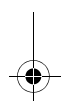
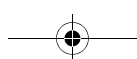
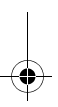


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PPS & RPS

On 1 July 2000, the government, as part of the new tax system, abolished the prescribed payments system (PPS) and reportable payments system (RPS) and replaced them with the pay as you go withholding system.

This chapter presents data on PPS and RPS collections for the 1999–2000 financial year.

What is PPS?

PPS was introduced in 1983. It was an income reporting and tax collection system designed to ensure that people in certain prescribed industries paid their tax as they earned income. It applied in the following industries:

- construction;
- joinery and cabinet making;
- architectural services;
- cleaning;
- engineering services;
- motor vehicle repair;
- surveying services; and
- road transport.

Additionally, PPS applied to certain payments—including the introduced voluntary agreements—made from outside the prescribed industries.

Voluntary agreements enabled people, other than employees outside the prescribed industries, to utilise PPS to assist them with meeting their taxation obligations.

The PPS system was separate from the pay-as-you-earn (PAYE) system, which applied to payments made to employees. However, it was similar to PAYE in that it required affected taxpayers to contribute to their expected tax liability as they earned income.

In 1999–2000, payers who remitted more than a combined amount of \$1 million in PAYE, PPS and RPS payments in a financial year ending on or after 30 June 1998 were required to remit the tax by electronic transfer within seven days of making the deductions. Payers with combined remittances of less than \$1 million and more than \$25 000 were required to remit monthly. Small remitters—payers whose payments did not exceed \$25 000—could remit on a quarterly basis.

PPS collections

In 1999–2000, PPS collections were \$3.1 billion, accounting for 2% of total ATO collections. This was an increase from \$1.7 billion in 1990–91. PPS collections grew in line with movements in the industries to which it applied, particularly in the construction industry.

Most payers of PPS tax remitted small payments in 1999–2000. Almost 70% of payers remitted less than \$10 000. However, the remittances of these people accounted for nearly 10% of all PPS collections. Only 3% of payers remitted more than \$100 000, but their remittances accounted for more than half (51%) of all PPS collections.

The amount of PPS tax collection varied from month to month. For all states, PPS collections in July, October, January and April usually increased

Figure 17.1: PPS collections over time

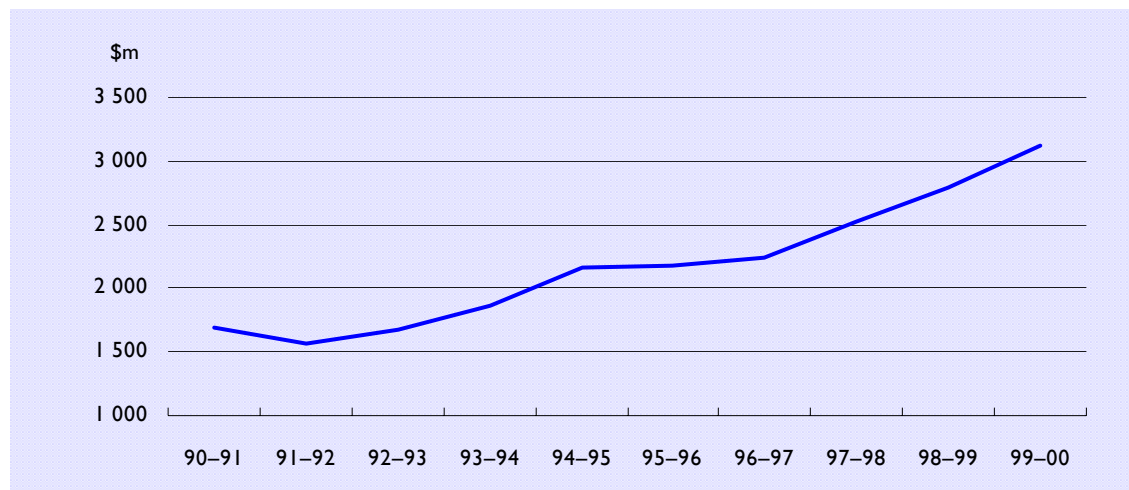


Table 17.1: PPS collections

Amount remitted	Payers	Proportion	Amount collected	Proportion
	no.	%	\$m	%
Less than \$4 999	83 619	54.3	137	4.4
\$5 000–\$9 999	22 988	14.9	165	5.3
\$10 000–\$49 999	35 821	23.2	787	25.2
\$50 000–\$99 999	6 480	4.2	451	14.5
\$100 000–\$499 999	4 607	3.0	866	27.8
\$500 000–\$999 999	349	0.2	240	7.7
\$1 000 000 or more	219	0.1	472	15.1
Total	154 083	100.0	3 118	100.0

because they included the quarterly payments of small remitters. The variation also reflected the seasonal nature of contract work in the industries in which PPS applied. For example, for all states there was a decrease in the amount of PPS tax collected during February. This reflected the fact that many industries covered by PPS, such as building and construction, usually closed down over the December to January holiday period.

Industry

The construction industry was the main source for PPS collections. In 1999–2000, more than \$2 billion in PPS tax was collected from this industry, accounting for 74% of total PPS collections. This was followed by the transport and storage industry, which remitted 11% of total PPS collections.

designed to ensure people paid the correct amount of tax.

RPS was initially introduced into the fishing and clothing industries, and subsequently into the smash repairs and fruit and vegetable industries.

Table 17.2: PPS collections by industry

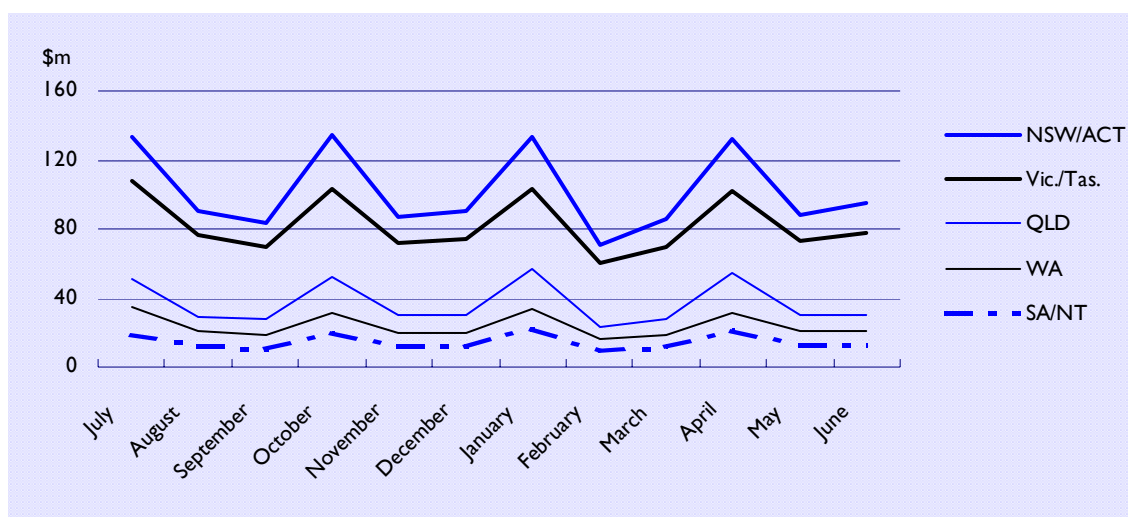
Industry	Amount collected	Proportion
	\$m	%
Construction	2 317	74.3
Transport & storage	349	11.2
Property & business services	233	7.5
Retail trade	76	2.4
Communication	57	1.8
Other	85	2.7
Total	3 118	100.0

Because the RPS was a TFN-based income reporting system, payers were only required to deduct tax when a payee did not quote a TFN. As a result, RPS tax deductions were not generally expected to be made. Accordingly, remittances for RPS tax deductions represented only a very small proportion of total taxation revenue.

What is RPS?

The RPS was introduced in December 1994. It was linked to the tax file number (TFN) and was

Figure 17.2: PPS tax collection by state



Taxation Statistics 1998–99

Table 17.3: RPS collections

Amount remitted	Payers	Proportion	Amount collected	Proportion
	no.	%	\$'000	%
Less than \$4 999	282	72.7	412	14.9
\$5 000–\$9 999	49	12.6	337	12.2
\$10 000–\$49 999	45	11.6	941	34.1
\$50 000 or more	12	3.1	1 070	38.7
Total	388	100.0	2 760	100.0

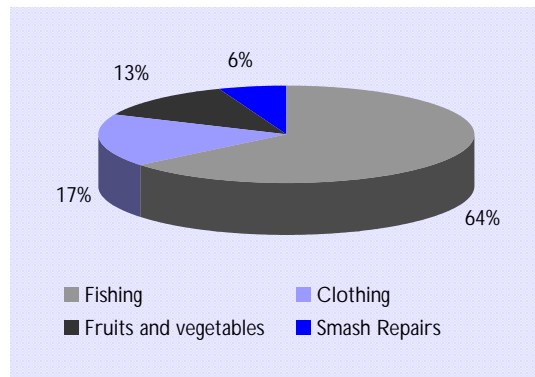
In 1999–2000, the ATO collected \$2.8 million in RPS tax deductions.

RPS collections

In 1999–2000, 73% of RPS taxpayers remitted less than \$5000. However, these payers accounted for 15% of total RPS collections. Only 3% of payers remitted more than \$50 000, but these payers accounted for nearly 39% of total RPS collections.

In terms of industries, the fishing industry was the major source of RPS collections. It accounted for 64% of RPS collections in 1999–2000.

Figure 17.3: RPS collections by industry



Detailed tables

The following detailed table on PPS can be found on the CD-ROM attached to this publication.

Table 1: PPS payers by grade of annual remittance