

Information Circular No: 9

Payroll Tax Act 2009

Rebates for Renewable Energy Projects

Issued 30 April 2010

Payroll tax is a state tax calculated on wages paid or payable and applies in all states and territories. It is collected and administered in accordance with the *Taxation Administration Act 1996*.

This Information Circular provides a brief explanation of the South Australian payroll tax rebate available for large scale renewable energy projects.

Authorised copies of the Act can be purchased from the Service SA Government Legislation Outlet, Ground Floor, 101 Grenfell Street, Adelaide.

Online versions of State Legislation are available at the South Australian legislation website:

www.legislation.sa.gov.au

For further details on any matters relating to the Act mentioned in this Information Circular, please contact RevenueSA on (08) 8204 9880.

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Introduction

Preface This Information Circular provides a brief explanation of the South Australian payroll tax rebate available to employers in respect of, eligible large scale renewable energy projects, but it does not constitute a Revenue Ruling.

If any uncertainty exists with a particular aspect of the information provided, please seek advice from RevenueSA. The information provided in this Information Circular is correct at the time of publication.

Mike Walker
COMMISSIONER OF STATE TAXATION

30 April 2010

Overview On 16 December 2009, the South Australian Government announced that a rebate would be available for payroll tax incurred during the construction phase of eligible, new renewable energy projects.

The rebate only applies to wages that are liable for payroll tax in South Australia in respect of the labour associated with direct, on site construction of large scale wind and solar energy projects that begin construction on or after 1 July 2010. The rebate is administered as part of Government policy as it is not legislated under the Payroll Tax Act 2009.

Renewable Energy Projects Rebate

The rebate is equal to 100% of the total payroll tax paid in South Australia that is attributable to the labour associated with direct, on-site construction of new, large scale wind and solar energy projects.

How much is the rebate?

Eligible projects must have started the construction phase (see below) on or after 1 July 2010.

Who is eligible?

To be eligible as large scale, the project must have a name plate rating, or combined name plate rating at a single connection point of 30 MW or greater.

Applicants for a rebate must provide RevenueSA with evidence of registration as a generator in the National Electricity Market from the Australian Energy Market Operator.

To be eligible as “renewable energy”, the projects must utilise wind or solar technologies. Where projects are combined with conventional fuel, the rebate will only apply to the renewable energy component.

The rebate is capped at \$5 million per project for solar and \$1 million per project for wind.

The rebate will apply to large scale wind and solar projects in the initial operation of the scheme. The rebate has a fixed life of four years from 1 July 2010 to 30 June 2014. After its first two years of operation, the rebate will be subject to review during which it is intended that the inclusion of other renewable energy technologies will be considered.

For non grouped employers, the following calculation is to be used:

$$\text{Rebate} = \frac{\text{Eligible renewable SA wages for rebate period}}{\text{Total SA wages for the rebate period}} \times \text{Payroll tax paid for the rebate period}$$

How is the Rebate calculated?

For grouped employers, the following calculation is to be used:

$$\text{Rebate} = \frac{\text{Eligible renewable SA group wages for rebate period}}{\text{Total SA group wages for the rebate period}} \times \text{Payroll tax paid by group for the rebate period}$$

Example: Non Grouped Employer

Total SA wages		\$1 500 000.00
Less deduction		\$600 000.00
Taxable wages		<u>\$900 000.00</u>
Payroll tax payable (\$900 000 x 4.95%)	=	\$44 550.00

Eligible renewable rebate wages are \$1 050 000.00

Calculation of Rebate:

Eligible renewable SA wages for the rebate period	x	Payroll tax paid for the rebate period	=	Renewable Rebate
<u>Total SA wages for the rebate period</u>				
\$1 050 000.00	x	\$44 550.00	=	\$31 185.00
\$1 500 000.00				

Therefore the renewable rebate refunded will be \$31 185.00

Example: Grouped Employer

Designated Group Employer

Total SA wages		\$1 500 000.00
Less deduction		\$600 000.00
Taxable wages		<u>\$900 000.00</u>
Payroll tax payable (\$900 000 x 4.95%)	=	\$44 550.00

Group Member

Total SA Wages		\$2 000 000.00
Payroll tax payable (\$2 000 000 x 4.95%)	=	\$99 000.00

Eligible group renewable rebate wages are \$1 050 000.00

Total group wages are \$3 500 000.00

Total payroll tax paid by the group = \$143 550.00

Calculation of Rebate:

\$1 050 000.00	x	\$143 550.00	=	\$43 065.00
<u>\$3 500 000.00</u>				

Therefore the renewable rebate refunded will be \$43 065.00

The rebate will be applicable to payroll tax incurred for on-site labour during the construction phase of the eligible renewable energy project. No rebate is available for off site expenditure.

Construction means activities undertaken to establish the structures, buildings and facilities required for plant commissioning, and specifically includes:

- ▶ site civil works and preparations;
- ▶ installation of services (water supply, sewage, electricity and stormwater);
- ▶ building of temporary site facilities;
- ▶ construction of roads and access platforms (access pavings and footpaths); and
- ▶ removal of temporary site facilities and re-instatement of the area.

Construction does not include:

- ▶ plant capital investment activities;
- ▶ prefabrication of component parts; and
- ▶ administration of the site carried out remotely or travel to and from the site.

Employers must lodge their monthly payroll return as usual and pay the full amount of payroll tax.

Employers must be up-to-date with their payroll tax obligations and payments and must have paid all the payroll tax required for the period they are claiming the rebate.

The rebate scheme operates on a twelve monthly cycle, commencing 1 July.

Employers seeking a rebate must apply following the completion of the financial year for which they are seeking the rebate on the approved application form which is available on RevenueSA's website: at: www.revenuesa.sa.gov.au.

Employers currently treated as a group for payroll tax purposes will be treated as a group for the purposes of this scheme. Only one application may be made by the Designated Group Employer on behalf of all members of that group of employers.

Employers must provide details as to the name of the project to which the application relates in order for RevenueSA to monitor the project cap.

Upon receipt of the completed rebate form, the amount of the rebate will be calculated by RevenueSA and, if approved, refunded to the employer.

The Commissioner reserves the right to recover any part of a rebate found to have been claimed incorrectly.

Compliance activity will be undertaken to ensure only those wages directly attributable to employees involved in the on-site construction of the renewable energy project are claimed for the purposes of the rebate.

Definition of Construction Phase

How does an employer apply?

Incorrectly claimed rebates

Further Information

Further information may be obtained from RevenueSA.

Location	RevenueSA State Administration Centre 200 Victoria Square East ADELAIDE SA 5000
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