

Preparing Progress Claims

Progress claims are tax invoices submitted to the customer or builder and represent a claim for payment on an agreed regular basis for work completed. It is important to set out the claim in accordance with the requirements of the state or region where the claim is to be processed. (See your trade association for details)

Based on the assumption that the project has an agreed tender price, the progress claims will be proportional to the completed work at a given time. A progress claim is not associated with the expenditure which has occurred, such as the cost of materials and the labour costs for installing those materials; rather it is an assessment of the completed work at an agreed date. The completed work is expressed as a percentage.

When estimating a project, consideration should be given to the layout for future progress claims. Houses may be in four (4) stages, under slab, hot and cold water installations, external drainage and finishing off. While commercial projects are based on the percentage of work completed for each individual section, sanitary plumbing, cold water, hot water, gas services, fire services, house drainage and stormwater drainage.

A typical progress claim may be presented as follows: -

Item	Contract	Claim	Amount
Sanitary Fixtures	\$22,500	20%	\$ 4,500
Sanitary Plumbing	\$11,200	60%	\$ 6,720
Cold Water Services	\$ 9,650	100%	\$ 9,650
Hot Water Services	\$ 8,000	50%	\$ 4,000
Drainage	\$12,400	25%	\$ 3,100
Total	<u>\$63,750</u>	<u>43.88%</u>	<u>\$ 27,970</u>

The formula for calculating the overall percentage claimed to date is:

$$\begin{aligned} \text{Amount claimed} &= \frac{\$27,970.00}{\$63,750.00} \times 100 \\ \text{Total contract value} &= \\ &= \mathbf{43.88\%} \end{aligned}$$

A progress claim certificate should be lodged with the customer / builder, which provides an opportunity for an agreement to be reached. The certificate which also includes the value of retention to be withheld becomes the basis for a tax invoice.

There is a link between progress claims and gross profit, although they are viewed separately.

The gross profit for a project or for a section of the project is the claim to date minus the sum of the expenses.

That is the sum of material costs, labour costs and other expenses, subtracted from the progress claim for the particular section of work.

For example:

Sanitary plumbing in the above example is, \$11,200.00 and the claim is for 60% (\$6,720.00).

If the expenses to date are \$6,900.00 a loss of \$180.00 is being experienced. However, if the expenses are \$5,500.00 a profit of \$1,220.00 is recorded. It is therefore important to submit accurate claims, to ensure the project reports are also accurate.

Progress claims provide cash flow for the company, ensure they are submitted on time, accurate and backed up with the correct documentation.

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