

# Building and Construction Industry Security of Payment Regulation 2020

[2020-504]



New South Wales

## Status Information

### Currency of version

Current version for 1 March 2021 to date (accessed 7 May 2024 at 15:32)

Legislation on this site is usually updated within 3 working days after a change to the legislation.

### Provisions in force

The provisions displayed in this version of the legislation have all commenced.

### Notes—

- **Staged repeal status**

This legislation is currently due to be automatically repealed under the [Subordinate Legislation Act 1989](#) on 1 September 2025

### Authorisation

This version of the legislation is compiled and maintained in a database of legislation by the Parliamentary Counsel's Office and published on the NSW legislation website, and is certified as the form of that legislation that is correct under section 45C of the [Interpretation Act 1987](#).

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# Building and Construction Industry Security of Payment Regulation 2020



New South Wales

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# Building and Construction Industry Security of Payment Regulation 2020



New South Wales

## Part 1 Preliminary

### 1 Name of Regulation

This Regulation is the *Building and Construction Industry Security of Payment Regulation 2020*.

### 2 Commencement

- (1) This Regulation commences on 1 September 2020, except as provided by subclause (2), and is required to be published on the NSW legislation website.
- (2) Schedule 2 commences on 1 March 2021.

#### Note—

This Regulation repeals and replaces the *Building and Construction Industry Security of Payment Regulation 2008*, which would otherwise be repealed on 1 September 2021 by section 10(2) of the *Subordinate Legislation Act 1989*.

### 3 Definitions

- (1) In this Regulation—

**retention money** has the same meaning as in section 12A(5) of the Act.

#### Note—

Money is retention money only while it is held as security for the performance of the subcontractor's obligations. If the head contractor becomes entitled to money held as retention money, the money ceases to be retention money and the requirement under this Part that the money be held in trust for the subcontractor in a retention money trust account ceases.

**the Act** means the *Building and Construction Industry Security of Payment Act 1999*.

#### Note—

The Act and the *Interpretation Act 1987* contain definitions and other provisions that affect the interpretation and application of this Regulation.

(1A) For the purposes of paragraph (b) of the definition of **exempt residential construction contract** in section 4(1) of the Act, an owner occupier construction contract is prescribed.

(2) Notes included in this Regulation do not form part of this Regulation.

#### 4 (Repealed)

## Part 2 Trust accounts for retention money

### Division 1 Preliminary

#### 5 Definitions

In this Part—

**approved ADI** means an authorised deposit-taking institution approved under section 87 of the *Property and Stock Agents Act 2002* or approved by the Secretary by order in writing.

**retention money trust account**—see clause 8(1)(b).

#### 6 Application of Part—contracts with value of at least \$20 million

- (1) This Part applies to a head contractor if the head contractor's construction contract with the principal (the **main contract**) has a value of at least \$20 million (the **\$20 million threshold**).
- (2) The **value** of a construction contract is—
  - (a) the amount of the consideration that the contract provides is payable for construction work carried out under the contract or for related goods and services supplied under the contract, or
  - (b) if the contract does not provide for that amount—the market value of the work to be carried out or the value of the goods and services to be supplied.
- (3) The value of a construction contract is its value including any variation to the contract after the contract is entered into, with the result that the value of the main contract can increase and reach the \$20 million threshold after the main contract is first entered into.
- (4) If the value of the main contract reaches the \$20 million threshold after the main contract was first entered into, the head contractor becomes subject to this Part but only for construction contracts between the head contractor and subcontractors entered into after the value of the main contract reached the \$20 million threshold.

## 7 Executive liability offences

Section 34D of the Act applies to an offence against clause 8(1) or (2), 10, 13, 14 or 16.

### Note—

Section 34D of the Act provides for the personal liability of directors for certain offences committed by a corporation.

## Division 2 Trust account requirements

### 8 Retention money to be held in trust account

(1) A head contractor to whom this Part applies must—

- (a) hold the retention money in trust for the subcontractor entitled to the money, and
- (b) ensure that the money is paid into and retained in a trust account established with an approved ADI (a **retention money trust account**).

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

(2) A head contractor must ensure that the money is paid into the retention money trust account as soon as possible, but no later than 5 business days after the head contractor is required to retain the retention money.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

(3) A retention money trust account may be established as—

- (a) a separate trust account for the retention money held in respect of a particular subcontractor, or
- (b) a separate trust account for all retention money held in connection with a particular construction contract of the head contractor, or
- (c) a separate trust account for all retention money held in connection with 2 or more (or all) construction contracts of the head contractor.

### 9 Requirements for establishment of trust account

(1) A head contractor who establishes a retention money trust account must ensure that the name of the account and the description of the account in the records of the head contractor include the name of the head contractor and the words “Trust Account”.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

(2) When establishing a retention money trust account with an approved ADI, a head

contractor must ensure that the approved ADI is notified in writing that the account is a trust account required to be established for the purposes of this Part.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (3) A head contractor must, within 10 business days after establishing a retention money trust account, notify the Secretary in writing of the following—
- (a) the name of the approved ADI and the branch or BSB number of the branch of the approved ADI at which the account has been established,
  - (b) the name of the account,
  - (c) the number of the account,
  - (d) the opening balance of the account,
  - (e) the date the account was opened.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

## **10 Withdrawals from trust account**

- (1) A head contractor must not withdraw retention money from a retention money trust account except—
- (a) for the purpose of the payment of the money in accordance with the terms of the construction contract under which the money was retained by the head contractor, or
  - (b) as may be agreed in writing by the head contractor and the subcontractor concerned, or
  - (c) for the purpose of the payment of the adjudicated amount that the head contractor is required to pay under section 23 of the Act, or
  - (d) in accordance with an order of a court or tribunal.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (2) A head contractor must not withdraw retention money from a retention money trust account otherwise than by cheque or electronic funds transfer.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

### **11 Interest earned on trust account**

Interest earned on retention money held in a retention money trust account is to be held on the same trust as the retention money and dealt with accordingly unless—

- (a) the contract between the head contractor and the subcontractor under which the money is held as retention money otherwise provides, or
- (b) the head contractor and subcontractor otherwise agree in writing.

### **12 Retention money not available to pay head contractor's debts**

- (1) Retention money held by a head contractor is not available for the payment of the debts of the head contractor, or liable to be attached or taken in execution for satisfying a judgment against the head contractor.
- (2) This clause does not take away or affect any just claim that a head contractor may have against or upon retention money.

### **13 Overdrawn trust account**

A head contractor must, within 5 business days after becoming aware that a retention money trust account of the head contractor has become overdrawn, notify the Secretary in writing of—

- (a) the name and number of the account, and
- (b) the amount by which the account is overdrawn, and
- (c) the reason for the account becoming overdrawn.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

### **14 Closure of trust account**

A head contractor must, within 10 business days after closing a retention money trust account, notify the Secretary of the closure in writing.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

### **15 Financial institutions not subject to certain obligations and liabilities**

- (1) An approved ADI with which a retention money trust account is established by a head contractor under this Part—
  - (a) is not under any obligation to control or supervise transactions in relation to the account or to see to the application of money disbursed from the account, and
  - (b) does not have, in relation to any liability of the head contractor to the approved



ADI, any recourse or right (whether by way of set-off, counterclaim, charge or otherwise) against money in the account.

- (2) Subclause (1) does not relieve an approved ADI from any liability to which it is subject apart from this Part.

## **16 Trust account records**

- (1) A head contractor must keep records in relation to a retention money trust account established by the head contractor showing the amounts deposited into or withdrawn from the account.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (2) A head contractor must keep a separate ledger for retention money held in respect of each subcontractor in connection with each construction contract.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (3) The ledger must contain the following information—

- (a) the amounts deposited into or withdrawn from the retention money trust account in respect of the subcontractor,
- (b) the date of each transaction,
- (c) the balance after each transaction.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (4) A head contractor must provide the subcontractor concerned with a copy of the ledger—

- (a) at least once every 3 months, or
- (b) as often as may be agreed in writing by the head contractor and the subcontractor (but at least once every 6 months).

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

- (5) A head contractor must retain a record made in relation to a retention money trust account for the purposes of this clause for not less than 3 years after the account is closed.

Maximum penalty—In the case of a corporation, 1,000 penalty units or, in any other case, 200 penalty units.

## Part 3 Miscellaneous

### 17 Recognised financial institutions

Each person or body that is a **body regulated by APRA**, within the meaning of the [Australian Prudential Regulation Authority Act 1998](#) of the Commonwealth, is prescribed for the purposes of the definition of **recognised financial institution** in section 4(1) of the Act.

### 18 Supporting statements

The requirement for a head contractor to provide a supporting statement under section 13(7) of the Act relates only to those subcontractors or suppliers directly engaged by the head contractor.

### 19 Adjudicator eligibility

- (1) For the purposes of section 18(1)(b) of the Act, a person is eligible to be an adjudicator in relation to a construction contract if the person has—
  - (a) a degree or diploma in architecture, building surveying, quantity surveying, building and construction, construction management, project management, engineering or law conferred by an Australian or foreign university or tertiary institution and at least 5 years of relevant experience, or
  - (b) at least 10 years of relevant experience.
- (2) For the purposes of section 18(2)(b) of the Act, a person is not eligible to be an adjudicator in relation to a particular construction contract if—
  - (a) the person has not completed the required continuing professional development, or
  - (b) a reasonable person would conclude the person has an actual or perceived conflict or would not adjudicate impartially.

(3) Subclause (2)(a) does not apply until 1 September 2021.

(4) In this clause—

**relevant experience** means experience in—

- (a) the management and administration of construction contracts, or
- (b) the resolution of disputes in connection with construction contracts.

**required continuing professional development** means the continuing professional development required to be completed each year as specified by the Secretary in the *CPD Guidelines for Adjudicators* published on the Department of

Customer Service's website on 13 August 2020.

## **20 Authorisation of nominating authorities**

- (1) An authority given by the Minister to an applicant under section 28 of the Act remains in force for a period of 5 years, unless sooner withdrawn by the Minister under the Act.
- (2) An existing authority that was, immediately before 1 September 2020, in force remains in force for a period of 5 years from 1 September 2020, unless sooner withdrawn by the Minister under the Act.

## **20A Trust account annual report—financial year commencing 1 July 2019**

- (1) A head contractor who operated a retention money trust account during the financial year commencing on 1 July 2019 must, within 6 months of the day on which this clause commences, provide the Secretary with the following in relation to the financial year—
  - (a) an account review report for the account,
  - (b) a retention money trust account statement for the account, in the form approved by the Secretary.

Maximum penalty—200 penalty units.

- (2) Subclause (1) does not apply to a head contractor if—
  - (a) there have been no amounts deposited into or withdrawn from the retention money trust account during the financial year, and
  - (b) no amount is retained in the account at the end of the financial year, and
  - (c) the contractor has, within 6 months of the day on which this clause commences, given the Secretary written notice of the facts mentioned in paragraphs (a) and (b).
- (3) A fee of \$1,500 must accompany an account review report and retention money trust account statement provided to the Secretary for the purposes of this clause.
- (4) This clause does not apply to a head contractor who has—
  - (a) complied with clause 16 of the repealed Regulation in relation to the financial year, or
  - (b) otherwise complied, before the commencement of this clause, with subclauses (1) and (3) in relation to the financial year.
- (5) A head contractor must not provide a retention money trust account statement to the Secretary for the purposes of this clause knowing the statement is false or misleading

in a material particular.

Maximum penalty—200 penalty units.

(6) In this clause—

**account review report**, for a retention money trust account, means a report given by a registered company auditor certifying that, based on a review of the operation of the account, in the auditor's opinion the account operator has complied with all of the requirements of Part 2 of the repealed Regulation in relation to the account during the financial year.

**financial year** means a period of 12 months commencing on 1 July.

**registered company auditor** has the same meaning as in the *Corporations Act 2001* of the Commonwealth.

**repealed Regulation** means the *Building and Construction Industry Security of Payment Regulation 2008*, as in force immediately before 1 September 2020.

**retention money trust account** has the same meaning as in Part 2.

## 21 Repeal and savings

- (1) The *Building and Construction Industry Security of Payment Regulation 2008* (the **repealed Regulation**) is repealed.
- (2) Any act, matter or thing that, immediately before the repeal of the repealed Regulation, had effect under the repealed Regulation continues to have effect under this Regulation.
- (3) Despite subclause (2), clause 16 of the repealed Regulation, as in force immediately before 1 September 2020, does not apply with respect to the financial year commencing on 1 July 2019.

## Schedule 1 Penalty notice offences

### Application of Schedule

- (1) For the purposes of section 34B of the Act—
  - (a) each offence created by a provision specified in this Schedule is an offence for which a penalty notice may be issued, and
  - (b) the amount payable for the penalty notice is the amount specified opposite the provision.
- (2) If the provision is qualified by words that restrict its operation to limited kinds of offences or to offences committed in limited circumstances, the penalty notice may be

issued only for—

- (a) that limited kind of offence, or
- (b) an offence committed in those limited circumstances.

Column 1	Column 2	Column 3
Provision	Penalty for an individual	Penalty for a corporation
<b>Offences under the Act</b>		
Section 13(7)	\$2,200	\$11,000
Section 26A(5)	\$1,100	\$5,500
Section 26B(5)	\$1,100	\$5,500
Section 26D(3)	\$1,100	\$5,500
Section 26E(2)	\$1,100	\$5,500
<b>Offences under this Regulation</b>		
Clause 8(1)	\$2,200	\$11,000
Clause 9(3)	\$2,200	\$11,000
Clause 10(1) or (2)	\$2,200	\$11,000
Clause 14	\$2,200	\$11,000
Clause 16(1) or (5)	\$2,200	\$11,000
Clause 20A(1)	\$4,400	\$4,400

## **Schedule 2 Amendment of Building and Construction Industry Security of Payment Regulation 2020 commencing on 1 March 2021**

### **[1] Clause 3 Definitions**

Insert after clause 3(1)—

- (1A) For the purposes of paragraph (b) of the definition of ***exempt residential construction contact*** in section 4(1) of the Act, an owner occupier construction contract is prescribed.

### **[2] Clause 4 Application of Act to owner occupier construction contracts**

Omit the clause.