



16-Sep-11

SUBMISSION TO TREASURY

Consultation Paper: Reporting of Taxable Payments for Contractors in the Building and Construction Industry

1. INTRODUCTION

It is unfortunate that SPASA NSW was not included in the initial consultation. It is highly probable that other industry stakeholders also have missed a crucial opportunity to comment on this significant new regime.

SPASA NSW is the peak body within the NSW and ACT swimming pool and spa industry, representing hundreds of Australian businesses. Members of SPASA NSW include leading pool builders, manufacturers, suppliers, retailers, technical servicemen, subcontractors, installers, consultants and other allied trades, all of whom set themselves apart from the rest of the industry by setting standards of skill, workmanship and ethical business behaviour.

2. PURPOSE OF SUBMISSION

The Commonwealth Government announced in the 2011-2012 Budget that it would introduce a reporting regime for contractors in the building and construction industry. The reporting regime is earmarked to start on 1 July 2012.

This following submission broadly summarises various fundamentals of the new arrangements.

3. GENERAL COMMENTS

- a) SPASA NSW is concerned that insufficient time has been provided to better understand the new reporting requirements.
- b) SPASA NSW strongly contests tax evasion as this creates a sizeable disadvantage to members who legitimately try to compete against rogue traders.
- c) SPASA NSW is the first to acknowledge that compliance with the Tax Act is not easy and that it remains complex. We would strongly propose that significant effort be made by the ATO to provide enhanced education programs rather than just rely on the collection of data.
- d) The ATO already receives a great deal of information as part of a company or subcontractors taxation obligations.
- e) The impost on companies and subcontractors will make the administration of companies and independent contractors unrealistically complex.
- f) We view the Report System Policy as another red-tape burden that self-employed construction workers will need to comply with.
- g) Builders and Subcontractors will incur additional costs in administration to implement and maintain systems to ensure compliance.
- h) SPASA NSW believes that a more focussed approach is necessary by the Government on operators who are non tax compliant rather than imposing an administrative and cost impost on operators who are tax compliant.
- i) The Government is aware that the building and construction industry is largely made up of small and medium businesses. The swimming pool & spa industry is project based and exposed to continual commercial and political fluctuations which have a profound effect on the industries economic life cycle. Moreover, extreme price competition, low margins coupled with the draconian stranglehold of the Home Warranty Insurance Scheme has generated an administrative nightmare for builders and sub-contractors.
- j) The burden of a major reporting regime will have profound effects on the industry.
- k) SPASA NSW strongly recommends that the proposal to exclude owner/builders is reviewed. It is our view that owner/builders are more likely to avoid their tax obligations as opposed to legitimate operators in the industry. Moreover, this loophole may create or promote the very behaviour that the reporting regime is attempting to address.

CONCLUSION

SPASA NSW has not had the opportunity to properly consult with its members given our omission from the consultation process. Accordingly, we would propose that any regulations be first provided in draft form so that we are able to properly analyze the significant impact to our industry.

SPASA NSW proposes that all responses to the Consultation Paper be assembled and distributed with the number one objective being to have a further round of consultation to better understand comments before any finalisation on detail.

SPASA NSW implores the Government to properly consider all concerns raised in this paper with the view of working with our industry to ensure that we are not further burdened with additional red tape.

Should you require clarification on this paper please do not hesitate to contact me on Tel: (02) 9747 6644, Mob: 0404 818 666 or email sdassakis@spasa.org.au.

Yours Sincerely

Spiros Dassakis
Chief Executive Officer