

Revenue Ruling

Payroll Tax Act 2009

PTA037

PAID PARENTAL LEAVE

Preamble

The Commonwealth Government's Paid Parental Leave ("PPL") scheme was introduced by the *Paid Parental Leave Act 2010*. The scheme provides eligible working parents of children born or adopted on or after 1 January 2011 with a maximum of 18 weeks of government funded paid parental leave at the National Minimum Wage. Where an eligible parent has worked for the same employer for at least 12 continuous months, the employer must make the PPL payments to the employee.

PPL payments, made by an employer, are made with funds the employer has received from the Commonwealth Government and are not payable to an employee unless the Commonwealth has provided sufficient funds in advance. In addition, employers are not required to make superannuation payments in relation to PPL payments and employees do not accrue leave entitlements during the period of the PPL.

This Revenue Ruling clarifies how PPL payments are to be treated for payroll tax purposes.

Ruling

The *Payroll Tax Act 2009* prescribes that wages are liable for payroll tax if they are paid or payable to an employee for or in relation to services provided by the employee (or in anticipation of future services to be provided by the employee).

Even though PPL payments are paid by employers, the Commissioner of State Taxation is of the view that they do not constitute wages under the *Payroll Tax Act 2009* and are therefore not liable to payroll tax as they are not paid by the employer in respect of services provided by the employee (or in anticipation of future services to be provided by the employee). Rather, PPL payments are Commonwealth Government payments that employers are asked to pay on behalf of the Commonwealth Government.

Further Information

Further information can be obtained from RevenueSA.

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History

This Revenue Ruling is effective from 1 January 2011.

This is the first Revenue Ruling issued on this topic.

Mike Walker
COMMISSIONER OF STATE TAXATION

19 January 2011