Taxable payments reporting for government entities

Are you ready?

Objective of today’s webinar

The aim today is to help you understand taxable payments reporting for government entities and what to do in readiness for the 1 July 2017 start.

The presentation will cover:

- What the system aims to address
- What is taxable payments reporting
- Who needs to report, what to report
- Who doesn’t need to report, what doesn’t need to be reported
- What details to include and how to lodge the annual report
- Getting ready and where to get more information
Background

What the system aims to address

The system aims to address the following issues:

- Non-lodgment of tax returns
- Not including all income in lodged tax returns
- Non compliance with GST obligations

We will also provide the information that is reported to businesses in our pre-filling service to help them get their tax returns right.
What is taxable payments reporting for government entities

From 1 July 2017:
• Federal, state, territory and local government entities will need to report the total payments they make to businesses wholly or partly for services each year.
• Federal, state and territory government entities will also need to report grants they make to people or organisations with an ABN. Local government entities are not required to report grants they pay.
• Reporting will be via the Taxable payments annual report.

How taxable payments reporting works
Who needs to report?

A broad range of government entities will be required to report, including:

- federal government departments, agencies and authorities
- state and territory government departments and agencies
- local government entities
- government-owned corporations.

Who doesn’t need to report?

Some government entities won’t need to report. These include:

- schools, universities and TAFES
- child care centres
- hospitals
- public museums, libraries or art galleries
- public zoological gardens, botanical gardens, parks, reserves or alpine resorts
- cemeteries, cemetery boards or authorities

- For the full list go to ato.gov.au/tparGov
What needs to be reported - payments

The total payments made to each supplier wholly or partly for services.
If the payment includes both goods and services:
• Report the whole amount.
• Don’t separate amounts, even if they’re itemised separately.
Generally all payments you make to contractors, consultants, IT specialists, or any other vendors you pay for services they provide will be reportable.
You need to report all payments for services whether you have their ABN or not.

What doesn’t need to be reported - payments

You don’t need to report payments:
• for goods only
• for unpaid invoices as at 30 June each year – these should be reported in the annual report for the year in which they’re actually paid
• PAYG withholding payments – these are reported in the relevant PAYG withholding annual report (for example: PAYG payment summary annual report, for payments to employees).
Payments excluded from reporting

There are some types of payments that have been excluded from reporting. This includes payments:

• made to other government entities
• made by some electronic methods (BPAY, recurring direct debit, credit and debit card payments)
• for telephone and internet services
• for rent
• for bank fees and financial supplies

• For more, see ato.gov.au/tparGov

What needs to be reported - Grants

• Grants paid to people or organisations with an ABN.
• The term 'grant' takes its ordinary meaning and can include subsidies, rebates, sponsorships and similar arrangements.
• Some factors that may indicate a payment is a grant have been provided on our website
• You can also refer to your jurisdiction’s financial management guidance on what payments are considered to be grants.
Grants that don’t need to be reported

Grants that don’t need to be reported include those paid to:

• people who don’t have an ABN
• other government entities.

Examples of payments to report

1. When to report payments?
   • Received Invoice on 21 June 2017 but I don’t pay it until 3 July 2017. The payment will need to be included in the annual report for the financial year ending 30 June 2018.
   • A contract specifies a prepayment is to be made to the supplier for services that are to be provided later. The prepayment should be reported in the year in which it is paid, regardless of when the service is provided.

2. Are payments for servicing fleet vehicles reportable?
   • Yes, these are considered to be payments wholly or partly for services (car servicing and repairs) and are required to be reported.
   • Fuel is considered to be a good so payment for fuel would not be reported.
Examples of payments to report

3. Do payments that are made to overseas suppliers, including overseas governments, need to be reported?
   - Yes, payments to overseas suppliers, including overseas governments, are required to be reported.

Examples of payments to report

4. Are payments made by a government entity for services that are provided to an exempt government entity reportable?
   - Yes, where a government entity that is required to report makes payments for services provided to an exempt government entity, then the government entity making the payments needs to report them.

5. Are payments made for property management services reportable?
   - Yes, a payment to a property manager to manage properties would be considered a payment for services and needs to be reported.
Examples of payments excluded from reporting

1. A Council negotiates to pay a neighbouring Council to provide gardening services for it’s council owned parks. Is this reportable?

   • No, payments made by one government entity to another government entity are not required to be reported.

2. A government entity reimburses expenses incurred by witnesses, jurors and minor’s advocates to attend court. Are these reportable?

   • No, these payments are specifically excluded from being reported.

The annual report
When to report

• The *Taxable payments annual report* is due by 28 August each year.
• The first annual report for the 2017-18 financial year is due by 28 August 2018.
• Reports need to be submitted electronically in a format that meets ATO reporting specifications.
• The specifications contain details on the file format, layout and includes all data field requirements.

• Download the reporting specifications at: softwaredevelopers.ato.gov.au/tparGov

The annual report

The information must be reported in the *Taxable payments annual report*.

• The report contains three sections:
  – Sender, includes details about the report and the sender of the data
  – Payer, includes details of the entity that made the payment or paid the grant
  – Payee, includes details about the recipient and the amounts paid

• Payments and grants are to be reported separately.
Payee details to report

For each payee, you should report the following identity information:

• ABN
• Name and address
• Other information, such as:
  – Bank account details
  – Phone number
  – Email address
  – Statement by a supplier (an indicator to be set to Y where one has been provided)

Payee details to report

For each payee, report:

• Total gross amount paid for the year
• Total GST included in gross amount paid
• Payment type – P for payments, G for grants

Additionally for grants,

• Name of grant program
• Date of payment

Note: where a payee receives a grant under more than one grant program, they need to be reported separately
Preparing the annual report

1. Can a third party, like a shared service organisation, prepare and lodge the report on behalf of a government entity?

• Yes, the electronic reporting specifications provide for a Sender and Payer section.
• If a shared service provider is preparing and lodging the report for government entities, they include their details in the ‘sender’ section and the government entity’s details in the ‘payer’ section.
• More details are contained in the reporting specification

Preparing the annual report

2. A supplier provides the government entity with an invoice that contains a different ABN to the one that has been on previous invoices part way through the year due to a restructure of their business.

How do you report this?

• Where a supplier provides you with a new ABN you should set up a new vendor record in your system.
• Where this occurs part way through the year, you will need to report the total payments you made to each ABN as separate entries in your annual report.
The annual report

Can I lodge a spreadsheet with all the data?

- No, the report must be lodged electronically in the format specified in our published electronic reporting specifications
- You cannot send us annual reports in any other formats. This includes spreadsheets, word or pdf documents.
How lodge the report using the ATO Portals

• The Taxable payments annual report can be lodged by uploading a file on ATO portals.
• Watch our video ‘How to lodge your Taxable payments annual report online’ at ato.gov.au/tpr

Preparing for 1 July 2017
What you can do to be ready

- Review your records to ensure that you have the information required for the annual report.
- Discuss this annual report with your software provider or information technology specialist.
- If you develop your own software, visit: softwaredevelopers.ato.gov.au/tparGov for more information, including the reporting specifications.

What you can do to be ready

- Check the details of your payees
- When you receive an invoice, check the ABN on the invoice matches the ABN on your records for that business and create a new vendor record, if necessary.
- It’s a good idea to check payees details using the ABN Lookup at abr.business.gov.au or using the ATO App.
Where to find more information

• ato.gov.au/tparGov

• Email us at tparGov@ato.gov.au

• Phone us on 13 28 66

• Watch our recorded webinar on ato.gov.au/tv

• Download this presentation or the specification at: Lets-talk.ato.gov.au