



REVENUE CIRCULAR PTA011.1
Allowances and Reimbursements – <i>Payroll Tax Act 2011</i>
Issue Date: 4 August 2020
Status: Current – Effective 5 July 2019
Previous Circular: PTA011

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. The definition of wages in section 13 of the Act includes allowances. Employers often pay employees various types of allowances either to compensate them for unfavourable working conditions or to cover estimated expenses.
2. Allowances are also commonly paid to comply with award requirements. Common examples include allowances for a motor vehicle, tools, accommodation, tea, meal, travel, dirt and first-aid. Alternatively, an employer may reimburse an employee the exact amount of expenses incurred.
3. The purpose of this circular is to explain the payroll tax treatment of allowances and reimbursements paid to an employee and any person taken to be an employee under Division 3.7 of Part 3 of the Act.

Circular

Allowances and Reimbursements

4. Allowances are generally subject to payroll tax.
5. The only allowances that are not wholly taxable are motor vehicle allowances, accommodation allowances and living away from home allowances. For more information on these allowances, see Revenue Circular PTA005.1. In these cases, the exempt rate of the allowance is as determined by the Minister by Notifiable Instrument. In the absence of the Minister's determination, the exempt rate is as determined by the Australian Taxation Office
6. On the other hand, reimbursements are only taxable where they are subject to fringe benefits tax under the *Fringe Benefits Tax Assessment Act 1986* (Cwth) (the FBT Act). A reimbursement of an expense is not subject to payroll tax if the reimbursement has all of the following characteristics:

- (a) at the time payment, the expense has already been incurred by the employee; however, if the payment was made in advance, the employee has provided the employer with a receipt relating to the expense and refunded any excess from the advance payment;
- (b) the expenditure by the employee was incurred in the course of the employer's business, and
- (c) the precise amount is reimbursed.

- 7. However, if a reimbursement is subject to fringe benefits tax, it is also subject to payroll tax, regardless of whether the reimbursement has all the above characteristics.
- 8. For more information on the payroll tax treatment of fringe benefits, see Revenue Circular PTA003.1¹. A reimbursement that is an exempt fringe benefit under the FBT Act is also exempt from payroll tax.



Kim Salisbury
Commissioner for ACT Revenue
4 August 2020

¹ Revenue Circular PTA003.1 was effective from 1 July 2016.