

Revenue Ruling

Payroll Tax Act 2009

PTA008

GST CONSIDERATIONS FOR THE CALCULATION OF PAYROLL TAX LIABILITY

Preamble

The *Payroll Tax Act 2009* (the "Act"), which commenced on 1 July 2009, rewrote and repealed the *Pay-roll Tax Act 1971* and provides fully harmonised legislation with New South Wales, Victoria, Tasmania and Northern Territory.

From 1 July 2000, the supply of most goods and services became subject to the Commonwealth's Goods and Services Tax (GST). The GST has relevance to payroll tax because certain supplies which are subject to the GST are also subject to payroll tax. These include the supply of labour services by contractors and agency supplied staff.

Section 44 of the Act provides that GST will be excluded from wages (other than wages that comprise fringe benefits) in circumstances where a payment for a supply of services is taken to be wages under the Act and that payment includes an amount of GST.

This Revenue Ruling explains how the GST impacts on the calculation of an employer's liability for payroll tax.

Ruling

Payments to, or in relation to, employees

Employees' wages and salaries are not subject to GST. Consequently, there is no impact for payroll tax purposes.

Payments to, or in relation to, contractors

An employer can exclude the GST component from those payments to contractors which are taken to be taxable wages under the Act.

Example 1

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for \$6000 a month plus \$600 GST.

Assuming that the payments are not otherwise exempt under the Act, the taxable wages are taken to be \$6000 per month.

Payments in relation to employment agency contracts

An employment agent can exclude the GST component from payments to service providers (on-hired workers) which are taken to be wages under the Act.

Example 2

An employment agency supplies a person to its client under an employment agency contract for one month. It paid that person \$2000 plus \$200 GST.

Assuming that the payments are not otherwise exempt, the taxable wages for the month are taken to be \$2000.

Fringe benefits

With effect from 1 July 2008, the value of a fringe benefit for payroll tax purposes is the value determined by grossing up the aggregate fringe benefits amount using the formula for Type 2 benefits specified under the *Fringe Benefits Tax Assessment Act 1986* (Cwth) (the "FBT Act"). The value of a fringe benefit may or may not include GST depending on the valuation rules applicable under the FBT Act. Where the value so determined includes GST, the GST amount is also included in the value for payroll tax purposes.

Further Information

Further information can be obtained from RevenueSA.

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History

This Revenue Ruling is effective from 1 July 2009.

This is the first Revenue Ruling issued on this topic.

COMMISSIONER OF STATE TAXATION

1 July 2009

