Reporting payments made to contractors

Fast facts

Who is a contractor?

An independent contractor is someone who provides services to your business. They do this through their own business. Contractors can be sole traders, companies, partnerships, or trusts.

In general, the legal rights and obligations outlined in a contract determines whether a worker is a contractor.

Several indicators may point towards or against someone being a contractor. These indicators need to be looked at holistically to determine if a person is a contractor.

- Control: In general, the worker can choose how, where and when they work, subject to reasonable direction by you.
- Integration: The worker provides services to your business – they are usually not the core workforce for your business' main activities. Their work benefits their own business, but they may also choose to represent your business.
- Payment method: The worker is contracted to achieve a specific result and is paid when this is achieved. They're often paid a fixed fee, which may be a negotiated amount that includes the costs associated with achieving the

result (such as materials).

- Ability to subcontract or delegate: The worker can delegate and pay others to complete the work for them.
- Provision of tools and equipment: The worker provides all or most of the equipment, tools and other assets for the work, and you don't give them an allowance or reimbursement for expenses. The work may involve the use of a substantial item that your worker is wholly responsible for.
- Risk: The worker bears the commercial risk for any costs resulting in injury or defect from their work.
- Goodwill: The worker's business benefits from any 'goodwill' generated from their work, for example improved business reputation.

How do I report payments made to contractors?

- As part of the Taxable payments reporting system (TPRS), many businesses must lodge a Taxable payments annual report (TPAR) to report payments they made to contractors for providing certain services.
- Businesses who make payments to contractors may need to report these payments and lodge a TPAR.
- Contractors can include subcontractors, consultants, and independent contractors.
- Each year you must review if you need to lodge a TPAR with the ATO by 28 August.
- The TPAR can be lodged through Online services for business, business software, or via a registered agent.

What services are covered by the TPAR rules?

- Businesses must lodge a TPAR to report payments they made to contractors for providing the following services:
  - The building and construction industry
  - Courier services
  - Road freight services
  - Cleaning services
  - Information Technology (IT)
  - Security, investigation, or surveillance services.

Last modified: 28 Aug 2025