

<b>REVENUE CIRCULAR PTA008</b>
GST Considerations for Calculations of Payroll Tax Liability – <i>Payroll Tax Act 2011</i>
Issue Date: 30 June 2011
Status: Current – Effective 1 July 2011
Previous Circular: PTX008

## **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. From 1 July 2000, the supply of most goods and services became subject to the Commonwealth's Goods and Services Tax (the 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.
2. 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.
3. This circular explains how the GST impacts on the calculation of an employer's liability for payroll tax.

## **Circular: GST Considerations for the Calculation of Payroll Tax Liability**

### **Payments to, or in Relation to, Employees**

4. 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**

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

### Example

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for \$6,000 a month plus \$600 GST.

Assuming that the payments are not otherwise exempt under the Act, the taxable wages are taken to be \$6,000 per month

## **Payments in Relation to Employment Agency Contracts**

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

### Example

An employment agency supplies a person to its client under an employment agency contract for one month. It paid that person \$2,000 plus \$200 GST.

Assuming that the payments are not otherwise exempt, the taxable wages for the month are taken to be \$2,000.

## **Fringe Benefits**

7. With effect from 1 July 2011, 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) (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.
8. Employers should contact the Australian Taxation Office for the current rates for Type 1 and Type 2 factors.

SIGNED

David Read  
Commissioner for ACT Revenue  
30 June 2011