

## Project Bank Accounts

### Frequently Asked Questions - Accounting and Taxation

Project Bank Accounts (PBAs) are being used on all AS2124 construction contracts tendered from 30 September 2016 with a value of more than \$1.5 million. PBAs are a payment mechanism and in recognition of the fact they are new to the Western Australian industry, the Department of Finance engaged Deloitte to consider their impact on accounting and taxation practices.

Some common questions and answers are provided below in general terms; however it is recommended that Contractors seek their own specific advice from a professional advisor.

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#### **Do PBAs impact GST treatment for either a head contractor or subcontractor?**

The treatment of GST by head contractors and subcontractors needs to be determined on the specific circumstances and contractual arrangements entered into but that treatment of GST does not change as a result of the use of a PBA.

#### **Does the PBA need its own statutory financial statements?**

No, there is no requirement for statutory financial statements to be prepared for the PBA.

#### **Does the PBA itself need an ABN?**

No, the PBA is intended as a payment mechanism only and should not be carrying on an enterprise, which would otherwise require the registration of an ABN.

#### **Do PBAs impact a head contractor's revenue recognition (turnover reporting)?**

No, the PBA will not alter the amount of revenue the head contractor is able to record under its building contract.

#### **Can the balances of the PBAs be consolidated by a head contractor when preparing financial statements?**

Amounts within the PBA can be consolidated when preparing financial statements where the contractor has control over the funds, as determined in accordance with the Australian Accounting Standards. The PBA sub-account holding subcontractor retention money should be consolidated as the head contractor has control over that money within the PBA. Any other money within the regular distribution PBA, such as progress payments, should not be consolidated where it is considered that the amounts are not controlled by the head contractor. Preparers of accounts should seek advice as to whether the arrangement entered into enables them to control the PBA account.

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*If you would like to obtain further advice regarding the impact of Project Bank Accounts please contact:*



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