



HOUSING INDUSTRY ASSOCIATION



Submission to the
The Economics Legislation Committee

Currency (Restrictions on the Use of Cash) Bill 2019

15 November 2019

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 60,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

“promote policies and provide services which enhance our members’ business practices, products and profitability, consistent with the highest standards of professional and commercial conduct.”

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 23 centres around the nation providing a wide range of advocacy, business support including services and products to members, technical and compliance advice, training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.

1. INTRODUCTION

On 19 September the Senate referred the *Currency (Restrictions on the Use of Cash) Bill 2019* (Bill) to the Economics Legislation Committee for inquiry and report.

HIA makes this submissions in response to the Bill.

HIA has actively participated in the work of the Black Economy Taskforce and we support the Government's intention to address areas of tax leakage and avoidance. However this Bill will have little effect on tax leakage and criminal activities associated with large cash payments. The Bill will however adversely affect legitimate and compliant cash transactions. As such HIA opposes the Bill in its current form.

The already declining use of cash payments, existing reporting requirements for cash transactions over \$10,000, lack of clarity regarding a number of provisions of the Bill, including its application and the difficulties associated with enforcement, provides little justification for the adoption of the measures set out in the Bill.

It would seem that the Bill prioritises a need to address revenue shortfalls relating to the collection of tax liabilities as opposed to criminal activities which HIA considers are adequately dealt with through other legislative regimes.

Furthermore, imposing such a limit on the residential building industry is considered unnecessary in light of other current regulatory arrangements that address business payments and tax reporting.

The residential building industry is one of the most heavily regulated sectors in the Australian economy. Across all jurisdictions those operating in the industry must comply with, amongst other things, various licencing, contractual and financial requirements that have direct implications for the method of obtaining payments. Additionally, financial institution have become a quasi-regulator of progress payments for residential building work.

In the context of the black economy, the areas of concern are likely to be two-fold and most likely involve payments of less than \$10,000, rather than over \$10,000.

The first relates to small building work that is more one-off and involves a single builder or trade contractor providing services to a home owner.

The second relates to cash payments that may occur in relation to residential building work managed by owner-builders where a range of contractors are used for individual work that may be under \$10,000 in value and subject to cash payments. Of note, owner-builders are not subject to the regulatory obligations imposed on licenced and registered residential builders across the country.

While HIA sees the need to manage tax leakage from large value cash transactions, given the current regulatory arrangements, financing arrangements and contract requirements, such transactions in the residential building industry are rare. As such a cautious approach should be taken moving forward with the Bill and HIA recommends that, should the Bill progress, the residential building industry be excluded from its application.



2. THE RESIDENTIAL BUILDING INDUSTRY

In the residential building industry there is ample incentive, combined with regulatory requirements, to properly account for and record all transactions, whatever form they may take.

Within the residential building industry, the majority of businesses seek to correctly meet their tax obligations in relation to the administration of their finances.

Due to existing regulatory and other limits on residential building work, it is considered that, outside of work undertaken by owner-builders, where the value of work exceeds \$10,000 it is likely to be recorded and paid electronically or by cheque therefore the payment of taxation is likely to be correctly administered for the amounts received and expended. These payments are also made in a transparent manner which allows scrutiny for tax purposes.

2.1 LICENCING AND INSURANCE

In order to carry out residential building work over a certain value all jurisdictions, except Tasmania, require that the builder obtain warranty insurance. Warranty insurance is unique to the residential building industry and, broadly speaking, provides a safety net for consumers in circumstances where a builder is no longer available to complete the residential building work, for example they have died, disappeared or have become bankrupt/insolvent.

Similarly, a licence must also be obtained to carry out residential building work over a certain value. The table below outlines the various warranty insurance and licence thresholds across the country.

	Warranty Insurance Project Threshold	Licence Requirement Project Threshold
QLD	\$3,300	\$3,300
NSW	\$20,000	\$5,000
VIC	\$16,000	\$5,000
SA	\$12,000	Nil
WA	\$20,000	\$20,000
NT	\$12,000	\$12,000
ACT	\$12,000	Nil
TAS	Nil	\$20,000

While the systems vary, obtaining warranty insurance and a builder's licence includes a requirement that certain financial requirements be met.

For example, in order to obtain warranty insurance in NSW a builder must apply for and be granted eligibility, without which residential building work cannot be undertaken. This involves providing evidence of a builder's:

- technical capabilities,
- history,
- financial performance, and
- equity exposed to the building operations.

In terms of a builder's financial performance, a range of measures are considered including the level of working capital (i.e. assets able to be converted to cash in next 30 days to meet all current liabilities), trading losses over any of the past 9 months, businesses closures and insolvencies or a probability of insolvent trading, actual and projected turnover etc.

Similarly, in order to be granted a licence in Queensland, a builder must meet the Minimum Financial Requirements which includes meeting both revenue criteria and net tangible asset thresholds. In order to continue holding a licence those criteria must at all times be satisfied. A builder must provide reports showing the financial position and performance of the business including:

- Statement of Financial Performance (also known as a Trading and Profit and Loss Statement);



- Statement of Financial Position (also known as a Balance Sheet);
- Aged listings of trade debtors and creditors; and
- Statement of Cash Flows.

In both cases, a builder's capacity to grow their business is limited by their financial eligibility assessed through the licencing and warranty insurance framework. If a business wishes to grow, expand and take on more work, they must provide evidence of this annually.

Therefore in the context of the proposed Bill, there is already a clear risk to the ongoing operation of a residential building business that does not declare all income received. The underreporting of income would act as a self-imposed impediment to business growth.

2.2 CONTRACTUAL ARRANGEMENTS IN THE SECTOR

Home building laws across the country not only mandate that a contract must be used for works over a certain value but that a range of contractual terms be included in that contract.

Again for example, in Queensland all residential building work over \$3,300 requires a compliant contract and in NSW all work over \$5,000 requires a compliant contract. Further, all jurisdictions (except the ACT) place limits on the deposit amount that a builder can take for residential building work. In fact, industry practice dictates that all residential building work is paid in stages based on the completed value of the work carried out during a certain stage; some states have seen fit to regulate these stages.

Table A attached sets out the regulated allowable maximum deposit for residential building work across the country.

Table B attached sets out the regulation regarding the taking of progress payments throughout a residential construction project across the country.

The requirements apply equally to renovation building work. The value thresholds for warranty and the use of contracts, the licensing requirements and the potential financing by banks, all operate in the same manner.

This level of transparency in the taking of payments during residential building work makes avoiding tax obligations through cash payments highly unusual. The value of residential building work often necessitates the obtaining of finance by the client, again muting any ability to use cash payments.

On this basis, HIA considers that residential building work over the value of \$10,000 is unlikely to rely on 'cash' payment options, and even where this may occur, the other regulations already in place create sufficient transparency on the collection of money and the subsequent payment of taxation and other obligations, that the Bill is unlikely to have any meaningful impact.

2.3 OWNER-BUILDER ENGAGEMENT

Arrangements used by owner-builders to engage one off trade contractors and potentially rely on cash payments for these transactions are much more common place.

It was on this basis that the Taskforce recognised the potential benefit of introducing trade contractor reporting into this segment of the market. Use of the existing Taxable Reporting Payment System (TPRS) to address small project work, under or over \$10,000, is more likely to bring forward businesses choosing to avoid tax payment obligations, along with highlighting businesses potentially not meeting other obligations related to licensing, contracts and warranty.



3. THE BILL

3.1 TYPES OF PAYMENTS

Series of Payments

The Bill proposes to introduce an offence for the taking or receiving of cash payments that equals or exceeds the cash payment limit in relation to a series of payments for 'one supply'.

The proposed treatment of payments made by instalments is problematic and unnecessarily complex for a number of reasons.

Firstly, HIA is concerned that the operation of the cash payment limit to individual payments within a series of payments is unclear.

The cash payment limit only applies to a series of payments where the amount of cash paid or received equals or exceeds \$10,000 for 'one supply'.

HIA understands that transactions considered to be for 'one supply' despite a series of payments being made must comply with the cash payment limit so that no more than \$10,000 cumulatively is paid in cash across the series of payments. In contrast the cash payment limit will apply to each individual payment made by instalments in cases where each payment represents its own individual supply.

It is certainly plausible from the lack of detail in both the Bill and explanatory materials to infer that in cases where the total value of the transaction is over \$10,000 and that total value is paid over a series of payments for 'one supply' that no cash can be taken whatsoever for any individual payment.

Secondly, the trigger for when the cash payment limit applies to a series of payments is difficult to determine and somewhat artificial.

The Bill relies on the definition of 'Supply' as provided by the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) which is expanded on in the ATO's Goods and Services Tax Ruling GSTR 2006/9 (ATO Ruling). Under the GST Act and ATO Ruling the definition of 'Supply' is incredibly broad. Relevantly, under section 9.10(1) of the GST Act 'a supply is any form of supply whatsoever' and includes, for example, the supply of goods, services, advice or information and a financial supply. The purpose of the definition is to determine whether the supply will attract GST.

The explanatory material provide that a series of payments for 'one supply' includes the purchase of a car by instalments but does not include a series of monthly rent payments. This is because rent payments are not a 'series of payments for the same supply', and are for different time periods. It would seem that the inclusion of proposed section 10 which seeks to explain a 'periodic supply' justifies this approach as each rental payment is for a different period and hence for a separate supply. To that end, a rental payment of \$2,000 per month, could be made each and every month in cash despite the fact that the cash payment limit is reached after 5 months and the total value of cash paid for a 12 month lease would be \$24,000.

This distinction is not made by the definition of Supply in the GST Act and ATO Ruling. As such the reference to those regulatory arrangements is unhelpful. On the other hand, it may be useful to reference section 10 as a note to proposed section 12(3) and 13(2) to specify that a payment for a *periodic supply* is essentially excluded from a *series of payments* and not subject to the offence.

Finally, if the payment of rent is not considered one 'supply' due to each payment being made for a different period, HIA argues that a progress payments for the 'supply' of residential building work would also fall outside the scope of the proposed offence.

As outlined above, payments made during a residential building project are taken in stages based on the completion of certain works. Attached is an example progress payment schedule from the HIA NSW New Dwellings Contract. Each stage clearly sets out distinct and separate works. Similarly, in Victoria under section 40 of the *Domestic Building Contracts Act 1995* construction stages are defined and the percentage of the contract



price that can be claimed is allocated. Each stage is clearly identifiable, distinguishable and represents a 'supply' for a different period. Relevant, section 40 provides:

Limits on progress payments

(1) *In this section*

"base stage" means

- a) *in the case of a home with a timber floor, the stage when the concrete footings for the floor are poured and the base brickwork is built to floor level;*
- b) *in the case of a home with a timber floor with no base brickwork, the stage when the stumps, piers or columns are completed;*
- c) *in the case of a home with a suspended concrete slab floor, the stage when the concrete footings are poured;*
- d) *in the case of a home with a concrete floor, the stage when the floor is completed;*
- e) *in the case of a home for which the exterior walls and roof are constructed before the floor is constructed, the stage when the concrete footings are poured;*

"frame stage" means the stage when a home's frame is completed and approved by a building surveyor;

"lock-up stage" means the stage when a home's external wall cladding and roof covering is fixed, the flooring is laid and external doors and external windows are fixed (even if those doors or windows are only temporary);

"fixing stage" means the stage when all internal cladding, architraves, skirting, doors, built-in shelves, baths, basins, troughs, sinks, cabinets and cupboards of a home are fitted and fixed in position.

(2) *A builder must not demand or recover or retain under a major domestic building contract of a type listed in column 1 of the Table more than the percentage of the contract price listed in column 2 at the completion of a stage referred to in column 3.*

Penalty: 50 penalty units.

TABLE		
Column 1	Column 2	Column 3
<i>Type of contract</i>	<i>Percentage of contract price</i>	<i>Stage</i>
Contract to build to lock-up stage	20%	Base stage
"	25%	Frame stage
Contract to build to fixing stage	12%	Base stage
"	18%	Frame stage
"	40%	Lock-up stage
Contract to build all stages	10%	Base stage
"	15%	Frame stage
"	35%	Lock-up stage
"	25%	Fixing stage

In contrast, HIA understands that under the Bill construction work is to be considered as one 'supply' and therefore the proposed offence would apply where the cumulative cash amounts taken equals or exceed \$10,000. HIA disagrees with the characterisation of building work as one supply and further disagrees with the application of the cash payment limit to residential building work.



For example, a NSW builder agrees to build a patio for a homeowner at a total cost of \$25,000. The following progress payment schedule forms a part of the contract:

Deposit	\$2,500 (10% of the total contract price).
Slab complete	\$8,000
Frame complete	\$6,500
Roofing complete	\$5,000
Final	\$3,000

While each progress payment is for less than \$10,000, to avoid committing the proposed offence only some of the payments could be made in cash, yet each stage of work is completely different in terms of the materials, labour and timeframe for completion. In reality each stage of work is likely to be more distinguishable from the last than rent.

It would appear that the approach proposed in the Bill is aimed at capturing those ‘supplies’ that attract GST. Residential rent does not attract GST and therefore there may be less concern regarding the payment of rent in cash. The purchase of a new car will, however attract GST and the potential for tax avoidance arises, consequentially those instalment payments are captured.

HIA recommends that should the Bill progress it should simply apply to transactions that occur over a series of payments that attract GST.

Excluded transactions

The *Currency (Restrictions on the Use of Cash) Rules 2019* (Rules) set out a number of transactions that will be excluded from the cash payment limit. This includes payments related to personal or private transactions (other than transactions involving real property). The Rules specify that these transactions are those that are not made in the ‘course or furtherance of carrying on an enterprise’. An example of an excluded transaction that is related to a personal or private transaction is the purchase of a car between individuals.

While HIA does not disagree with the exclusion of these types of transactions, the approach hampers the ability of the Bill to meet its object allowing for the obvious possibility that an individual could, for example, purchase a car with monies obtained through the individuals ‘illicit activities’. This is yet another example of the fundamentally flawed nature of the proposed regulatory approach.

3.3 PENALTIES AND ENFORCEMENT

The Bill proposes the introduction of both a criminal strict liability offence and a criminal offence involving recklessness.

The penalties associated with both offences are significant.

HIA understands that the Government does not intend to engage in a formal public awareness campaign in relation to the measures in the Bill. HIA suggests that this is inconsistent with a regime that is both targeted at changing community values and expectations and proposes to impose significant criminal sanctions for breach.

Without any attempt to raise community awareness of the alleged issues relating to cash payments it is going to fall to business to be aware of the requirements and manage compliance. Where those businesses are acting legally and seeking to serve their customer in the most practical manner, it again seems at odds to impose additional red tape and risk. In terms of law enforcement, this represents a significant imbalance.

Also of concern is that given the offence can be committed by both those who make and those who accept cash payments over \$10,000, where parties agree to such arrangements enforcement of the law would be unlikely. Apt is the observation of Albert Einstein who, in relation to the futility of programs of alcohol prohibition during his time said:

“Nothing is more destructive of respect for the government and the law of the land than passing laws which cannot be enforced.”



The mutual risk of punishment to both parties engaging in cash transaction over \$10,000 effectively neutralises any deterrent impacts of the Bill. It is therefore likely that the Bill will simply become a compliance tool of other regulators who happen to stumble across the use of cash payments for inappropriate reasons. This is an unsatisfactory regulatory approach which reaches across the whole economy to resolve concern arising from a very small number of wrong doers.

3.4 COMMENCEMENT AND APPLICATION

HIA understands that the Bill is to commence on 1 January 2020. HIA is mindful that the Committee reporting date is 7 February 2020 and that further refinement of the legislation is still required. The legislation must also be passed through Parliament in a timely way.

HIA suggests that a 1 July 2020 commencement date is more realistic and allows businesses and individual's time to become accustomed to the changes.

HIA also understands that the Bill would apply to agreements in respect of a series of payments made before the commencement of the proposed laws and to payments made as part of a series of payments even if some of the previous payments in the series occurred before the Bill is proposed to commence. In practice, this means that if an agreement had been reached to make a series of payments for the purchase of a car and cash payments had already been taken worth \$10,000, after the commencement date, no further cash payments can be made or received.

It is HIA's view that the Bill should only apply to agreements entered into after the commencement date. Consequently, cash payments made and received prior to the commencement date should not be considered part of a series of payments for the purposes of the cash payment limit.

4. CONCLUSION

HIA opposes the Bill. HIA is of the view that the Bill will have little effect on tax leakage and illicit activities associated with large cash payments.

However, if the Bill is to progress HIA recommends that:

- The residential building industry be excluded from the application of the cash payment limit due to the existing comprehensive regulatory framework that applies to the industry.
- Payments that occur by instalments (or in a 'series of payments') be required to comply with the cash payment limit when they are subject to GST.
- The Bill not commence until 1 July 2020 at the earliest.



5. TABLE A - BUILDING LEGISLATION - DEPOSIT LIMITS – AUSTRALIA

State/ Terr.	Legislation	Maximum % of Contract as Deposit
WA	<i>Home Building Contracts Act 1991</i>	<ul style="list-style-type: none"> • Not more than 6.5% of the total amount payable under a home building contract. • Allows for a deposit amount that is prescribed by regulation.
SA	Building Work Contractors Regulations 2011 <i>Building Work Contractors Act 1995</i>	<ul style="list-style-type: none"> • Not more than \$1,000 if the price of a domestic work building contract is less than \$20,000; • Not more than 5% of the price stipulated in a building work contract that is \$20,000 or more.
VIC	<i>Domestic Building Contracts Act 1995</i>	<ul style="list-style-type: none"> • Not more than 10% of any contract price that is less than \$20,000. • Not more than 5% of any contract price that is \$20,000 or more.
NSW	<i>Home Building Act 1989</i>	<ul style="list-style-type: none"> • Maximum of 10% of the contract price for residential building work.
QLD	<i>Queensland Building and Construction Commission Act 1991</i>	<ul style="list-style-type: none"> • 10% of the contract price for contracted services valued less than \$20,000; • 5% of the contract price for works valued \$20,000 or more; • 20% where more than 50% of the contracted services is to be carried out off-site.
TAS	<i>Residential Building Work Contracts and Dispute Resolution Act 2016</i>	<ul style="list-style-type: none"> • 20% for a residential work contract under which the value of off-site work is more than 50% of the contract price; • 10% of contract price that is less than \$20,000 and is not one above; • 5% of the contract price that is equal to or more than \$20,000.
NT	Building Regulations (NT)	<ul style="list-style-type: none"> • Not more than 5% of total contracted price of the prescribed building work specified in the contract.

6. TABLE B - BUILDING LEGISLATION - PROGRESS PAYMENT PROVISIONS – AUSTRALIA

State/ Terr.	Legislation	Progress Payment Requirement
WA	<i>Home Building Contracts Act 1991</i>	A builder must not enter into a contract ... any payment ... after commencement ... unless the payment is a <i>genuine progress payment</i> for work already performed or materials or service already supplied.
SA	<i>Building Work Contractors Act 1995</i>	A person must not demand or require that a payment be made under a domestic building work contract or preliminary work contract by the person for whom work is performed under the contract unless: a) the payment constitutes a <i>genuine progress payment</i> in respect of work already performed; ... or b) the payment is of a kind authorised under the regulations.
VIC	<i>Domestic Building Contracts Act 1995</i>	The Act sets out four standard stages of construction (base, frame, lock-up and fixing) and regulates percentage payments of the contract price that can be claimed upon completion of each stage. Unless an owner and a builder agree otherwise, a builder cannot claim more than the percentage specified in the Act in a contract where the builder is to build all four stages. The balance of the contract price is typically split between a deposit and additional stage called 'completion'.
NSW	<i>Home Building Act 1989</i> <i>Home Building Amendment Act 2014</i>	Authorised progress payments are either: a) a specified amount or percentage of the contract price that is payable following completion of a specified stage of work ..., b) payment for labour and materials in respect of work already performed or costs already incurred ... c) with payment intervals fixed by contract or on an "as invoiced" basis, d) a payment authorised by the regulations.
QLD	<i>Queensland Building and Construction Commission Act 1991</i>	The building contractor under a regulated contract must not claim an amount under the contract, other than a deposit, unless the amount – a) is directly related to carrying out the subject work at the building site; and b) is proportionate to the value of the subject work that relates to the claim, or less than that value. A regulation may prescribe when an amount is proportionate to the value of subject work under a regulated contract. In this section, building site, for a regulated contract, does not include a place where the subject work has been, is being, or is to be, carried out if the work is required to later be installed or constructed at another place under the contract.
TAS	<i>Residential Building Work Contracts and Dispute Resolution Act 2016</i>	s42(1) defines a building site and s42(1) stipulates that a building contractor cannot demand or receive a payment, other than a deposit, unless it is directly related to progress of performance at a building site and is proportionate to the value of work undertaken.

NT	<i>Building Regulations (NT)</i>	<p>Reg 41H(f): unless paragraph (g) applies – specifying the percentage of the total contract price payable to the prescribed building contractor after completion of a stage of work in accordance with the standard progress payments;</p> <p>and</p> <p>(g) if the parties have agreed to a variation to standard progress payments ... - specifying that progress payments are to be made in accordance with a progress payment agreement made under the contract;</p> <p>Reg 41HA outlines what the building stages and the maximum percentage of the total contracted price that is allowed for each stage of construction;</p> <p>Reg 41HB specifies the requirements of a progress payment agreement.</p>
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7. HIA NSW NEW DWELLING CONTRACT – PROGRESS PAYMENT SCHEDULE

Schedule 2. Progress Payments

Some suggested stages for progress payments are set out below. These stages are not prescribed by law and may not be suitable for the *building works* to be carried out under this *contract*. If you want to use your own stages then you should complete the table on the next page.

(a)	Floor slab complete: Footings poured. Stumps, piers or columns complete. Internal and external drainage complete. Electrical, gas and plumbing rough in below the floor complete. Floor slab poured.	%	\$
		_____	_____
(b)	Roof frame complete: Wall frame complete and braced. Roof frame complete and braced. Fascia installed. Windows installed. All structural supports installed. Wall framing complete.	%	\$
		_____	_____
(c)	Close up complete: All frames straightened. Windows nailed off. Electrical, gas and plumbing rough in complete. Bath installed. Front and back door complete with locks. Eaves, barge, external wall cladding and roof covering are fixed.	%	\$
		_____	_____
(d)	Fixings complete: All internal architraves, skirtings, doors, cupboards and detailed joinery installed. Plasterboard finished, sanded and cornices fixed. Exterior downpipes fitted and penetrations complete. Decks and landings complete.	%	\$
		_____	_____
(e)	Painting complete: All ceramic tiling installed. Interior and exterior painting completed.	%	\$
		_____	_____
(f)		%	\$
		_____	_____
		_____	_____
(g)	Practical completion: When the <i>building works</i> are complete except for minor omissions and defects that do not prevent the <i>building works</i> from being reasonably capable of being used for their usual purpose (ie all interior fit-off items installed including door furniture, robe rails, bathroom accessories, electrical, plumbing and gas-fit-off installed. House cleaned internally and externally. Site cleaned and all excess items removed from site).	%	\$
		_____	_____
TOTAL		100 %	\$
		_____	_____

Note: The total amount must be the same as the *contract price*.

