier (with no option for the customer to collect the flowers themselves). The courier drivers are contractors engaged by Daisy Bouquet. Daisy Bouquet charges customers a delivery fee in addition to the price of the flowers. Because customers can only obtain the flowers they purchase via delivery and the delivery is ancillary and incidental to the supply of the delivered flowers, Daisy Bouquet is making a composite supply of delivered flowers. Daisy Bouquet is not supplying a courier service when it sells flowers to customers, even though it charges customers a fee for delivery. Therefore Daisy Bouquet is not required to report payments it makes to its contractor couriers.

Example 4 – Business providing freight transport services

Longhaul Freight Pty Ltd operates a business (with an ABN) that uses semi-trailer trucks to receive and deliver bulk groceries, from grocery suppliers to supermarket stores. Longhaul Freight uses contractors to drive its trucks. As Longhaul Freight is transporting bulk quantities of groceries, it is supplying a freight transport service. A freight transport service is not a courier service, so Longhaul Freight is not required to report payments it makes to contractors in the 2018–19 income year.

Example 5 – Freight transport via smaller vehicles due to operational requirements

Continuing from Example 4, Longhaul Freight Pty Ltd is contracted to transport a consignment of bulk groceries to a supermarket in a remote location. There is only one road to this location from Longhaul Freight's nearest distribution centre and the road is not suitable for heavy vehicles. Longhaul Freight divides the consignment into smaller loads and uses contractors to transport these smaller loads in vans to the supermarket. As the agreement between parties was for the transportation of a bulk quantity from one location to another, Longhaul Freight is still supplying a road freight service (not a courier service) even though it transports the groceries in smaller vehicles. The manner of transport does not necessarily change the nature of the service provided. Longhaul Freight is therefore not required to report payments made to their contractors in the 2018–19 income year.

Example 6 – Transporting goods to a distribution centre for further delivery by couriers

Wow Couriers Pty Ltd operates a business (with an ABN) that provides delivery services Australia-wide. Wow Couriers uses contractors to transport shipping containers from docks to its distribution centres around Australia. This service is a freight service rather than a courier service, so Wow Couriers is not required to report payments it makes to contractors to provide these services in the 2018–19 income year.

Once the items arrive at the distribution centres, Wow Couriers' staff sort and batch the items, then local couriers are contracted to deliver the items to their individual intended recipients. The delivery of these items to the intended recipients is a supply of a courier service as Wow Couriers is now providing a door-to-door delivery service of numerous items to various recipients. Therefore Wow Couriers are required to report payments to the contractors who provide the courier service on their behalf, which occur on or after 1 July 2018, in a TPAR (unless a reporting exemption applies).

Note: The reporting exemption referred to in the above examples relates to whether the entity exceeds the 10% GST Threshold Test.

Appendix 2

Application of the 10% GST Threshold Test – Calculation Examples (as provided by the ATO in LCR 2018/8).

Example 1 – Takeaway restaurant charging for some deliveries

Wai's Pizza operates a dine-in and takeaway pizza business (with an ABN). Wai's Pizza also offers a delivery service which is provided free for orders over \$50, and charged at \$10 for lower value orders. The delivery service is not integrated with their pizza production business, rather it is a separate supply of a courier service. Wai's Pizza uses contractors to deliver their pizzas.

For the 2018–19 income year, Wai's Pizza's current GST turnover was \$100,000, which included \$5,000 in delivery fees. The \$5,000 received in delivery fees is 5% of the business' current GST turnover for that year ($\$5,000$ [total payments received for courier services] / $\$100,000$ [current GST turnover] * 100 = 5%). As less than 10% of their GST turnover came from providing a relevant service, Wai's Pizza is within the reporting exemption and is not required to report its payments to contractor couriers for the 2018–19 income year.

Example 2 – Business providing courier and cleaning services

Best Cleaners and Couriers Pty Ltd operates a business (with an ABN) that provides separate cleaning and parcel delivery agencies. Its cleaning agency supplies cleaning services to homes, while its parcel delivery agency supplies courier services to small businesses. Best Cleaners and Couriers engage contractors to provide each of these services.

Best Cleaners and Couriers has a current GST turnover in the 2018–19 income year of \$1 million, \$950,000 of which is received from customers for its cleaning services. This is 95% of the current GST turnover for Best Cleaners and Couriers in that year. Best Cleaners and Couriers is not exempt from reporting the payments it made to its cleaning contractors in a TPAR for the 2018–19 income year.

Best Cleaners and Couriers received \$50,000 for its courier services in the 2018-19 income year. This is 5% of its current GST turnover for that year. As this is less than 10%, Best Cleaners and Couriers is exempt from reporting the payments it made to its courier contractors in that year.

Making business *personal*

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