

Payroll Tax Update

1 July 2007

presented by
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Agenda

- Harmonisation
- Taxable wages
- Concept of wages
- Wages
- Exemptions
- Grouping



2008 Amendments

- **Non profit organisations**
- **Related corporations**
- **Common control by group members**



Harmonisation

- From 1 July 2007 similar *Payroll Tax Acts* for NSW and Vic
- State specific provisions in Schedules 1 to 4
- Common interpretation and administrative decisions



Harmonisation

From 1 July 2008 all 8 jurisdictions will have *common* provisions for:

- Employee Share Schemes
- Grouping
- Accommodation and MV Allowances
- Gross up of fringe benefits
- Lodgement dates
- Work performed outside a jurisdiction
- Superannuation contributions



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Taxable wages for NSW

A months wages are liable in NSW if:

- all the services are performed in NSW,
- paid in NSW (unless all the services are performed in one other State or Territory)

but not when:

- the services are performed continuously in another country for more than 6 months.
(First 6 months no longer liable from 1 July 2007)



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Taxable wages

If services do not relate to a particular month they are taken to be performed in the month of payment

Example

An employee works in NSW & Victoria in June 2008 and receives an annual bonus on 30 June 2008.

Liable in the State in which the employees account is held.



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General Concept of Wages

- Broader definition of wages includes 'remuneration' which can include *payments in kind*
- Trust distributions – no longer liable for work performed from 1 July 2007

Wages

Fringe benefits

- Grossed up using only “Type 2 grossing up factor” of **1.8692 on Type 1 & 2 aggregate values**

Termination payments

- Employment termination payments includes termination of directors and contractors, and
- Unused accrued leave, except sick leave



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Wages: Allowances

Motor vehicle allowance

- 70c per kilometre (distance records are necessary)

Accommodation allowance

- \$201.25 per overnight

[No award exemptions both allowances now linked to specific ATO rates]



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Contractors

- \$800,000 exemption removed
- Financial planner exemption removed
- Commissioner only takes into account services in one financial year when deciding a contractor services the general public

Contractors

6 General exemptions

1. Labour ancillary to goods supplied or used by the contractor
2. Not normally required and supplied by a person who supplies such services to the public generally
3. Services ordinarily required for less than 180 days in a year by the business
4. Worker works in total for no more than 90 days in a financial year



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Contractors

5. Services the public generally.
(From 1 July 2007 must clearly be in that financial year, unless previous contrary evidence)
6. Contractor engages 1 or more workers to perform the contract work.



Wages: other

- Wages in kind (not fringe benefit, share or option):
 - ▶ value as agreed, or
 - ▶ attributable value (whichever greater)
- Chief Commissioner may disregard any agreement that reduces payroll tax:
 - ▶ when natural person provides services
 - ▶ written notice to be served



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Exemptions

Adoption and Maternity leave

Paid adoption and maternity leave is exempt for up to 14 weeks full time equivalent for each pregnancy or adoption

(Leave can be taken before or after the birth or adoption. Proof of birth /adoption is necessary)



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Exemptions

Schedule 2 Apprentices and Trainees

- The current general exemption for apprentices and non-worker trainees continues to apply only up to 30 June 2008. Offset rebate scheme to apply to employers from 1 July 2008
- From 1 July 2008 an exemption applies only for those apprentices and trainees employed by approved non-profit group apprenticeship/traineeship schemes



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Non profit organisations 2008

‘Solely or dominantly’ replaces ‘wholly’

- ▶ This allows non profit organisations to have minor non charitable activities without losing their main exemption.
- ▶ Wages paid to staff providing the dominant activity are exempt.
- ▶ Non profit organisations with minor charitable activities have no exemption



Related corporations 2008

- Trustee companies will no longer be grouped as 'related corporations' within the mean of the Corporations Act 2001.
- If grouped under 'common control' they can be excluded



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Grouping

Section 71 Common Employees

From 1 July 2007 **3 provisions** apply.

1. One business with 2 or more employers, or
2. A business who has employees who work solely or mainly for other businesses, or
3. A business which has an agreement to provide services in connection with 1 or more other businesses

If any apply all the businesses are a group



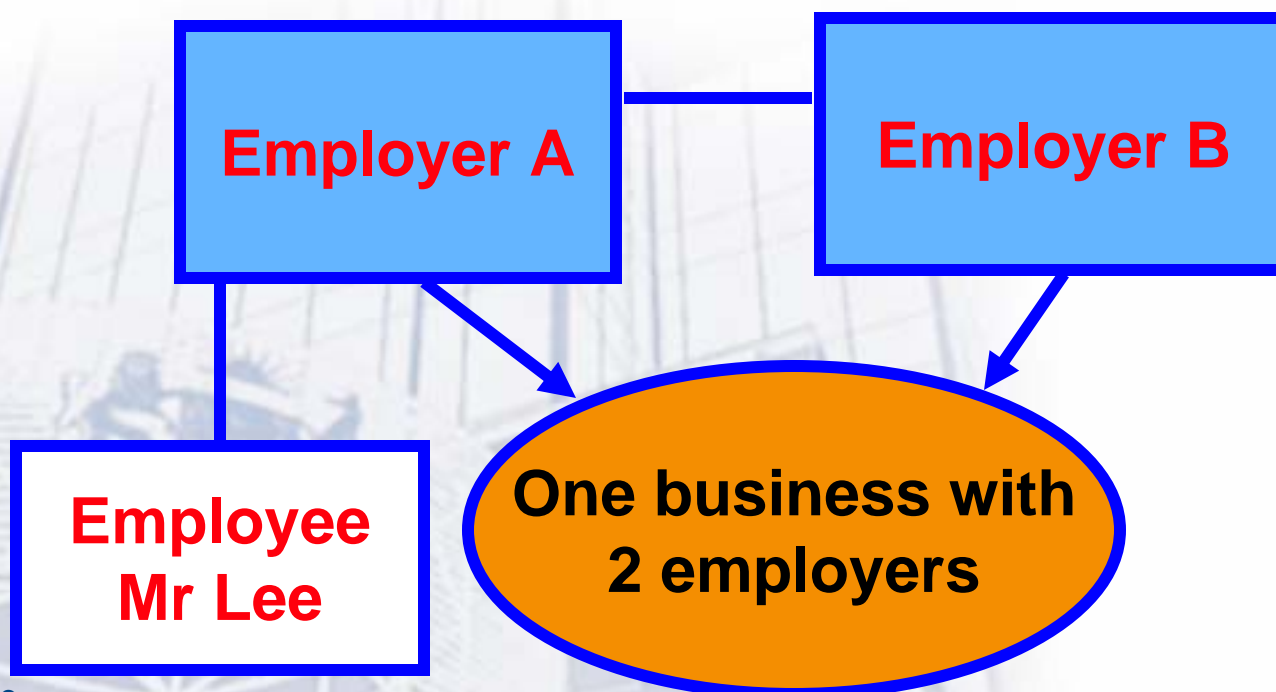
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Grouping: Common employees

Section 71(1) example:

Mr Lee an employee of Employer A, works in a business carried on of Employer A and Employer B

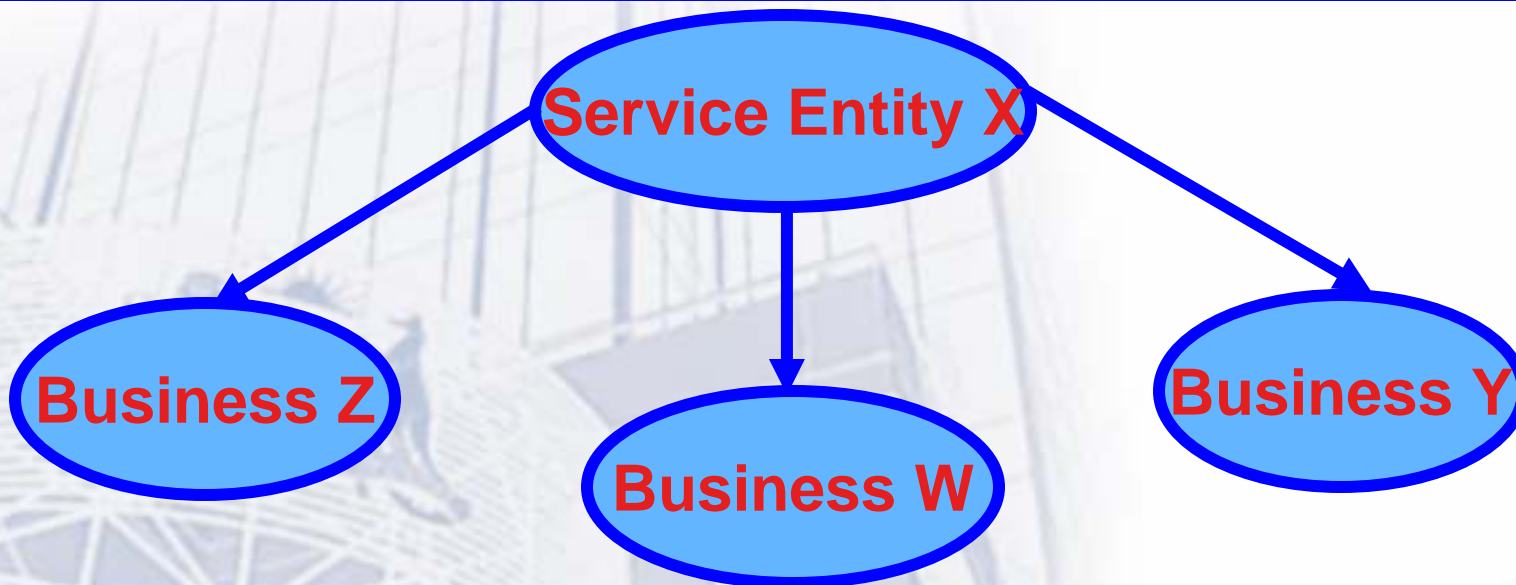


Grouping: Common employees

Section 71(3) example:

Service Entity X under an agreement provides services to **Business Z, Business W and Business Y**, via employees **Mr Lee, Ms Palos and Mr Khan**

Mr Lee, Ms Palos and Mr Khan are employees of Service Entity X



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Changes to control provisions

- Common control extends to Corporations without voting shares
 - ▶ controlled by >50% of the board of management
- Business carried on under a trust are controlled by beneficiaries even when the beneficiaries are trustee(s) or beneficiary(ies) of another trust

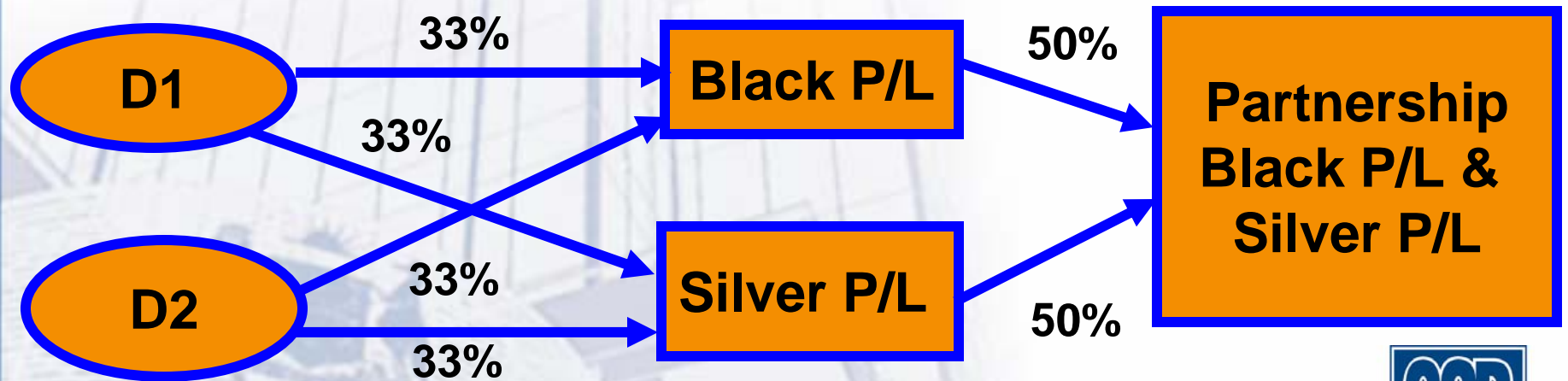


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Common control by group members from 2008

If 2 or more members of a group have together a controlling interest in another business, all the businesses form a group



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Designated group employers

- From 1 July 2007 **NO** proportional thresholds.
- Claiming the threshold:
 - ▶ The group may nominate any qualified member, or
 - ▶ The Chief Commissioner may nominate, or
 - ▶ The group becomes a single lodger for total group wages, or
- No threshold is available. All group members just pay flat 6%.



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Payroll Tax Incentive Scheme

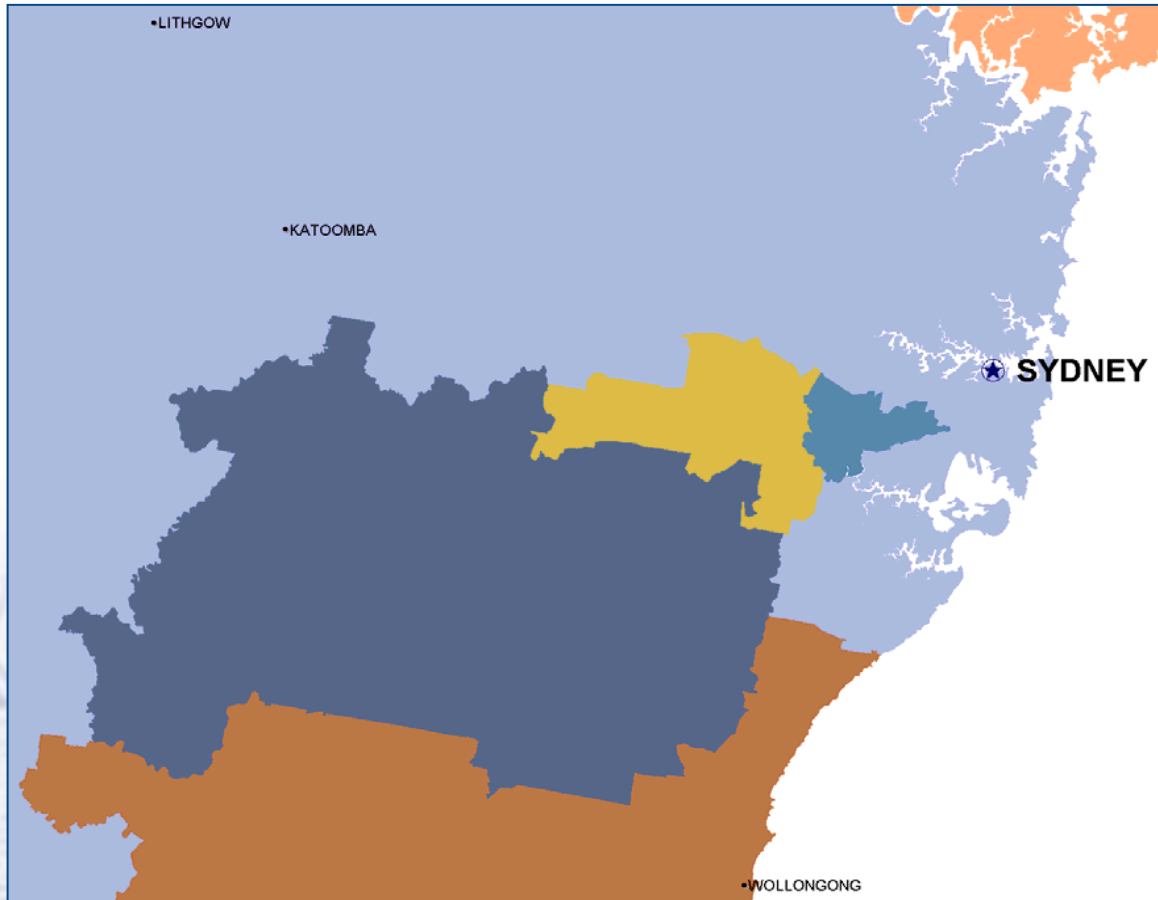
- New eligible local government areas in the Central Western Sydney statistical region are Auburn, Holroyd and Parramatta effective from 1 July 2007.
- Based on Australian Standard Geographical Classification (ASGC) July 2006, Based on average NSW unemployment rates for the twelve months from January 2006 to January 2007 for Central Western Sydney
- Contact DSRD for full details



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Eligible locations Metropolitan area



■ **Fairfield - Liverpool:** Fairfield and Liverpool

■ **Canterbury - Banks town:** Bankstown and Canterbury

■ **Outer South Western Sydney:** Camden, Campbelltown and Wollondilly

■ **Auburn, Holroyd and Parramatta**



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Questions



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