ACT NOW to ensure you are meeting the new QBCC requirements!

What are the changes and what do they mean?

Due to some high profile collapses and insolvencies in the local construction industry, the Queensland Building and Construction Commission (QBCC) is implementing change to the minimum reporting requirements.

What are the changes aiming to do?

- Strengthen reporting requirements;
- Provide clarity about what can be included when calculating a licensees
- Develop data quality and availability for QBCC.

What do the changes mean for me?

All those who hold a QBCC licence will be affected in different ways. This will depend on the category of your licence. Firstly, all those who hold a licence will need to report their financial information to the QBCC every year.

This was a requirement up until 2014 and has recently been brought back into place. If you currently provide annual reporting to the QBCC, the process will be kept the same as much as possible.

Changes for Categories SC1 & SC2 (up to and including $600K revenue)

You will need to be able to self-certify that you are meeting the appropriate financial requirements (including having current assets of at least the same value as current liabilities as well as the required level of Net Tangible Assets for your turnover threshold). The revenue threshold for this bracket will also be increased to $800K as from 1 April 2019.

The QBCC has released an online reporting tool that will help with this, but you can always contact your Accountant at HW One for assistance on this calculation.

Changes for SC1 to Category 3 (those with a turnover of up to $30 million)

Those who fall into this category will be still be required to report any decreases in Net Tangible Assets of 30% or more.

Changes for Categories 4-7 (those with a turnover of more than $30 million)

Anyone falling into this category, will be required to report decreases in net tangible assets of more than 20%. If you are a high risk licensee as deemed by the QBCC - you will be required to inform QBCC earlier when it comes to changes in your financial position.

Talk to us to find out what that means, and what you can do about it.

You will also need to use a Balanced Scorecard - which essentially requires you to report on more detailed information to the QBCC. This will allow QBCC to better detect potential insolvencies earlier.

Changes to how you calculate assets and revenue

Unfortunately, personal recreational vehicles wont be able to be included in the minimum asset thresholds. This means you cannot use things like golf carts and dirt bikes to increase the value of the assets that the business has.

When money is held in a Project Bank Account (PBA), the following clarifies when these funds can be included as a licensees asset or revenue:

- The head contractor and subcontractors will be able to include amounts in the general trust account that they have a beneficial interest in as an asset.
- Subcontractors involved will also be able to include the retention amounts and any possible disputed funds that relate to them as assets.

Changes to data availability and quality

The QBCC also wants better data and quality of that data, so that they can enforce better control. The QBCC will be able to seek advice from an independent qualified Accountant to substantiate information you provide them.

If the information you provide the QBCC is deemed to be incorrect, then you may be liable to pay for the costs of the independent assessment that was required to deem this.

If the licensee relies on a deed of covenant, then the QBCC will need to be provided with detailed financial information regarding the covenantor. When it comes to related entity loans, the QBCC is likely to enforce similar requirements to the above so they can decide if the loans are collectable.

When will these changes be implemented?

The first phase of reforms have already commenced on the 1st of January this year (2019). This includes:

- Re-introducing annual reporting requirements.
- Larger licensees are required to report decreases in net tangible assets which are larger than 20%, and;
- The aforementioned changes regarding the inclusion of personal/ recreational vehicles in Assets, as well as when to include Project Bank Account funds in assets (see above changes to calculating assets and revenue).

Phase two will include all of the remaining reforms in relation to the standard of reporting. While this date is not set in stone, it is likely to be on the 1st of April, 2019. But as always, we recommend speaking to your advisor at HW One before responding to the QBCC regarding these changes.

We want to make sure that you get the best possible outcome as a result of the changes.

What will happen if you don't adhere to these new changes? What's the penalty?

The penalties for failing to comply with these changes will come into play immediately after the changes are introduced. The QBCC is able to cancel or suspend your QBCC licence. They can also provide penalties for providing false information, or refusing to supply information at their request.

The second phase of changes (from 1 April 2019) are aimed at stronger and more strict enforcement. This will include possibly imposing executive office liabilities and increasing penalties.

It is important to recognise that your business will be required to meet the financial requirements as imposed by the QBCC or your licence and therefore business could be at risk.

We strongly recommend contacting our office should you have any queries or concerns regarding these changes. Contact HW One on 07 3360 9600 or connect@hwone.com.au