



## Pay-roll Tax

### General Information

*Pay-roll Tax Assessment Act 2002*

**As at 1 July 2014**

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#### What is pay-roll tax?

Pay-roll tax is a tax assessed on the wages paid by an employer in Western Australia at the rate of 5.5%.

The tax is self-assessed - the employer calculates the liability and pays the appropriate amount to the Office of State Revenue (OSR) on a return. Pay-roll tax is collected by the OSR for the Western Australian Government.

#### Who must pay pay-roll tax?

An employer or a group that pays wages in excess of \$66,667 in any month will be liable for pay-roll tax. Non-group and group members must register for pay-roll tax if they pay, or are liable to pay, wages during a month.

The amount of \$66,667 includes amounts paid:

- to employees in all Australian States and Territories, although pay-roll tax is only assessed on Western Australian taxable wages;
  - to contractors where an employer/employee relationship exists between the employer and the contractor. For more detailed information on the pay-roll tax liability of payments to contractors, refer to the [Wages Definition](#) fact sheet and/or [Revenue Ruling PT 6](#) on our website;
  - by any other business required to be grouped with the employer (see item below entitled "What is grouping?" for information about the grouping of employers or refer to the [Grouping Provisions](#) fact sheet); and
  - by way of remuneration by an employment agent to a person who was engaged to perform services for a client of the employment agent.
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- The Annual pay-roll tax threshold is:

Year	Threshold
01/07/2014 to current	\$800,000
01/7/2003 to 30/06/2014	\$750,000

## What payments are taxable?

The definition of wages under section 9 of the *Pay-roll Tax Assessment Act 2002* (“the Act”) includes salary, wages, commissions, bonuses, allowances, fringe benefits, superannuation contributions, share or share option arrangements, director’s remuneration and specified taxable benefits, paid or payable to or in relation to an employee, whether in cash or in kind.

- **Salaries and wages**

Pay-roll tax is payable on the gross salary or wage of an employee including entitlements and deductions made on behalf of the employee, e.g.

- income tax,
- hospital benefit fund contributions,
- union fees,
- holiday pay
- termination payments such as accrued leave entitlements or deferred wages.

Payments to contractors are taxable where an employer/employee relationship exists between the employer and the contractor.

- **Commissions, bonuses and allowances**

Pay-roll tax is payable on the amount of commissions, bonuses and allowances paid to employees. Exemptions are provided for reasonable travel and accommodation allowances. For more detailed information, please refer to [Revenue Ruling PTA 005](#).

- **Director’s remuneration**

Remuneration paid or payable to a director, whether as a working director or not.

- **Superannuation contributions**

Employer contributions to an employee’s superannuation fund are liable to pay-roll tax. For a detailed explanation of the pay-roll tax liability of contributions to an employee’s superannuation fund, please refer to the [Superannuation](#) fact sheet.

- **Fringe benefits**

Fringe benefits, as defined and valued for the purposes of the *Fringe Benefits Tax Assessment Act 1986* (Cwth), are generally liable to pay-roll tax.

From 1 January 2002, the grossed up fringe benefits amount is taxable, using both type 1 and type 2 rates. From 1 July 2009, only the type 2 rate is applicable for pay-roll tax purposes.

For a detailed explanation of the pay-roll tax liability of fringe benefits, please refer to the [Fringe Benefits](#) fact sheet.

- **Termination Payments**

Termination payments include employment termination payments according to the definition given to them in section 82–130 of the *Income Tax Assessment Act 1997* (Cwth). Payments relating to the termination of services or office of a director are also liable.

For more details on termination payments please refer to the [Wages Definition](#) fact sheet.

- **Specified taxable benefits**

A number of benefits that are not fringe benefits under the *Fringe Benefits Tax Assessment Act 1986* are generally liable to pay-roll tax.

These benefits are contributions by an employer to:

- an industry redundancy fund; or
- a portable long service leave fund.

For more detail on prescribed benefits, please refer to the [Wages Definition](#) fact sheet.

- **Employee share acquisitions**

From 1 July 2009 the grant of a share or option is included in the definition of wages if the share or option is an Employee Share Scheme (“ESS”) interest within the meaning of section 83A-10 of the *Income Tax Assessment Act 1997* (Cwth) and it is granted to the employee under an employee share scheme within the meaning of that section. An employee share scheme is a scheme under which ESS interests in a company are provided to employees (or associates of employees), including past and prospective employees of the company or any subsidiary of the company.

- these provisions do not apply if the grant of the share or option is wages under any other provision. Note that a grant of a share or option that is not an ESS interest will be liable to pay-roll tax as a fringe benefit under subdivision 2 of Division 2A of Part 2 of the Act.
- employers will in most circumstances now be able to elect the date pay-roll tax is payable on the liability of an ESS interest.

For more information on employee share acquisitions please refer to the [Employee Share Acquisitions](#) fact sheet.

## What payments are not taxable?

The following payments are not taxable:

- payments to apprentices (including trainees) under a training contract registered under the *Vocational Education and Training Act 1996*, Part 7 Division 2;
- payments to employees under the provisions of the *Workers Compensation and Injury Management Act 1981*;
- parental leave from 1 July 2009 (includes maternity, parental and adoption leave).
- payments to employees who are absent in the defence forces;

- payments to volunteer emergency services workers;
- wages paid to an employee are exempt where the wages are paid in respect of services performed by the employee wholly in another country for a continuous period exceeding six months. For more detailed information, please refer to [Revenue Ruling PTA 039 Nexus Provisions](#);
- reasonable motor vehicle allowances are exempt, to the extent that they do not exceed the Australian Taxation Office's (ATO) large car rate. For more detailed information, please refer to [Revenue Ruling PTA 005](#).
- accommodation allowances are exempt from tax up to certain limits. These limits reflect the ATO rates for reasonable travel allowance amount for lowest salary / lowest city rate, or by an amount prescribed. Amounts paid in excess of ATO rates are liable to pay-roll tax. For more detailed information, please refer to [Revenue Ruling PTA 005](#).

## Exemptions from pay-roll tax liability

Exemptions are provided for religious organisations, hospitals, schools below tertiary level, government departments, public benevolent institutions and certain charitable institutions.

Applications for exemption should be made in writing accompanied by a copy of the organisation's constitution and details of its nature, aims and objects.

## What is grouping?

Currently, businesses may be grouped where:

- one company is related to another company under the *Corporations Act 2001* (Cwth);
- an employee or employees of one business perform duties for or of another business, whether by arrangement or otherwise;
- the same person or persons together, have a controlling interest of more than 50% in each of two or more businesses;
- an entity has a direct, indirect or aggregate controlling interest in a corporation ("tracing provisions").

The effect of grouping is that the Australia wide wages of all related businesses are combined to determine:

- if a liability to register for pay-roll tax exists; and
- the threshold amount allocated.

However, tax is paid by each individual group member only on the wages paid in its own right.

A business may be excluded from a group where the Commissioner is satisfied that there are adequate reasons for doing so. However, no exclusion can be made where a corporation is related to another corporation under the *Corporations Act 2001* (Cwth).

In order for the Commissioner to determine your eligibility for grouping exclusion you are requested to complete the [Application for Exclusion from Grouping – Pay-roll Tax](#). All questions must be addressed and documentation provided where required.

For a detailed explanation of the grouping provisions, please refer to the [Grouping Provisions](#) fact sheet.

## Taxpayer obligations

**Registration** - An employer or a group liable for pay-roll tax must [Register as an Employer](#) with the Office of State Revenue within seven days of the close of the month in which wages exceed \$66,667 in a month.

**Returns** - Following registration, a return declaring wages paid must be lodged, together with the tax payable, within seven days of the end of the month to which the return relates. June monthly and annual returns are due for lodgment and payment by 21 July.

**Keeping Records** - Employers are required to maintain proper books and records for a minimum of five years.

**Access to Records** - The Commissioner, or any authorised officer, has full and free access to all places, books, documents and other papers, for the purpose of verifying returns or liability, and may make extracts or copies of such books, documents or papers. It is an offence to obstruct authorised officers in the performance of their duties.

## Pay-roll tax rate

The pay-roll tax rate in Western Australia is 5.5%.

For more information on the calculation of pay-roll tax, please refer to the [Calculation of Tax Payable](#) fact sheet.

An *Assessment Advice* issued with a pay-roll tax return provides a record of the taxable wages declared and the tax paid for the previous period. Any under or over payment of pay-roll tax will appear on the *Assessment Advice* to enable the adjustment to be taken into account for the next period.

## When is penalty tax imposed?

Penalties are imposed if any taxpayer:

- fails to register as and when required;
- fails to lodge returns and payments on time;
- underpays tax due;
- understates wages in returns; or
- provides false or misleading information.

Taxpayers who voluntarily declare liability may receive significantly lower penalties than those who do not. The relevant Commissioner's Practices detailing remission of penalty tax are available on the OSR website at [Commissioner's Practice - Administration - Penalty Tax](#).

## Objections against an assessment

A person who is dissatisfied with an assessment may, within a period of 60 days after the date of issue of the assessment notice, forward to the Commissioner an objection in writing stating the grounds on which the objection is made. The statement must be explicit, stating fully the grounds of objection and be accompanied by relevant supporting evidence. A person who is dissatisfied with the decision on an objection may, within 60 days after service of notice of the decision, seek review of the decision to the State Administrative Tribunal ([www.sat.justice.wa.gov.au](http://www.sat.justice.wa.gov.au)) against that decision. Lodgement of an objection or appeal does not remove or alter the liability to pay the tax assessed.

## Goods and services tax component

Pay-roll tax is not payable on any component of wages that is directly attributed to the Goods and Services Tax ("GST"), other than wages comprising fringe benefits.

Under the Act, certain payments such as payments to contractors can be deemed to be wages for the purposes of the Act, and these payments may include a GST component.

Where this occurs, pay-roll tax is not payable on the GST component of the payment.

For example, you make a payment to a contractor for \$2,200 (inclusive of GST) for services performed. Where this payment is wages under the Act, the GST component of the payment is not included in determining liable wages for pay-roll tax purposes. Therefore, only \$2,000 will be included as wages for pay-roll tax purposes. Accordingly, all wages subject to pay-roll tax are treated consistently in respect of the GST and the amount of pay-roll tax paid by an employer is not increased by the GST amount.

## Paying your pay-roll tax liability

Pay-roll tax can be paid by the Revenue Online (ROL) client initiated payment system, BPAY or Electronic Funds Transfer (EFT). ROL can be accessed via the [Revenue Online](#) website.

From 1 July 2006, it is mandatory for an employer that has, or is a member of a group that has, an expected pay-roll tax liability equal to or greater than \$100,000 per annum, to lodge and pay their pay-roll tax return via [Revenue Online](#).

This pay-roll tax information should be used only as a guide and if you have any questions regarding your liability or require more detailed information, please contact OSR using the details provided below.

## Contact the Office of State Revenue

<b>Office</b>	Office of State Revenue Plaza Level 200 St Georges Terrace PERTH WA 6000	<b>Telephone</b>	(08) 9262 1300 1300 368 364 (WA country STD callers only – local call charge)
<b>Office hours</b>	8:00 am – 5:00 pm Monday to Friday	<b>Facsimile</b>	(08) 9226 0841
<b>Postal</b>	Office of State Revenue GPO Box T1600 PERTH WA 6845	<b>Web Enquiry</b>	<a href="http://www.osr.wa.gov.au/PayrollEnquiry">www.osr.wa.gov.au/PayrollEnquiry</a>
		<b>Website</b>	<a href="http://www.osr.wa.gov.au">www.osr.wa.gov.au</a>

**Note:** The information contained in this FACT SHEET is issued for guidance purposes only. It is not an exhaustive explanation of the provisions of the *Pay-roll Tax Assessment Act 2002* and reference should be made to the Act for complete details.