



PAYROLL TAX Allowances and Reimbursements

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. The definition of wages in section 9AA of the Act includes allowances. Employers often pay employees various types of allowances either to compensate them for unfavourable working conditions or to cover estimated expenses. Allowances are also commonly paid to comply with award requirements. Common examples of allowances include motor vehicle, tools, accommodation, tea, meal, travel, dirt and first-aid allowances. Alternatively, an employer may reimburse an employee the exact amount of expenses incurred.
3. The purpose of this revenue ruling is to explain the payroll tax treatment of allowances and reimbursements paid to an employee and any person taken to be an employee under section 21 of the Act.

Ruling

4. Allowances are generally subject to payroll tax.
5. The only allowances that are not wholly taxable are motor vehicle allowances, accommodation allowances and living away from home allowances. For more information on these allowances, refer to the Revenue Ruling PTA005.
6. On the other hand, reimbursements are only taxable where they are subject to fringe benefits tax under the *Fringe Benefits Tax Assessment Act 1986* (FBT Act). A reimbursement of an expense is not subject to payroll tax if the reimbursement has all the following characteristics:
 - (a) at the time of payment, the expense has already been incurred by the employee (if the payment was made in advance, the employee has provided the employer with a receipt relating to the expense and refunded any excess from the advance payment)
 - (b) the expenditure by the employee was incurred in the course of the employer's business and
 - (c) the precise amount is reimbursed.
7. However, if a reimbursement is subject to fringe benefits tax, it is also subject to payroll tax regardless of whether the reimbursement has all the above characteristics. For more information on the payroll tax treatment of fringe benefits, see the [fringe benefits information in the Payroll Tax Employer Guide](#). A reimbursement that is an exempt fringe benefit under the FBT Act is also exempt from payroll tax.

Allowances and reimbursements paid under an employment agency contract

8. The principles mentioned above also apply to allowances and reimbursements paid under an employment agency contract by an employment agent to their service providers (on-hired workers). Under section 9GA of the Act, the employment agent is liable for payroll tax payable on payments (including allowances, fringe benefits and superannuation contributions) made to on-hired workers under an employment agency contract.
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 011.1	24 June 2010	24 June 2010	Current