

<b>REVENUE CIRCULAR PTA019</b>
Contractors – Labour and Non Labour Components – <i>Payroll Tax Act 2011</i>
Issue Date: 30 June 2011
Status: Current – Effective 1 July 2011
Previous Circular: PTX019

## **Preamble**

The *Payroll Tax Act 2011* (the Act), which commenced on 1 July 2011, rewrites the *Payroll Tax Act 1987* (the 1987 Act) and harmonises the payroll tax legislation in the Australian jurisdictions.

1. Parties to a 'relevant contract' are deemed to be employers and employees (section 33 and 34 of the Act) and payments made under a contract are deemed to be wages (section 35 of the Act). Deemed wages are subject to payroll tax under section 36 of the Act.
2. While most contracts for the provision of services come within the meaning of 'relevant contract' under section 32 of the Act, certain types of contracts are specifically excluded from the definition of 'relevant contract'.
3. Where none of the exclusions apply, section 35(2) of the Act allows the Commissioner for ACT Revenue to determine an amount which can be deducted from the payments made under the contract.
4. This amount relates to the non-labour component where the contractor provides equipment and/or materials. The Commissioner for ACT Revenue has approved certain deductions for various classes of contracts to reflect the amount for equipment and/or materials (see Revenue Circular PTA018).
5. Uncertainty may arise where payments under a 'relevant contract' are made against separate invoices for the labour and non-labour components, or itemised separately under a single invoice in which the labour and non-labour components are separately charged.
6. The purpose of this circular is to clarify which amounts paid under these circumstances would be taken to be wages and would, therefore, be subject to payroll tax.

## **Circular**

### **Contractors – Labour and Non-Labour Components**

7. In determining taxable wages for the purposes of section 35 of the Act, payments made under a relevant contract can only be reduced by the approved deduction (see Revenue Circular PTA018) regardless of the actual amount of non-labour component charged by the contractor.

8. Where the labour and non-labour components are charged separately (whether in a single invoice or otherwise), the entire sum paid (i.e. payments for both the labour and non-labour component), less any approved deduction, must be declared as wages for payroll tax purposes.
9. If a deduction is not approved for a particular class of contract, an employer may apply to the Commissioner for ACT Revenue for a determination.
10. Similarly, where an employer believes that it is entitled to a higher deduction than the approved deduction, the employer may apply to the Commissioner for ACT Revenue for a determination.
11. In applying for a determination, details of the cost of materials and equipment provided by the contractor and the amount(s) paid to the contractor must be provided to allow calculation of a percentage deduction.

SIGNED

David Read  
Commissioner for ACT Revenue  
30 June 2011