



## Payroll Tax

### General Information

*Pay-roll Tax Assessment Act 2002*

**As at 27 June 2016**

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The '[Payroll Tax Employer Guide](#)' should be read in conjunction with this fact sheet.

#### What is payroll tax?

Payroll tax is a general purpose tax assessed on the wages paid by an employer in Western Australia (WA) at a rate of 5.5%.

This self assessed tax requires the employer to calculate the liability and pay the appropriate amount on a return lodged via [Revenue Online \('ROL'\)](#).

#### Who must register and pay payroll tax?

An employer or group of employers who pay wages in WA must register for payroll tax if, during any one month, their total Australian taxable wages exceed the monthly threshold of \$70,833.

An employer must [apply to register](#) for payroll tax with the Office of State Revenue ('OSR') within seven days after the end of the month in which the liability for payroll tax arose.

The monthly threshold includes amounts paid:

- to employees in all Australian States and Territories, although payroll tax in WA is only assessed on WA taxable wages;
- to contractors where an employer/employee relationship exists between the employer and the contractor. For more detailed information on the payroll tax liability of payments to contractors, see the '[Wages Definition](#)' fact sheet and Revenue Ruling PT 6 '[Guidelines on Subcontracting Arrangements- Employment Agents](#)';
- by any other business required to be grouped with the employer (see 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.

For more information on the calculation of payroll tax, please see the [Calculation of Tax Payable](#) fact sheets or the [Payroll Tax Employer Guide](#).

## What payments are taxable?

*Wages* is defined in section 9 of the *Pay-roll Tax Assessment Act 2002* ('PTA Act') and includes:

- **Salaries and wages**

Payroll tax is payable on the gross salary or wage of an employee including entitlements and deductions made on behalf of the employee.

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

- **Commissions, bonuses and allowances**

Payroll tax is payable on the amount of commissions, bonuses and allowances paid to employees (some exemptions apply).

- **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 payroll tax.

- **Fringe benefits**

Fringe benefits, as defined and valued for the purposes of the *Fringe Benefits Tax Assessment Act 1986* (Cth) ('FBTA Act'), are generally liable to payroll tax.

- **Termination Payments**

Certain payments made as a consequence of the retirement from, or termination of, any office or employment of an employee.

- **Specified taxable benefits**

A number of benefits that are not fringe benefits under the FBTA Act are generally liable to payroll tax. These benefits are contributions by an employer to:

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

- **Employee share acquisitions**

Provided these are not wages under any other provisions, 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 ITAA 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.

For detailed information about wages, please see the ['Wages Definition'](#) fact sheet.

## What payments are not taxable?

The following payments are not taxable:

- payments to apprentices (including trainees) under a training contract registered in accordance with the *Vocational Education and Training Act 1996*;
- wages paid in the first two years of employment to new employees with a disability who commence employment on or after 1 July 2012, for whom the employer receives or is entitled to receive a wages subsidy under the Commonwealth Government's Disability Employment Services program, or where the employee is eligible for any form of support from the Western Australian Disability Services Commission.
- payments to employees under the provisions of the *Workers Compensation and Injury Management Act 1981*;
- maternity, parental and adoption leave pay;
- payments to employees who are absent due to defence forces commitments;
- payments to volunteer emergency services workers;
- wages paid in respect of services performed by an employee wholly in another country for a continuous period exceeding six months; and
- some motor vehicle and accommodation allowances.

For detailed information about wages, please see the ['Wages Definition'](#) fact sheet.

## Goods and services tax component

Payroll 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.

## Exemptions from payroll tax liability

Wages paid by some employers are exempt from payroll tax. Exemptions from payroll tax liability are provided for religious organisations, certain public health service providers, schools below tertiary level, some government departments (including local governments) and public benevolent institutions.

In certain circumstances, an exemption is provided for wages paid by a charitable body or organisation. An application for exemption must be made using form FPRT41 ['Application: Charitable Exemption'](#) and should be 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* (Cth);
- 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; or

- an entity has a direct, indirect or aggregate controlling interest in a corporation ('tracing provisions').

When businesses are grouped, the Australian taxable wages of all related businesses are combined to determine if a liability to register for payroll tax exists and the threshold amount allocated.

In certain circumstances, a business may be excluded from a group. An application for exclusion must be made using form FPRT2 ['Application: Exclusion from Grouping'](#).

For detailed information about grouping, please see the ['Grouping Provisions'](#) fact sheet.

## Taxpayer obligations

**Registration** - An employer or a group liable for payroll 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 the monthly threshold.

**Returns** - Following registration, a return declaring wages paid must be lodged through ROL, together with the tax payable, within seven days of the end of the month to which the return relates. June monthly returns 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.

## Paying your payroll tax liability

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

Lodgment and payment must be made through [ROL](#).

## 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. See Commissioner's practices detailing remission of penalty tax on the [OSR website](#).

## Objections against an assessment

A person who is dissatisfied with an assessment may make an objection within 60 days after the date of issue of the assessment notice. The objection 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 from the [State Administrative Tribunal](#). Lodgment of an objection or appeal does not remove or alter the liability to pay the tax assessed.

## 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 callers only – local call charge)
<b>Office hours</b>	8:00 am – 5:00 pm Monday to Friday	<b>Web Enquiry</b>	<a href="http://www.osr.wa.gov.au/PayrollEnquiry">www.osr.wa.gov.au/PayrollEnquiry</a>
<b>Postal</b>	Office of State Revenue GPO Box T1600 PERTH WA 6845	<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 this Act for complete details.