

**SOUTH AUSTRALIA**



**STATE TAXATION OFFICE**

**Pay-roll Tax**

**Circular No. 32**  
**(formerly PRT Circular No. 5)**

**PAY-ROLL TAX AMENDMENT ACT, 1990**  
**FRINGE BENEFITS**

**INTRODUCTION**

The definition of wages in the Pay-roll Tax Act is extended by the pay-roll Tax Amendment Act, 1990 to include Fringe Benefits.

For the purposes of the Act a fringe benefit means a fringe benefit under the (Commonwealth) Fringe Benefits Tax Assessment Act, 1986.

**EFFECTIVE DATE**

The amending legislation will have effect from 1 October, 1990 and will apply in relation to benefits provided to employees from that date. It is anticipated that the Amendment Act will be assented to by 1 November, 1990.

**NON CASH REMUNERATION - FRINGE BENEFIT**

Under the above legislation where a benefit is provided, the value for pay-roll tax purposes is that amount assessed as the taxable value of fringe benefits in accordance with the (Commonwealth) Fringe Benefits Assessments Act, 1986. This amount is to be included as wages in addition to the wages normally declared.

Employers will not need to maintain a separate set of records to determine their liability. The record for calculation of FBT for Commonwealth income tax purposes will be accepted for pay-roll tax purposes.

Whenever changes occur to the Fringe Benefits Tax Assessment Act, 1986 the amendments will automatically apply for the purposes of the calculation of pay-roll tax payable in South Australia.

**LODGEMENT OF RETURNS**

The lodgement requirements for Commonwealth fringe benefits returns are based on an accounting year ending 31 March and therefore will differ from those relating to State pay-roll tax returns. Accordingly the amending Act provides the Commissioner with discretionary power to accept a monthly return in which the value of fringe benefits included is an estimate of those fringe benefits.

To facilitate calculation of fringe benefits to be included in returns employers may elect to either furnish returns on an actual or an estimated basis. Form A election notice is to be used to advise the basis of lodgement adopted. Where an estimated basis of calculation is appropriate the same form and be used to seek the approval of the Commissioner.

Where an employer is liable to include a value for fringe benefits in returns of taxable wages in South Australia and benefits are provided to employees elsewhere in Australia, the Commissioner may approve apportionment on an estimated basis to derive the value to be included in South Australian returns of taxable wages. The Form B election notice is to be used where approval of apportionment on estimated basis is required.

It is expected that the majority of employers will elect to include their fringe benefit component of taxable wages in monthly returns either on an actual basis or on an estimated basis. (1/12 of the actual value established for the last FBT accounting period ended 31 March). Similarly, for apportionment between States employers will elect to either adopt an actual basis or an estimated basis in line with the proportion of South Australian wages to Australian wages.

All employers liable to include a fringe benefits value component in the total of taxable wages in any return are required to furnish either Form A or Form B together with the first return in which a fringe benefits value is to be included.

#### **SUPPLEMENTARY RETURNS**

A supplementary return will be forwarded to relevant employers with the April 1991 pay-roll tax return to enable details of the value of the actual fringe benefits declared to be provided to the Office and for a reconciliation to be made between declared and actual.

Where an employer uses an estimated basis for lodgement of monthly returns, the return for the month of April in each financial year must include the difference between the actual benefits provided and the estimated amounts declared in returns. The new estimate to be included on the April return and subsequent returns will be 1/12th of the value of benefits declared in the Commonwealth FBT return for the FBT year ended March of that year.

#### **TRANSITIONAL PERIOD**

To enable employers time to adjust to the inclusion of fringe benefits in pay-roll tax returns, the first such declaration may be delayed until lodgement of the December 1990 pay-roll tax return. The value to be declared on that return will be either the actual value of the benefits provided during October, November and December 1990, or, if estimates are to be provided, 3/12ths of the value of fringe benefits declared in the March 1990 Commonwealth FBT return or the amount derived on an otherwise approved basis.

For the six month period 1 October 1990 to 31 March 1991, 6/12ths of the value of benefits declared in the 1991 FBT return will be considered taxable as fringe benefits for pay-roll tax purposes.

#### **EXEMPTIONS**

The definition of Fringe Benefit for the purposes of the Pay-roll Tax Act does not include:

- (a) a tax-exempt body entertainment fringe benefit within the meaning of the (Commonwealth) Fringe Benefits Tax Assessment Act, 1986,  
or
- (b) any payment or benefit which may be prescribed by regulation under the Pay-roll Tax Act not to be a fringe benefit. There is no present intention to prescribe any payment or benefit not to be a fringe benefit.

#### **COMPONENT OF WAGES COVERED BY TWO OR MORE SUBSECTIONS OF WAGES DEFINITION**

Where a component of wages is covered by two or more subsections of the wages definition it should only be included once in the calculation of total wages.

This situation may happen with fringe benefits where the benefit may fit the definition of wages as a fringe benefit or as wages paid in kind. In such cases the value for pay-roll tax purposes is the value determined in accordance with the (Commonwealth) Fringe Benefits Tax Assessment Act, 1986.

#### **AUSTRALIAN TAXATION OFFICE (ATO) RULINGS**

In order to follow as closely as possible the effect of the Commonwealth's FBT legislation the Commissioner of Stamps will adopt the rulings issued by the Commonwealth Commissioner of Taxation.

This will apply to all rulings relating to fringe benefits that are effective as at 1 October, 1990 and all rulings issued after that date.

#### **AUDITS**

Should an audit by the Australian Taxation Office result in an amended FBT assessment this Office should be advised and the amounts declared must be adjusted accordingly.

**ALLOWANCES**

Cash allowances not subject to FBT are still taxed for pay-roll tax purposes unless they represent a direct and equal reimbursement of employment related expenditure.

Motor vehicle allowances remain taxable only to the extent that they exceed the prescribed rate of 56 cents per kilometre and accommodation allowances to the extent that they exceed the prescribed \$127.60 per day.

The guidelines outlined in this circular are not intended to be a conclusive statement of the law to be applied to all cases but merely a statement of the principles which are considered to have application generally. If you have any doubts in relation to your particular circumstances you should contact this office and/or seek professional advice on the application of the law to those circumstances.

25 October 1990

**COMMISSIONER OF STAMPS**

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