



**CIRCULAR 10 AMENDMENTS TO PAYROLL TAX EXEMPTION FOR
WAGES PAID TO TRAINEES**

ARCHIVED 18 April 2018

The *Pay-roll Tax Assessment Act 2002* (the PTA Act) currently provides a payroll tax exemption for the wages of all trainees and apprentices paid under an approved training contract registered with the Department of Training and Workforce Development.

There has been the potential for employers to inappropriately access the exemption by enrolling large numbers of existing employees into traineeship courses, primarily to minimise their payroll tax liability.

On 30 November 2017, the Treasurer announced he was acting to end the misuse of the payroll tax exemption for wages paid to trainees. A copy of the ministerial statement is available at:

www.mediastatements.wa.gov.au/Pages/McGowan/2017/11/Changes-to-payroll-tax-exemption-for-trainees-announced.aspx

The Government will introduce a Bill into the Parliament in 2018 to amend the PTA Act retrospectively to 1 December 2017.

The payroll tax exemption for wages paid to apprentices will not be affected by these amendments.

CHANGES TO THE EXEMPT WAGES PAID TO TRAINEES

The announcement provides from 1 December 2017:

- The exemption for trainees will be restricted to new employees with annual wages¹ as defined under the PTA Act of \$100,000 or less at the date of lodgement of the training contract with the Department of Training and Workforce Development.

A new employee² is an employee that has been continuously employed for not more than three months full-time or not more than 12 months casual or part-time, or a combination of both, immediately prior to the commencement date of the training contract.

This period includes any period where the employee had been employed by another member of the same group of employers.

¹ Wages are defined in Part 2 of Division 2A of the PTA Act. Wages include gross salaries and wages, allowances, fringe benefits, commissions, bonuses and superannuation contributions.

² As set out in the prescribed training agreement in Schedule 1 of the *Vocational Education and Training (General) Regulations 2009*.

- Transitional arrangements will apply for existing employees³ whose training contract was **lodged with the Department of Training and Workforce Development prior to 1 December 2017**.

Under these arrangements employers will continue to be eligible for the exemption until the expected completion date as specified in the contract without further extension, suspension or change to part-time, provided the employee's annual wages did not exceed \$100,000 at the lodgement date of the training contract.

LODGING PAYROLL TAX RETURNS

The announced changes will not be law until an amending Bill has been passed by the Parliament and receives Royal Assent. However, the amendments to the PTA Act will be made retrospectively and will apply to wages paid from 1 December 2017 onwards.

To simplify the administration in returning taxable wages, employers lodging payroll tax returns on a monthly or quarterly frequency are encouraged to declare wages paid to affected trainees as taxable wages in their December 2017 return onwards.

Employers lodging payroll tax returns on an annual frequency should declare wages paid to affected trainees as taxable wages in their June 2018 return.

It is recommended exempt wages paid to eligible trainees and apprentices be declared in your payroll tax return under 'Apprentices/Trainees' wages in the 'Less Exempt Payments' section.

Employers who wait for the Bill to be passed before declaring wages paid to affected trainees as taxable wages must make an adjustment to their 2017-18 declared taxable wages following the passage of the legislation. Any additional tax resulting from the adjustment will be payable by the due date of the relevant return period.

Employers are reminded they must maintain full records relating to any registered training contracts for a minimum of five years. Records relating to exempt wages will be required to be produced in the event of an audit.

FURTHER INFORMATION

More information on the announced changes and the passage of the amending legislation will be made available at www.osr.wa.gov.au as it becomes available.

Should you have any queries, please contact State Revenue on (08) 9262 1300 or by web enquiry at www.osr.wa.gov.au/PayrollEnquiry.

30 November 2017

³ Defined in Schedule 1 of Western Australia's *Vocational Education and Training (General) Regulations 2009*.