

Should your suppliers quote their ABN?... a guide for business

From 1 July 2000, anyone carrying on an enterprise (this is usually a business) should quote their Australian Business Number (ABN) in relation to goods or services they supply to another enterprise. If they don't, the general rule is that the payer must withhold 48.5% from the payment to the supplier and send the withheld amount to the Australian Taxation Office (ATO). Some supplies are excluded from this rule.

This means when you purchase something for use in your business, you must:

Receive and keep a record of your supplier's ABN

OR

Be satisfied that the supply is excluded from the ABN rule

ELSE

Withhold from the payment

An ABN must be quoted to you before you make any payment for the supply. Normally an ABN will be quoted on the supplier's invoice and you keep this invoice in your business records.

A supplier may also quote their ABN to you on another document as long as it relates to the supply they are making. For example, their ABN can be quoted on:

- a quotation notice that relates to the supply
- a renewal notice for insurance or subscriptions
- an order form that you used to order the supply
- a contract or lease document
- a catalogue produced by the supplier, or
- a voluntary withholding agreement.

A supplier should quote their ABN to you if they are carrying on an enterprise.

For tax purposes, *enterprise* means a business and also includes such activities as:

- a service provided to you by a contractor
- the rent of a commercial property, and
- most other things in the nature of trade.

But *enterprise* does not include an activity carried on:

- as an employee or a labour hire worker, or
- as a private recreational pursuit or hobby (for example, where someone sells you handicrafts they make as a hobby).

You should not withhold if:

- the total payment to the supplier is \$50 or less, excluding any GST
- the supplier is an individual under 18 years of age, is not your employee, and the payments you make to that person do not exceed \$120 per week, or
- the supply is wholly input taxed under GST. This includes most financial supplies, supplies of residential rent, residential premises and some precious metals, and food supplies by school tuckshops and canteens that have chosen to be input taxed. (Contact the ATO if you're not sure whether a supply is input taxed.)

Also, you should not withhold if you are satisfied that:

- the supply is made in the supplier's private capacity, or as their hobby →
- the payment is exempt income for the supplier (for example, the supplier is a non-profit body) →
- the payment is to a non-resident who is not carrying on a business in Australia or through an agent in Australia, or →
- the supplier is not an enterprise because they have no reasonable expectation of profit or gain → (for this exception to apply, the supplier *must* provide you with a written statement to this effect).

If you are unsure, ask the supplier to give you a written statement that the supply is excluded for one of these reasons. The reverse side of this card has a form that your supplier (or you) can photocopy for this purpose. You must keep their statement for five years.

If a supplier does not quote their ABN to you and you are not satisfied that one of the exclusions applies, you must withhold 48.5% of the total payment.

You should also withhold if you doubt that the ABN quoted to you is correct. If you are unsure, you can check the validity of a supplier's ABN by using the Australian Business Register (call 13 72 26 or visit the website www.abr.business.gov.au).

Before you withhold, you could offer to hold back payment until the supplier has obtained and quoted their ABN. Delaying the payment is a matter for you and your supplier to work out.

However, you should *not* make full payment to the supplier on the understanding that an ABN will be quoted later. If you fail to withhold from the payment, you can be held liable for the amount you did not withhold. You may also be prosecuted.

If you withhold, you should call the ATO on 13 24 78 to register as a withholder.

This is different to registering for an ABN. If you are withholding from employee wages you are already registered as a withholder.

Send the withheld amount to the ATO.

Add the withheld amount to any tax you may have withheld from your employees and send the total payment to the ATO with your next activity statement.

Provide a payment summary to the supplier.

Complete a payment summary form and give it to the supplier at the same time you pay them the net amount or as soon as possible thereafter. The supplier will need this form to claim the withheld amount as a credit in their income tax return.

Points to note

The requirement to quote an ABN applies if some or all of the goods or services are supplied after 30 June 2000 and payment is made after 30 June 2000.

Your supplier only needs to quote their ABN if the payment you make relates to your business. If the payment is private for you, your supplier does not need to quote their ABN.

The requirement to quote an ABN applies whether or not you are, or your supplier is, registered for GST.

Statement by a supplier



Australian Taxation Office

Reason for not quoting an Australian Business Number (ABN) to an enterprise

[illegible]

Under the Pay As You Go legislation and guidelines produced by the Australian Taxation Office I provide you with a written statement that, for the supply I am making and further supplies of this type that I make to you:



Tick the appropriate box

The supply is made to you in my capacity as an individual, and the supply is made in the course of an activity that is a **private recreational pursuit** or **hobby**

The supply is made to you in my capacity as an individual, and the supply is wholly of a **private or domestic nature for me**

I (or the supplier that I represent) am/is a **non-resident who is not carrying on an enterprise in Australia**

The whole of the payment that I (or the supplier that I represent) will receive for the supply is **exempt from income tax**

I (or the partnership that I represent) have **no reasonable expectation of profit or gain** from the activity undertaken and consider that I (or the partnership that I represent) do not meet the definition of enterprise for tax purposes

Therefore, I am not quoting you an ABN. You should not withhold an amount from the payment you make to me for the supply. I agree to advise you in writing if circumstances change to the extent that this statement becomes invalid.

Name of authorised person (if not the supplier)																								
Signature of supplier or authorised person													Date											
Daytime contact phone number											It is an offence to make a false or misleading statement													

The person/entity to whom this statement is made should retain the statement for 5 years