

Road freight services

Taxable payments reporting

Frequently asked questions

Who needs to report?

You will need to lodge a Taxable Payments Annual Report ("TPAR") with the ATO if you meet both of the following requirements:

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

If your business provides mixed services, not just road freight services, you may need to lodge a TPAR if the payments you receive for road freight services and courier services make up **10% or more** of your total current or projected GST turnover (**10% GST Turnover Threshold Test**). It is important to note that payments made to employees are not included in your TPAR.

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

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

What are 'Road Freight Services'?

Road freight services include transportation of freight by road, the renting of trucks with drivers for road freight transport, and road vehicle towing services.

'Transportation of freight by road' is the transport by road of goods, wares, merchandise, materials or anything whether in its raw state or natural state, wholly or partly manufactured state, or of a solid, liquid or gaseous nature or otherwise, and/or livestock.

Typically, road freight is used to transport goods in bulk using large vehicles.

Examples include:

Road freight services			
Furniture removal services	Log haulage services	Road freight forwarding services	Taxi truck services
Truck hire services (with driver)			

Road freight does not include passenger transport services (such as buses and taxis), courier services, operation of road freight terminals, providing crating and packing for road freight transport and leasing or hiring trucks without drivers.

What if I supply Road Freight services and other services?

Where an arrangement with one of your customers involves the supply of road freight services, courier services and other services, your business will need to work out what percentage of the payments you receive are for road freight and courier services. This must be completed each financial year to determine whether your business needs to lodge a TPAR.

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

However, where the road freight and courier services are a primary/material part of the supply, or could realistically be made as a separate supply, the supply is a mixed supply of a road freight and courier services and other service(s). The supply of the road freight and courier services as part of the mixed supply will therefore be a separate supply of road freight and courier services and will form part of 'total payment you receive for supplies of road freight and courier services' for the purpose of the 10% GST Turnover Threshold Test.

How to apply the 10% GST Turnover Threshold Test

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

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

For the purposes of the formula:

- **Total payments you receive for road freight and courier services in the income year** must include all payments you receive for supplies of road freight and 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 road freight and courier services is part of a composite or mixed supply as set out 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.

What payments should be reported?

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

The ATO requires taxpayers to report on a cash basis. Accordingly, unpaid invoices as at 30 June 2020 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 2020 should be included in next year's report if they are paid by 30 June 2021.

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.

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 road freight 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 same requirements to apply to incapacitated entities that are required to report payments made to contractors for road freight and courier services, where an administrator has been appointed to manage the entity.

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.

Where an invoice includes both labour and materials, whether itemised or combined, you will need to report the whole amount of the payment.

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 2020:

- 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.

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.

When is the report due?

The Taxable Payments Annual Report is due by 28 August 2020 for payments made in the year ended 30 June 2020.

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, as follows -

Failure to lodge penalty amount according to entity size (where infringement occurs on or after 1 July 2020)				
Days overdue	Small	Medium	Large	Significant Global Entity
28 days of less	\$222	\$444	\$1,110	\$111,000
29 to 56 days	\$444	\$888	\$2,220	\$222,000
57 to 84 days	\$666	\$1,332	\$3,330	\$333,000
85 to 112 days	\$888	\$1,776	\$4,440	\$444,000
113 days or more	\$1,110	\$2,220	\$5,550	\$555,000

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 'global parent entity' whose 'annual global income' is AUD\$1 billion or more; or
- 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.

How can we assist you with your reporting obligations?

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

- 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.
- We can assist you to generate the information from your systems in a suitable format for reporting to the ATO.
- 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.

Further Information

Please contact one of our tax experts below for further information about taxable payments reporting:

Jacqueline Watt

E jacqueline.watt@pitcher.com.au

T +61 3 8612 9617

Nicole Hornsby

E nicole.hornsby@pitcher.com.au

T +61 3 8612 9783

Craig Whatman

E craig.whatman@pitcher.com.au

T +61 3 8610 5617

Appendix

The following examples (provided by the ATO in LCR 2019/4) demonstrate the meaning of 'providing road freight services' and whether or not a business providing road freight services needs to lodge a TPAR.

Example 1: A business providing road freight services

Longhaul Freight Pty Ltd has an ABN, and has contracts to pick up and deliver bulk groceries from grocery suppliers to supermarket stores. It engages contractors (driver-owners with semi-trailers) to provide this service. Longhaul is providing a road freight service by transporting bulk quantities of groceries. The contractor drivers, who are moving the freight by road for Longhaul, are providing road freight services on behalf of Longhaul. Longhaul has been operating for the full financial year.

At the end of the financial year, if the total payments Longhaul Freight Pty Ltd received for road freight services is 10% or more of its current GST turnover, it will need to report the payments it makes to contractors for these services in a TPAR.

Longhaul has also engaged contractors to provide business administration services. These contractors are not engaged to provide road freight services, nor are they engaged to provide a service on Longhaul's behalf. Therefore, payments to these contractors don't need to be reported on the TPAR.

Longhaul has an agreement to transport a consignment of bulk groceries to a supermarket in a remote location. There is only one main road to this location from Longhaul's nearest distribution centre and the road is not suitable for heavy vehicles. Longhaul divides the consignment into smaller loads and engages contractor drivers 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 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 is required to report payments made to these contractor drivers, which occur on or after 1 July 2019, in a TPAR.

Example 2: A freight forwarding business

Rapport Freight Pty Ltd has an ABN and provides freight forwarding services across Australia. Rapport Freight occasionally uses contractors (which supply their own vehicles) to provide freight forwarding services on Rapport Freight's behalf.

Rapport Freight is engaged to transport a large consignment of new cars for a car company. The cars arrive at a port in Fremantle. Rapport Freight uses its contractors to transport these cars via road to the car company's warehouse in Melbourne. Rapport Freight's transportation of the consignment of cars via road is a road freight service that it supplies to its car company client. Rapport Freight has been operating for the full financial year.

At the end of the financial year, if the total payments Rapport Freight received for road freight services is 10% or more of its current GST turnover, it will need to report the payments it makes to contractors for these services in a TPAR.

Example 3: A business providing two relevant services

Big Rig Services has an ABN and provides logistics support to its mining, construction and civil project customers. It provides a few different separate services to its clients. Big Rig's primary service is transporting heavy earthmoving and mobile plant equipment between project sites. It also offers security services at the sites, outside of operating hours, to patrol perimeters and guard equipment. These are separate services.

Big Rig engages contractor drivers and contractor security guards to provide these services on their behalf. Big Rig operates for the full 2019-20 financial year. At the end of 2019-20, the total current GST turnover for Big Rig is \$10 million, of which Big Rig received:

- \$6 million for road freight services; and
- \$800,000 for security services.

Big Rig must report payments for road freight and security services on their TPAR if the amounts they received for each of those services is 10% or more of their current GST turnover. Because the payments Big Rig received for their:

- road freight services are 60%, they must report the payments made to contractors for road freight services on their 2019-20 TPAR;
- security services are 8%, Big Rig is exempt from having to report their payments to security contractors on their 2019-20 TPAR.

Example 4: A business providing courier and road freight services

Transport Traders Pty Ltd has an ABN and transports a wide variety of goods in bulk quantities for other businesses. It also has a separate business that provides parcel delivery services. Transport Traders, therefore, supplies both road freight and courier services. Transport Traders regularly engages contractors (who provide their own vehicles) in both the road freight and courier parts of its business to transport bulk goods and deliver parcels for Transport Traders' clients.

In the 2018-19 financial year, the total current GST turnover for Transport Traders is \$5 million. This consists of \$4.55 million received for its bulk goods transport business (road freight services) and \$450,000 for its parcel delivery business (courier services).

Transport Traders does not need to report payments to contractors for road freight services in the 2018–19 financial year because the taxable payments report system to road freight services applies only to payments made from 1 July 2019. The payments that Transport Traders receives for courier services in 2018–19 are 9% of its current GST turnover for the year, so Transport Traders is exempt from reporting payments to courier contractors it made in 2018–19.

In the 2019–20 financial year, Transport Traders works out that:

- its current GST turnover is \$7 million;
- the amount received for road freight services is \$6.4 million; and
- the amount received for courier services is \$600,000.

As road freight and courier service are counted as one category for TPAR reporting, Transport Traders must add together the total amounts received for road freight and courier services. If the combined amount is 10% or more of their total current GST turnover for 2019-20, they must report payments to contractors for both road freight and courier services on their TPAR.

Transport Traders work out that total payments received for road freight and courier services is 100% of their current GST turnover for 2019-20.

Therefore, Transport Traders must report the payments it makes to contractors who provide these services on its behalf.

Making business *personal*



Craig Whatman

Executive Director

+61 3 8610 5617

craig.whatman@pitcher.com.au

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