

PERSPECTIVES.

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Message from the Commissioner

The June issue of Perspectives has, in the past, contained State Budget measures from the Budget handed down in May. This year however, the State's Budget will be handed down in September 2006.

I hope you survive the pressures associated with the end of the financial year.



Subsequent to the close of the financial year, for registered pay-roll tax employers, it means that it is pay-roll tax annual reconciliation time. In this issue of Perspectives we provide information to help employers carry out the reconciliation process which can now be completed online.

We have also included details concerning abolition of stamp duty on certain documents. These exemptions were provided for in the legislation passed to implement abolition of taxes agreed to between the States and Commonwealth as part of intergovernmental agreement which was associated with the introduction of GST. The stamp duty exemptions apply from 1 July 2006.

Another article deals with our compliance activities in the pay-roll tax and stamp duty areas. This article highlights areas where audits frequently detect non-compliance and emphasises the benefit to a taxpayer of making a disclosure of liability before an audit is carried out.

A publication such as Perspectives is an important component of RevenueSA's efforts to provide access to relevant information concerning legislation administered by RevenueSA. We always welcome any feedback.



Pay-roll Tax Annual Reconciliation

Reconciliation available online

The 2005/2006 Annual Reconciliation of South Australian pay-roll tax will be available on our RevNet website from 26 June 2006. If you are a registered employer, you are required to lodge your reconciliation by 28 July 2006 using this facility.



We have made significant improvements to the online facility since its inception in 2003. These improvements reflect valuable feedback from taxpayers and have simplified the reconciliation process for both employers and us.

The Online Annual Reconciliation facility allows you to:

- declare all required wage information;
- confirm your group status;
- provide details of any group structural changes to your organisation that impact on your liability;
- calculate the South Australian pay-roll tax liability for 2005/2006;
- calculate what additional tax is payable or the amount of refund due, based on your record of previous payments;
- provide estimated wage details for the 2006/2007 financial year;
- calculate the estimated deduction entitlement to be used for the 2006/2007 financial year; and
- cancel the South Australian pay-roll tax registration if required.

Online guide notes and a help facility are available while an online demonstration of how to complete the Annual Reconciliation is available on our website at www.revenuesa.sa.gov.au.

Further information will be provided to all registered employers at the start of June 2006. This information will contain usernames and passwords for taxpayers who are not currently using RevNet for lodging their monthly returns. If you are currently using RevNet to lodge monthly returns you will be able to access the Annual Reconciliation facility by using your current username and password.

Help on Employer Group Status Codes

During the reconciliation process you will be asked to confirm or update your employer group status code. This information is important as it affects the pay-roll tax deduction entitlement and therefore the actual taxation liability.

The following information is provided to help you determine your correct employer group status code.

What is the employer group status code?

The critical part of determining your employer group status code is assessing whether your organisation is a member of an employer group of companies. Employers are grouped under the grouping provisions of the *Pay-roll Tax Act 1971*. Groups are formed when the following structures exist:

- corporations are related companies, i.e. corporations are related companies by reason of Section 50 of the *Corporations Act 2001*, either as holding and subsidiary companies or as subsidiaries of a common holding company;

- employees are used in another business, i.e. where employees of an employer are solely or mainly used for or in connection with another business or where an agreement exists between their employer and a person who carries on another business for their use in that other business; or
- businesses are commonly controlled, i.e. where the same person (or persons), has a controlling interest in two or more businesses.

Further information on the grouping provisions of the Act can be found in **Circular 266**, A Guide to Legislation, *Pay-roll Tax Act 1971*. This circular can be downloaded from the publications section of our website at www.revenuesa.sa.gov.au.

How is the employer's group status code represented in RevNet?

Two letters are used to represent the employer's group status code. The first letter in the code represents the grouping status of the taxpayer. Organisations are either classified as:

- a stand-alone non-grouped organisation (status code **S**);
- a Designated Group Employer [DEG] (status code **D**); or
- a group member (status code **G**).

The second letter in the code represents whether the employer or the group employ solely in:

- South Australia (status code **S**); or
- in other States and/or Territories other than South Australia (status code **I**).

What are the employer group status codes for South Australian pay-roll tax?

Currently in South Australia there are six status codes that can apply to a taxpayer's registration. These status codes are listed and explained below.

- SS** Single South Australian company that employs in South Australia only and is not a member of a group of companies.
- SI** Single company that employs in South Australia and interstate and is not a member of a group of companies.
- DS** Designated Group Employer of a group which is the only group member entitled to claim the pay-roll tax deduction entitlement where all of the members of the group pay wages in South Australia only.
- DI** Designated Group Employer of a group which is the only group member entitled to claim the Pay-roll tax deduction entitlement where at least one group member pay wages interstate.
- GS** A member of a South Australian group of companies, which is not the designated group employer and is not entitled to claim the pay-roll tax deduction on wages paid in South Australia only.
- GI** A member of an Australia wide group where at least one group member pays wages interstate, is not the designated group employer and is not entitled to claim any of the pay-roll tax deduction.

Will RevenueSA provide your organisation's group status code as part of the Annual Reconciliation process?

Yes. RevenueSA will notify you of your currently recorded employer group status code. You will need to either confirm this status or change it to correctly reflect the structure/s of your organisation during the financial year.

What factors will affect my employer group status code?

The following circumstances may affect your organisation's employer group status code:

- your organisation became or ceased to be a member of a group during the financial year; or
- your organisation or your group commenced or ceased to employ in States and/or Territories other than South Australia during the financial year.

Can more than one employer group status code apply to my organisation during a financial year?

Yes. If your organisation had structural changes during the financial year then it is likely that more than one employer group status code will apply to your organisation. As part of the annual reconciliation process all employer group status codes and the period of the financial year that they applied to, are required to be declared.

If you have any enquiries please contact RevenueSA by telephoning (08) 8204 9880.

Commissioners' Conference

RevenueSA was host to the annual Commissioners' Conference held in Adelaide on 27 & 28 March 2006.

This annual conference provides an opportunity for the Australian Revenue Offices' Commissioners to meet and discuss issues relevant to the State taxation environment. The conference is rotated through all the States and Territories.

Delegates include the Commissioners of each State and Territory, a number of Executives from each jurisdiction and invited guests. This year's guests included Moses Lee (Commissioner of Inland Revenue, Inland Revenue Authority of Singapore), Charmaine Khaw (Manager, Personnel Branch, Inland Revenue Authority of Singapore) and Erin Holland (Deputy Commissioner of Personal Tax, ATO).



The Commissioners, from left: Peter Achterstraat (NSW), Graeme Dowell (ACT), Allan Mason (QLD), Paul Broderick (VIC), Peter Coe (TAS), Bill Sullivan (WA), Moses Lee (Singapore), Mike Walker (SA) and Craig Vukman (NT)

Compliance News

Pay-roll Tax

Our Compliance Branch conducts an ongoing program of pay-roll tax audits. Each year we find that tax is underpaid by taxpayers because certain payments are not being included as taxable wages. Some of the more common payments that are omitted are:

- consultancy fees;
- management fees;
- BIRST (Building Industry Redundancy Scheme Trust) contributions;
- the grossed-up value of fringe benefits (see last edition of Perspectives for details);
- allowances;
- termination payments; and
- superannuation payments.

We also find that tax is overpaid by the incorrect inclusion of workers compensation reimbursements.

For those taxpayers with interstate operations it has been noted that incorrect rates/thresholds have been applied to the South Australian liability. Additionally, there have been occasions where another jurisdiction's legislation has been applied to interstate grouping situations instead of the South Australian provisions.

It is in your interest to ensure that you are accounting for all taxable wages when calculating your pay-roll tax. The *Taxation Administration Act 1996* provides for a significant reduction in interest and penalty where a taxpayer makes a voluntary disclosure of any liability at the time advice is received that an audit will be conducted, rather than waiting for an Investigator to detect a liability. Taxpayers are required to maintain records from which taxable wages are extracted for a period of five years.

Stamp Duty

Compliance work is continuing into the non-stamping of instruments which transfer nationally operating businesses. These investigations are aimed at ensuring that South Australia receives its proportionate share of stamp duty on such property as intangibles and/or goodwill, which may not be dutiable in other jurisdictions.

A specific program is focusing on larger businesses who have not complied with Section 42AA of the *Stamp Duties Act 1923*. This provision charges stamp duty on premiums of insurance where the insured property is located in South Australia, but the insurance is placed outside the State. In these instances, the liability for paying the tax rests with the person or business taking out the insurance.

Stamp duty payable on Motor Vehicle transactions is also subject to regular errors by taxpayers through:

- the omission of the trade in value as part of the total consideration paid for the vehicle;
- declaring the purchase price instead of the greater market value. This is particularly common with imported/reconditioned vehicles; and
- the registration continuing in the dealership's name.

The Taxation Administration Act, covering the payment of interest and penalty and applying to pay-roll tax, also applies to stamp duty. Consequently it is in the interest of taxpayers to make voluntary disclosure of any underpayment or non-payment of the duty.

Taxpayer Information Sessions Continue

Following the success of the November 2005 taxpayer information sessions held at Mount Gambier and Adelaide, a further session was held at Berri on 12 April 2006. The sessions covered stamp duty, land tax and pay-roll tax and was well attended by local legal, accounting and conveyancing professionals.

These sessions will continue in the next financial year in Adelaide, Port Augusta and Port Lincoln.

Land Tax & ESL Administrative Activity

RevenueSA is responsible for administering land tax and the fixed property component of the Emergency Services Levy (ESL). For the 2005/2006 financial year, (up to the end of May) staff had:

Issued	75,000 land tax invoices	554,000 ESL invoices
Processed	16,000 pieces of land tax correspondence	23,000 pieces of ESL correspondence
Answered	28,000 land tax telephone enquiries (97% of which were answered within two minutes)	70,000 ESL telephone enquiries (95% of which were answered within two minutes)

A number of new innovations were also introduced for the 2005/2006 financial year including:

- enabling land tax and ESL payers to advise of a change of mailing address by completing an online change of address form on the RevenueSA website. The form is accessed via the “Overview of land tax” and “Overview of ESL” web pages; and
- providing an option to pay land tax by quarterly instalments. This has been a considerable success, with approximately 30% of land tax taxpayers using the option.

NEW STAMP DUTY EXEMPTIONS

From 1 July 2006 a number of stamp duty charges will be abolished. These relate to all fixed \$10 and \$4 charges. Examples include deeds, caveats, trustee appointments and transfers of land pursuant to a will or intestacy of a deceased person.

In total, 23 RevNet document types will be exempt from duty from 1 July 2006, requiring the update of the guide notes and the addition of further commentary covering these document types. The guide notes involved are:



Conveyance of Land

- By way of partition
- Change in tenancy, no change in ownership share
- *In specie* distribution
- Pursuant to will or intestacy
- Surrender of lease, lessee pays
- Surrender of lease for no consideration
- To religious or charitable organisation
- Trustee to trustee

Conveyance – Other

- *In specie* distribution
- Reconveyance of insurance policy
- Surrender of interest in a trust by a family member
- Trustee to trustee

Marketable Securities

- *In specie* distribution
- Trustee to Trustee (no other document)

Mortgages

- Caveat

Others

- Appointment of new trustee
- Deed
- Transfer of MV pursuant to will or intestacy

Units

- Further issue – *pro rata*
- *In specie* distribution
- Pursuant to will or intestacy
- Redemption – *pro rata*
- Trustee to trustee

The name of each guide note will remain the same but the document code will change to EX and will be listed under the heading “Exemptions”.

The revised guide notes will be released on 1 July 2006 to coincide with the abolition of the minor taxes.

A number of other guide notes make reference to the 23 mentioned above and will be updated in order to reflect the changes made to the RevNet document types.

These guide notes are:

Conveyance of Land

- Assignment of interest in a land contract
 - For consideration
- Assignment of interest in a land contract
 - For no consideration
- Property (not land/shares/units)

Conveyance – Land

- Surrender of lease – lessor pays

Conveyance – Business

- SA Business

Marketable Securities

- Trustee to trustee with stamped deed

Lease

- Post 1 January 2002 annual rent greater or equal to \$50,000
- Entered into on or after 1 July 2004

Exemptions

- Conveyance of land
- RTC with no transactions
- Marketable securities pursuant to a will or intestacy

Adjudged

- Transfer of lease pursuant to conveyance of business
- Transfer of lease pursuant to conveyance of land

If you have a query in respect of a guide note please call the Assessing and Taxpayer Assistance branch of RevenueSA on **8226 3750**.

Recent Circulars

263	Stamp Duty Relief for Persons with Disabilities
264	Motor Vehicle Stamp Duty Ex Gratia Relief for Parents or Guardians of Minors with Disabilities
265	Stamp Duty - Sale of Retirement Villages
266	Pay-roll Tax - Guide to Legislation
267	Stamp Duty on Motor Vehicles - Relief for Disability Services Providers