

# Information Circular No: 21

## *Payroll Tax Act 2009*

# Exemption for wages paid to apprentices and trainees

Issued 19 January 2011

On 17 March 2010, the Government announced that a re-elected Labor government would abolish payroll tax on wages paid to apprentices and trainees.

The *Statutes Amendment (Budget 2010) Act 2010* gives effect to amendments to the *Payroll Tax Act 2009* (the "Act") to provide employers with an exemption from payroll tax on wages paid or payable to apprentices and trainees from 1 July 2010, consistent with the Government's announcement during the 2010 election campaign.

This exemption replaces the current administrative Payroll Tax Trainee Rebate Scheme, which ceased from 30 June 2010.

Section 10A of Schedule 2 of the Act exempts from payroll tax wages paid or payable to an apprentice or trainee in the following circumstances:

- ▶ by an approved group training organisation;
- ▶ by an employer if the apprentice or trainee is undertaking training under:
  - a school-based training contract;
  - an initial training contract between the employer and the apprentice or trainee;
  - a training contract entered into prior to 1 July 2010 that is current on that date; or
  - a prescribed training contract, or a training contract of a prescribed class.

The purpose of this Information Circular is to explain the application of the exemption for wages paid to apprentices and trainees and clarify the elements of the exemption.

### Definition of Apprentice or Trainee

Apprentice or trainee means a person who has entered into a training contract approved under Part 4 of the *Training and Skills Development Act 2008*.

### Approved Group Training Organisation

The Commissioner of State Taxation (the "Commissioner") may approve an organisation as a group training organisation for the purpose of administering the exemption. In so doing, the Commissioner will apply any criteria determined to be reasonable after taking into account relevant industry standards and practices associated with group training organisations.

### School-based Training Contract

A school-based training contract means a training contract that counts as part of an approved learning program under Section 75D of the *Education Act 1972* (and includes a case where the student is still enrolled at a secondary school and participating in such a program despite having attained the age of 16 years and achieved a qualification under an approved learning program).

A school-based traineeship/apprenticeship will not be considered an initial contract of training. This means that an employee who undertakes a school-based traineeship and subsequently undertakes a further apprenticeship or traineeship with the same employer will continue to qualify for the payroll tax exemption while undertaking that subsequent contract of training.

### Initial Training Contract

The initial contract of training criteria is employer specific. An apprentice or trainee who undertakes another contract of training with a different employer (i.e. where an apprentice or trainee changes employers) would be eligible for the payroll tax exemption provided the apprenticeship or traineeship is the first contract of training with that employer.

The exemption will apply to all apprentices and trainees who undertake an approved training contract in accordance with the criteria set out above. Consequently, an existing employee (including those that have been with an employer for many years) that enters into a first contract of training with the employer will qualify for the payroll tax exemption.

The payroll tax exemption is not available for apprentices or trainees who undertake subsequent 'higher level' training contracts with the same (non-group training organisation) employer.

## No Age Criterion

There is no age eligibility criterion that must be satisfied to claim the exemption for a trainee or apprentice undertaking an eligible training contract.

## Training Contracts entered into prior to 1 July 2010

Where the apprentice or trainee is undertaking training in accordance with an approved training contract at 1 July 2010 that is current on that date, the exemption will apply for the remainder of the apprenticeship or traineeship.

## How to Claim The Exemption

Employers can claim the exemption on their monthly and annual payroll tax returns.

Wages paid to eligible apprentices and/or trainees must be included in the gross wages declared in the monthly return. From 1 July 2010, employers can declare on their monthly return, in the appropriate field, the total value of eligible apprentice and trainee wages for the monthly return period. These exempt eligible wages will be deducted from your gross South Australian wages to determine taxable wages for the month on which the payroll tax liability is calculated.

When completing the annual reconciliation employers must include the gross value of each wage component, inclusive of all apprentices and/or trainee wages, in the declaration wages component split. A separate section allows employers to declare exempt eligible apprentices and trainee wages. Exempt eligible wages will be deducted from your gross South Australian wages to determine taxable wages for the financial year on which the payroll tax liability is calculated.

Each liable employer is required to declare their exempt wages. RevenueSA will not accept a designated group employer within a group claiming the total exemption for the group.

## Record keeping

The records substantiating a claim for the exemption must be kept for 5 years (Section 53 of the *Taxation Administration Act 1996*).

## Further Information

Further information can be obtained from RevenueSA.

Location	RevenueSA State Administration Centre 200 Victoria Square East ADELAIDE SA 5000
Postal	Commissioner of State Taxation RevenueSA GPO Box1353 ADELAIDE SA 5001
Telephone	(08) 8204 9880
Facsimile	(08) 8226 3805
Email	payrolltax@sa.gov.au
Website	www.revenuesa.sa.gov.au

Mike Walker  
COMMISSIONER OF STATE TAXATION

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