



## **PAYROLL TAX      GST Considerations for the Calculation of Payroll Tax Liability**

1. The *Pay-roll Tax Assessment Amendment Act 2010* amended the *Pay-roll Tax Assessment Act 2002* (the Act) with effect from 1 July 2009 to harmonise the legislation of Western Australia's payroll tax system with the legislation of other jurisdictions.

### **Introduction**

2. From 1 July 2000, the supply of most goods and services became subject to the Commonwealth's Goods and Services Tax (GST). The GST has relevance to payroll tax because certain supplies which are subject to the GST are also subject to payroll tax. These include the supply of labour services by contractors and agency supplied staff.
3. Section 9HB of the Act provides that the GST will be excluded from wages (other than wages that comprise fringe benefits) in circumstances where a payment for a supply of services is taken to be wages under the Act and that payment includes an amount of the GST.
4. This revenue ruling explains how the GST impacts on the calculation of an employer's liability for payroll tax.

### **Ruling**

#### ***Payments to, or in relation to, employees***

5. Employees' wages and salaries are not subject to the GST. Consequently, there is no impact for payroll tax purposes.

#### ***Payments to, or in relation to, contractors***

6. An employer can exclude the GST component from those payments to contractors which are taken to be taxable wages under the Act.

##### *Example*

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for \$6000 a month plus \$600 GST.

Assuming that the payments are not otherwise exempt under the Act, the taxable wages are taken to be \$6000 per month.

#### ***Payments in relation to employment agency contracts***

7. An employment agent can exclude the GST component from payments to service providers (on-hired workers) which are taken to be wages under the Act.

##### *Example*

An employment agency supplies a person to its client under an employment agency contract for one month. It paid that person \$2000 plus \$200 GST.

Assuming that the payments are not otherwise exempt, the taxable wages for the month are taken to be \$2000.

### ***Fringe benefits***

8. With effect from 1 July 2009, the value of a fringe benefit for payroll tax purposes is the value determined by grossing up the aggregate fringe benefits amount using the formula for Type 2 benefits specified under the *Fringe Benefits Tax Assessment Act 1986* (FBT Act). The value of a fringe benefit may or may not include GST depending on the valuation rules applicable under the FBT Act. Where the value so determined includes GST, the GST amount is also included in the value for payroll tax purposes.
9. Please note that rulings do not have the force of law. Each decision made by the Commissioner of State Revenue is made on the merits of each individual case having regard to any relevant ruling.

### **Ruling history**

Revenue Ruling	Issued	Effective dates	
		From	To
PTA 008.1	24 June 2010	24 June 2010	Current