

Security, investigation or surveillance 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 Security, Investigation or Surveillance services they provide on your behalf.

If your business provides mixed services, not just security, investigation or surveillance services, you may need to lodge a TPAR if the payments you receive for security, investigation or surveillance 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 Security, Investigation or Surveillance 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 ‘Security, Investigation or Surveillance Services’?

Security Services include the provision of patrolling, protecting, screening, watching and/or guarding any people, premises or property, by any means.

Investigation services include services you provide in searching inquiries by any means into one or more specific individuals or matters, to determine facts or gather evidence. These services involve more than information gathering but need to relate specifically to ‘security’ and ‘investigation’.

Surveillance services are services which are provided to watch or observe an area or location. These services may overlap with security services as identified above and involve the monitoring of security systems.

Examples of Security, Investigation or Surveillance services include:

Security, investigation or surveillance services	
Lock smithing	Burglary protection
Alarm monitoring and response	Armoured car service
Detective agency service	Night watch service
Crowd, event or venue control	Body guarding or close person protection
Operating a security control room or monitoring centre	Operating security screening equipment
Security guard service	

Security, investigation or surveillance services do not include providing police services, surveillance of country borders, providing aerial surveying or mapping services, academic or market research, fire alarm systems maintenance and surveillance devices.

What if I supply Security, Investigation or Surveillance services and other services?

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

Where the security, investigation or surveillance service is 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 security, investigation or surveillance part of the composite supply will therefore not constitute a separate supply and will not form part of 'total payments you receive for supplies of security, investigation or surveillance services' for the purpose of the 10% GST Turnover Threshold Test.

However, where the security, investigation or surveillance 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 security, investigation or surveillance service and other service(s). The supply of the security, investigation or surveillance service as part of the mixed supply will therefore be a separate supply of security, investigation or surveillance services and will form part of 'total payment you receive for supplies of security, investigation or surveillance 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 security, investigation or surveillance services you provide, the following formula should be used to work out if you are required to report payments to contractors for security, investigation or surveillance services they provide on your behalf:

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

For the purposes of the formula:

- **Total payments you receive for security, investigation or surveillance services in the income year** must include all payments you receive for supplies of security, investigation or surveillance 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 security, investigation or surveillance 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 Security, Investigation or Surveillance 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 security, investigation or surveillance 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 security, investigation, surveillance 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:

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Appendix

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

Example 1: A business providing alarms and monitoring and response services

Response Now Pty Ltd has an ABN and provides the following services:

- sales and installation of security alarms and cameras to entertainment venues;
- alarm monitoring services; and
- on-call rapid response teams for significant crowd control situations.

The provision and installation of security alarms and cameras, alarm monitoring services, and crowd control services are each separate services that are not ancillary or incidental to each other. Response Now must consider whether these three separate services constitute relevant supplies.

The sale and installation of alarms is not a relevant supply. Just supplying and installing a security device does not amount to providing security or undertaking surveillance or investigation. However, alarm monitoring and crowd control services are a supply of a security, investigation or surveillance service because they involve watching or protecting individuals, premises or property.

Response Now is therefore required to report payments they make to contractors that provide alarm monitoring or crowd control services on their behalf, which occur on or after 1 July 2019, in a TPAR (unless a reporting exemption applies).

Response Now is not required to report any payments made to contractors that sell or install the security alarms and cameras on their behalf.

Example 2: A business that has been operating for less than 12 months

Jared and Ismail operate a business, with an ABN, that supplies security services. They hire contractors to provide security services to small businesses on their behalf.

Jared and Ismail's business has been operating for 5 months by the end of the 2019-20 financial year. Therefore, they must use the business's projected GST turnover for 2020-21 to calculate the percentage of payments received for relevant services.

Jared and Ismail project their business's GST turnover for 2020-21 to be \$300,000. The payments their business has received for security services in 2019-20 total \$36,000.

As their payments for relevant services are not less than 10%, a reporting exemption does not apply. Jared and Ismail must report payments their business has made to security contractors in 2019-20.

Making business *personal*



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