

Issue:

Year end 2011

Payroll Tax

ROGERSON KENNY

BUSINESS ACCOUNTANTS



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Payroll Tax – Remuneration Taxable in Victoria

For the 2011 year, an employer becomes liable for Payroll Tax in Victoria when wages exceed \$550,000. The payroll tax rate for the 2010-11 year is 4.90% (2011-12: 4.90%). The term 'wages' is defined to include, but is not limited to, ordinary wages and salary, overtime, superannuation contributions, including salary sacrifice contributions, payment to contractors (unless within one of the seven specified exemptions), payments to employment agencies, fringe benefits, long service leave, annual leave and sick leave payments, allowances such as travel, uniform and certain incidentals associated with living away from home allowances, and commission payments made in respect of employment. Employee Share Schemes are also subject to payroll tax in Victoria. Where payments to contractors in certain specified industries are included as rateable remuneration, a deduction is allowable to compensate for the cost of materials and equipment included in the contractor's price. For example, where payments to plumbers are included, the allowable deduction is 25% of gross payments. Other industries include Carpenters, Painters and Electricians. This deduction is also available for Victorian Workcover purposes.

Although Payroll Tax is a state-by-state legislation, steps have been taken to harmonise the legislation. Although each state/territory has its own rate and general deduction threshold, the actual Payroll Tax legislation is virtually identical.

In order to improve administrative consistency, where an employer operates in more than one state/territory, the relevant State Revenue Offices consult one another and share relevant taxpayer information in order to accurately assess Payroll Tax liability and in determining private rulings and objection matters. Where employees perform work in more than one State, care is required to ensure that wages are returned in the correct State.

Please note that information is also provided to the Australian Taxation Office.

Payroll Tax legislation also provides for entities to be grouped in certain circumstances, resulting in only one exemption level. These rules are quite complex and accordingly we recommend that you contact us if you control more than one entity, or have employees who work for related entities and the total rateable remuneration figure exceeds \$550,000.

Taxable remuneration for the 2011 year should be calculated before 30 June 2011. If an unregistered employer is over the annual limit, registration and payment of the estimated liability should be finalised **prior to 7 July 2011** in order to avoid penalties.

Victorian registration can be completed by use of an application obtainable from the State Revenue Office's Website: www.sro.vic.gov.au

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