

## BC Update 199: Clarifying that retention provisions will not apply to existing contracts

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Posted: 12 October 2016

The Government has introduced a Bill clarifying that new legislation relating to retention money in construction contracts will not apply to contracts signed before 31 March 2017.



The Regulatory Systems (Commercial Matters) Amendment Bill will clarify that the retention money provisions of the Construction Contracts Amendment Act 2015 will apply only to contracts entered into or renewed on or after 31 March 2017.

Under the Construction Contracts Amendment Act 2015, retention money withheld under commercial construction contracts will be required to be held on trust. This will better protect retention money owed to contractors and subcontractors in the event of a business failure.

The Bill addresses concerns that the new law relating to retention money would have applied to existing contracts as well as new contracts, and reflects the original intent of the Construction Contracts Amendment Act 2015.

[Regulatory Systems \(Commercial Matters\) Amendment Bill \(http://legislation.govt.nz/bill/government/2016/0183/latest/whole.html?search=ts\\_act%40bill%40regulation%40deemedreg\\_regulatory+systems\\_rese1\\_25\\_a&p=1#DLM6971890\)](http://legislation.govt.nz/bill/government/2016/0183/latest/whole.html?search=ts_act%40bill%40regulation%40deemedreg_regulatory+systems_rese1_25_a&p=1#DLM6971890)

[Read more about the changes relating to retention money \(http://www.mbie.govt.nz/info-services/building-construction/documents-and-images-library/cca2002-retentions-changes.pdf\)](http://www.mbie.govt.nz/info-services/building-construction/documents-and-images-library/cca2002-retentions-changes.pdf) [PDF 188 KB]

**Note:** 'Retention money' means an amount withheld by a party to a construction contract (party A) from an amount payable to another party to the contract (party B) as security for the performance of party B's obligations under the contract.