



A-Z OF EMPLOYING

Construction Contracts Act 2002

Our guide for Employers and Managers

**SUPPORTING,
FACILITATING &
REPRESENTING
BUSINESS**

Business**Central** 

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This is only a guide. It should not be a substitute for professional advice.

Please seek advice from our AdviceLine Team if you require specific assistance.

What is the Construction Contracts Act?

The Construction Contracts Act 2002 gives protection to building sub-contractors in the construction industry.

The definition of construction provided by the Act is wide, that it includes any kind of development or redevelopment that may take place above, below, on or adjacent to land. It also includes the installation of fittings, preparatory work, and finishing work.

The Act applies to commercial construction, and residential construction with some exceptions.

Nothing in this Act applies to “employees” or “employment” as defined by the Employment Relations Act 2000.

What protections does it offer?

The Act protects building sub-contractors by:

- ▶ Outlawing conditional contracts;
- ▶ Providing a default mechanism for the calculation of progress payments that may be avoided only by an agreement between the contracting parties on progress payments that have been expressed in writing;
- ▶ Requiring payers to provide reasons in writing for not paying the entire sum claimed in a payment claim if it is not paid within 20 days (or the time specified in an agreed payment schedule) of the payment claim being made;
- ▶ Stipulating that payers who do not pay will remain liable for the outstanding sum on a payment claim and any costs of recovery associated with it; and
- ▶ Stipulating that payees who are owed an outstanding sum on a payment claim may suspend their construction work in respect of the contract.

How is it enforced?

The Act also provides a mechanism for the resolution of disputes in respect of construction contracts. Where the parties have not agreed to submit their dispute to arbitration, then the dispute will proceed to adjudication.

The Act specifies what may and may not be determined by adjudication proceedings and that the orders made by an adjudicator under this Act may be enforced in the District Court.

You can contact one of our employer advisors for telephone advice and assistance: **0800 800 362 if calling in New Zealand**; or email the Business Central AdviceLine at advice@businesscentral.co.nz

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[Reviewed: November 2020]