

## COMMONWEALTH OF AUSTRALIA

### *A NEW TAX SYSTEM (GOODS AND SERVICES TAX TRANSITION) ACT 1999*

### **A NEW TAX SYSTEM (GOODS AND SERVICES TAX TRANSITION) VALUE OF CONTRUCTION WORK-IN-PROGRESS SPECIFICATION (NO. 1) 2000**

#### *Citation*

1. This specification is the *A New Tax System (Goods and Services Tax Transition) Value of Construction Work-in-Progress Specification (No.1) 2000*.

#### *Specified manner of determining the value*

2. For subsection 19(4) of the *A New Tax System (Goods and Services Tax Transition) Act 1999*, the value mentioned in subsection 19(2) of the Act may be determined in a manner specified in one of the following paragraphs:

- (a) the total of approved progress claims method (Option A);
- (b) the uniform increase between approved progress claims method (Option B);
- (c) the independent valuation method (Option C).

Note 1: The value mentioned in subsection 19(2) of the Act is the value of all work and materials permanently incorporated in or affixed on the site of building or civil engineering work in accordance with a section 19 agreement.

Note 2: An entity may use any of these methods to determine the value mentioned in subsection 19(2) of the Act.

Note 3: These methods are explained in Clauses 3, 4 and 5.

#### *Option A - Total of approved progress claims method*

3. This clause sets out the total of approved progress claims method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the sum of the adjusted amounts of any approved progress claims made before 1 July 2000, and approved before the method is to be applied, in respect of the construction project.

#### *Option B - Uniform increase between approved progress claims method*

4. This clause sets out the uniform increase between approved progress claims method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the sum of the following amounts:

- (a) the sum of the adjusted amounts of any approved progress claims made before 1 July 2000, and approved before the method is to be applied, in respect of the construction project; and
- (b) the amount calculated in accordance with the following formula:

Amount of the first approved progress claim made after 1 July 2000	<i>X</i>	<i>Number of pre-1 July days in the claim period covered by the first approved progress claim made after 1 July 2000</i>
		<i>Total number of days in the claim period covered by the first approved progress claim made after 1 July 2000</i>

***Option C - Independent valuation method***

5. This clause sets out the independent valuation method for determining the value mentioned in subsection 19(2) of the Act. Under this method the value is the value as determined by a recognised person or an eligible employee.

***Definitions***

6. (1) The following expressions are defined for the purposes of this specification:

***adjusted amount***, in relation to an approved progress claim, means the amount of that progress claim (including any retention amounts) that does not relate to unaffixed materials;

***approved progress claim*** means a progress claim that has been approved for payment by:

- (a) where the construction project is in relation to the construction of a house and the funding for the project is provided by a financial institution under a funding agreement - the financial institution; or
- (b) in any other case - a person authorised under the section 19 agreement to approve progress claims;

***construction project*** means the supply mentioned in subsection 19(1) of the Act;

Note: A construction project is the construction, major reconstruction, manufacture or extension of a building or a civil engineering work.

***eligible employee*** means:

- (a) where the construction project is in relation to the construction of a house - an employee who:
  - (i) is employed by the supplier of that project to monitor progress on construction projects of the supplier, including managing the personnel and materials on site; and

(ii) has been performing the duties referred to in subparagraph (a)(i) for several years either for the supplier or for other suppliers of construction projects; or

(b) in any other case - an employee of the supplier of the construction project having the same qualifications or experience as a recognised person;

**funding agreement** means an agreement between a financial institution and a recipient in relation to a construction project where an agreed amount is provided by the institution when it is satisfied that a particular stage of the project has been completed in accordance with the section 19 agreement;

**progress claim**, in relation to a section 19 agreement, means a claim made by the supplier of a construction project for a progress payment in accordance with the terms of that agreement;

**recipient**, in relation to a construction project, means the recipient of that supply;

**recognised person** means a person who is either:

- (a) registered as a quantity surveyor, architect, valuer, civil engineer, or surveyor under a State or Territory law; or
- (b) a member of:
  - (i) the Australian Institute of Quantity Surveyors; or
  - (ii) the Royal Australian Institute of Architects; or
  - (iii) the Australian Property Institute (as a Certified Practising Valuer); or
  - (iv) the Institution of Engineers Australia (Civil or Structural College); or
  - (v) the Association of Consulting Engineers Australia; or
  - (vi) the Institution of Surveyors Australia; or
  - (vii) the Australian Institute of Building;

**retention amount** means an amount retained from a payment made in respect of an approved progress claim until after the construction project is completed to ensure that the project has been completed in a satisfactory manner;

**section 19 agreement** means the agreement mentioned in paragraph 19(1)(a) of the Act;

Note: This is the agreement pursuant to which the construction project is undertaken.

**the Act** means the *A New Tax System (Goods and Services Tax Transition) Act 1999*;

*unaffixed materials*, in relation to a construction project, means materials that are not permanently incorporated in or affixed on the site of the building or civil engineering work as at the start of 1 July 2000.

(2) Unless the contrary intention appears, other expressions in this specification have the same meaning as in the *A New Tax System (Goods and Services Tax Transition) Act 1999*.

Dated this 8<sup>th</sup> day of June 2000

Signed by Lawrie Hill  
Assistant Commissioner  
Rulings  
Goods and Services Tax Program  
Delegate of the Commissioner