

# QUEENSLAND HOME WARRANTY SCHEME GST EXPLANATION

EFFECTIVE AUGUST 2025

## Background

The Queensland Building and Construction Commission (QBCC) is the regulator of the building industry in Queensland, issuing licences to contractors, providing a free dispute resolution service and administering the Queensland Home Warranty Scheme (QHWS) to provide insurance cover for residential construction work.

Under the QHWS, licensed contractors must collect and pay a premium for residential construction work they carry out.

The QHWS provides home owners with cover for loss where a licensed contractor does not complete the contracted works or fails to rectify defective work.

## QHWS and GST

Since 28 October 2016, the *Queensland Building and Construction Commission Act 1991* (QBCC Act) requires that the licensed contractor collects and pays the premium on behalf of the home owner to the QBCC.<sup>1</sup>

As the contractor is collecting the premium and making payment to the QBCC on behalf of the home owner, there are important GST implications for licensed contractor. The two main GST implications are:

### Tax invoices

1. The QBCC issues a tax invoice to the home owner and does not issue a tax invoice to the contractor.
2. For administrative purposes a contractor will receive a receipt acknowledging that the QBCC has received the relevant premium monies from them.

### Entitlement to GST credits

- As the contractor makes the payment of the premium on behalf of the home owner, the contractor is unlikely to be entitled to claim back the GST component of the premium. This is because one of the criteria to claim back GST credits (officially referred to as 'input tax credits' in the GST Act) is that the payer is liable to pay the monies in their own right. Where the payer (i.e. contractor) is acting on behalf of another party (i.e. home owner), the other party (i.e. the home owner) is usually entitled to the GST credit (if other requirements are met) not the payer.
- As the application of GST legislation is somewhat complex, we recommend you speak with your accountant or seek your own tax advice. To assist you in these discussions we have prepared some general GST FAQs below.

## Frequently Asked Questions (FAQS)

### GST FAQs

The frequently asked questions below aim to outline the key components of GST treatment for QHWS premiums together with relevant background information and legislative references.



### IMPORTANT NOTE:

**The QBCC provides the GST guidance below for general information purposes only and to assist contractors with seeking advice from their accountants or tax advisers regarding the implication of GST on QHWS premiums.**

### Under the QHWS do contractors need to pay GST to the ATO on the premium collected from home owners?

No. The QBCC has been advised that the collection of premium from the home owner does not constitute a taxable supply made by the contractor to the home owner under section 9-5 of the GST Act. This is because the contractor is collecting the premium and passing it on to the QBCC on behalf of the home owner (as required by section 68A of the QBCC Act).

As a result, the contractor is not required to pay GST to the ATO in respect of on-charging the premium to the home owner. The contractor passes on the entire GST inclusive value of the premium collected to the QBCC in order to comply with the requirements of section 68B of the QBCC Act.

### Under the QHWS are contractors entitled to claim back the GST component of the premium that has been passed on to the QBCC?

No. Under the QHWS, the QBCC has been advised that a contractor's collection and subsequent payment of the premium to the QBCC (as required by section 68B of the QBCC Act) does not meet the requirements of a 'creditable acquisition' under section 11-5 of the GST Act.

This is because the contractor is collecting the premium and passing it on to the QBCC on behalf of the home owner (as required by section 68A of the QBCC Act). As a result, the contractor is not entitled to claim an input tax credit when completing their GST return.

<sup>1</sup> Legislative references to the *Queensland Building and Construction Commission Act 1991* are referred to as 'QBCC Act'.  
Legislative references to the GST legislation (*A New Tax System (Goods and Services Tax) Act 1999*) are referred to as 'GST Act'.

Does the QBCC issue tax invoices in respect of the premium paid?

The QBCC issues a tax invoice to the home owner and does not issue a tax invoice to contractor. For administrative purposes, the contractor will receive a receipt acknowledging that the QBCC has received payment of the relevant premium monies from the contractor.

What does the QBCC recommend contractors do to ensure they treat the QHWS premium collection and payment process correctly?

While contractors are reminded to seek their own accounting and tax advice, the QBCC recommends that contractors implement the following process in relation to premiums collected under the QHWS:

- Ensure you collect the relevant premium from the home owner and pay this premium to the QBCC on behalf of the home owner within 10 business days of the contract date or before works starts, whichever is earlier.
- Review your internal accounting systems to ensure they do not automatically:
  - » claim back the GST component of premiums collected; or
  - » charge GST to the home owner or remit GST to the ATO in relation to the premium amount collected.
- Ensure your finance and accounting staff understand that the QBCC does not issue a tax invoice to contractors in respect of the payment of premiums, however, a payment receipt will be issued.

WORKED EXAMPLE

John is a builder and enters into a building contract in November 2024 for work covered by the QHWS.

The value of the building contract is \$55,000 (including GST) and the premium payable in respect of John’s building work is: \$1,100 (including GST of \$100).

John is required to collect the insurance premium of \$1,100 (including GST of \$100) and pay it to the QBCC on behalf of the home owner.

As such, the price of the building contract including GST is:

TABLE 1

DESCRIPTION	AMOUNT	GST	TOTAL
Building works	\$50,000	\$5000	\$55,000
Contract value	\$50,000	\$5000	\$55,000
Collection and payment of Queensland Home Warranty Scheme Insurance premium on behalf of home owner	\$1000	\$100	\$1,100
TOTAL PAYABLE BY Home owner	\$51,000	\$5,100	\$56,100

This building contract was John’s only income for November 2024. John’s costs for running his business in November 2024 were:

TABLE 2

DESCRIPTION	AMOUNT	GST	TOTAL
Contract Labour	\$10,000	\$1,000	\$11,000
Fuel, Telephone, Other business expenses	\$5,000	\$500	\$5,500
TOTAL EXPENSES	\$15,000	\$1,500	\$16,500
MONIES COLLECTED AND PAID ON BEHALF OF THE home owner			
Queensland Home Warranty Scheme insurance premium	\$1,000	\$100	\$1,100

John completes his GST Return for the November 2024 period and includes the following amounts at the relevant labels:

TABLE 3

LABEL	AMOUNT	CALCULATION
1A – GST payable	\$5,000	<p>Total GST relating to supplies/services provided to home owners as shown in Table 1.</p> <p>This does not include GST relating to the Home Warranty Insurance Premium as John was collecting the premium and paying it to the QBCC on behalf of the home owner. The premium is not income to John's business from a GST perspective.</p>
1B – GST receivable	\$1,500	<p>Total GST paid to suppliers relating to John's business expenses as shown in Table 2.</p> <p>This does not include GST relating to the Home Warranty Insurance Premium as John was collecting the premium and paying it to the QBCC on behalf of the home owner.</p> <p>The premium is not an expense of John's business from a GST perspective.</p>
NET GST position	\$1,500	

Disclaimer: The premium amount shown is for illustrative purposes only and does not reflect the actual premium payable for the stated building works. Rounded figures have been used to simplify the example.