

15.02 Checklist of Taxable Wages – 2006/07

This checklist is a guide only as to whether an item of remuneration is taxable or not, and should not be solely relied upon – check with the State Revenue Office in the relevant State or Territory concerned.

Keynotes: 'Y' = Taxable; 'N' = Not Taxable; 'C' = Depends on the circumstances ; 'F' = Taxability is determined in accordance with the FBT Assessment Act 1986

Payment	VIC	NSW	QLD	SA	WA	TAS	NT	ACT
Accident payments (not workers compensation)	Y	Y	Y	Y	Y	Y	Y	Y
Accommodation allowances ¹	C	C	C	C	C	C	Y	C
Allowances ²	C	C	C	C	C	C	Y	C
Annual leave, including any leave loading (continuing service)	Y	Y	Y	Y	Y	Y	Y	Y
Annual leave paid on termination	Y	Y	Y	Y	Y	Y	Y	Y
Apprentices' wages ³	C	N	N	C	N	Y	C	C
Back pay	Y	Y	Y	Y	Y	Y	Y	Y
Bona fide redundancy (tax-free component)	N	N	N	N	N	N	N	N
Bona fide redundancy (taxable component)	Y	Y	Y	Y	Y	Y	Y	Y
Bonuses	Y	Y	Y	Y	Y	Y	Y	Y
Car/travelling allowances ⁴	C	C	C	C	C	C	Y	C
Car parking ⁵	F	F	C	F	F	F	F	F
Commissions	Y	Y	Y	Y	Y	Y	Y	Y
Contractors/Consultants/Subcontractors ⁶	C	C	C	C	C	C	C	C
Defence force payments ⁷	N	N	N	N	N	N	N	N
Directors' fees	Y	Y	Y	Y	Y	Y	Y	Y
Dividends	N	N	N	N	N	N	N	N
Employment agency contract payments ⁸	C	C	C	C	C	C	C	C
Exempt charitable institutions ⁹	C	C	C	C	C	C	C	C
Fringe benefits ¹⁰	F	F	F	F	C	F	C	F
Gifts/Prizes	F	F	F	F	C	C	F	F
GST component of remuneration	N	N	N	N	N	N	N	N
Living-away-from-home allowances ²	F	F	F	F	Y	F	Y	F
Local authorities ⁹	C	C	C	C	C	C	C	C
Long service leave	Y	Y	Y	Y	Y	Y	Y	Y
Make-up pay ¹¹	Y	Y	Y	Y	Y	Y	Y	Y
Maternity/Adoption leave ¹²	N	Y	Y	Y	Y	Y	Y	N
Overtime pay	Y	Y	Y	Y	Y	Y	Y	Y
Payments for work done outside Australia ¹³	C	C	C	C	C	C	C	Y
Payments for work done within Australia ¹⁴	C	C	C	C	C	C	C	C
Payments in lieu of notice	Y	Y	Y	Y	Y	Y	Y	Y
Piece work payments ¹⁵	Y	Y	Y	Y	Y	Y	Y	Y
Public or non-profit private hospitals ⁹	C	C	C	C	C	C	C	C
Reimbursements ¹⁶	F	F	F	F	F	F	F	F
Salary or Wages	Y	Y	Y	Y	Y	Y	Y	Y
Sick leave	Y	Y	Y	Y	Y	Y	Y	Y
Staff discounts	F	F	F	F	F	F	F	F

Super contributions (by employer)	Y	Y	Y	Y	Y	Y	Y	Y
Tax-exempt body entertainment fringe benefits	N	N	N	N	F	N	F	F
Termination payments ¹⁷	C	C	C	C	C	C	C	C
Trainees' wages ¹⁸	C	C	C	C	C	C	C	C
Trust distributions to beneficiaries providing services ¹⁹	N	Y	N	N	N	Y	N	N
Workers' compensation payments ²⁰	N	N	N	N	N	N	N	N

1 Accommodation allowances

Accommodation allowances are liable for pay-roll tax on the excess over \$130 per night in VIC, \$195 in NSW, \$90 per night in QLD, \$127.60 per night in SA, \$110 per night in WA, and \$100 per night in TAS. The full amount of accommodation allowances are assessable in the NT. In NSW and WA, the payment of accommodation allowances within prescribed award rates, are exempt. Where no award rates are specified the amount in excess of the per night rate is assessable. For WA only, the per night rate of \$110 relates to accommodation in WA only - for interstate or overseas accommodation, the per night rates are \$145 and \$200 respectively. In ACT, the allowance rate specified in the award for each night that the person is absent from their usual place of residence is the taxable value of the allowance. In all other cases, the excess over \$130 per night is liable for pay-roll tax.

2 Allowances

Generally, all allowances are fully taxable for pay-roll tax purposes, except for car, accommodation and living-away-from-home allowances where concessional treatment is available in all jurisdictions excluding the NT and WA. The full value of all allowances are taxable in the NT, including LAFHA's which are treated as ordinary allowances instead of fringe benefits. Reimbursements of work related expenses are not allowances and, therefore, are generally exempt from pay-roll tax. In WA, LAFHA's are treated as ordinary allowances instead of fringe benefits.

3 Apprentices' wages

In VIC, wages paid to apprentices under a training agreement made on or after 7 May 2003 are taxable from 1 July 2003 onwards (or from 1 January 2004 onwards where the agreement was made before 7 May 2003). Wages paid by certain approved not-for-profit Group Training Companies to apprentices and trainees on-hired to host employers are exempt from 1 January 2005. In SA, wages paid to apprentices are generally taxable. However, wages paid to apprentices under 25 years of age, who are employed pursuant to an approved Contract of Training in accordance with Part 4 of the Vocational Education, Employment and Training Act 1994, may be eligible for a rebate of up to 80% of the pay-roll tax paid on those wages. In the NT, an exemption applies to the first 6 months of wages paid to graduates of approved tertiary institutions employed under approved trainee arrangements. However, the exemption does not apply if the person was employed by the employer at any time before graduating. An exemption also applies to wages paid to apprentices within the meaning of the Northern Territory Employment and Training Authority Act, and employees receiving wages funded under the Community Development Program. In the ACT, wages paid to a first time employee in an industry or occupation for which they are receiving eligible training, may be exempt.

4 Car/travelling allowances

Generally, car allowances paid to employees on a cents per kilometre (cpk) basis for the business use of their own vehicle will only be liable for pay-roll tax on the excess over 53.5 cpk in VIC, 67 cpk in NSW, 50 cpk in QLD, 56 cpk in SA, 67 cpk in WA, 55.56 cpk in TAS. The full allowance is taxable in the NT. In VIC, FBT exempt car allowances may also be exempt from pay-roll tax. In NSW, car allowances paid as a lump sum or as a combination of a lump sum and a per kilometre rate, are exempt where they don't exceed the amount calculated by multiplying the number of business kilometres travelled by 67 cpk. Any excess, however, is taxable. In NSW and WA, the payment of reasonable car allowances within prescribed award rates, are exempt. Where no award rates are specified, the amount in excess of the cpk allowance is assessable. In ACT, the cpk rate specified in the award for each km travelled in the person's employment by means of a motor vehicle maintained by that person is the taxable value of the allowance. In all other cases, any allowance paid for business use of their own vehicle will only be liable for pay-roll tax on the excess over 53.5 cpk.

5 Car parking

In QLD, car parking is subject to pay-roll tax if provided as part of a salary sacrifice or as a car parking expense payment fringe benefit (i.e., where the employer reimburses or pays car parking expenses incurred by an employee).

6 Contractors/Consultants/Subcontractors

In VIC, the GST-exclusive amount of payments for services provided primarily to one principal (whether via a company, trust, partnership or as a sole trader), are generally liable for pay-roll tax if they are essentially for labour. However, exclusions do apply. In NSW, contractor payments are subject to pay-roll tax when

contractors provide similar services to employees. However exceptions apply to filter out independent contractors who provide services to the public generally. In QLD, payments by a principal to a contractor for work performed under a contract for service are not taxable unless an employer/employee type relationship exists. However, exceptions do apply. In SA, payments under a contract of services are generally deemed to be wages and therefore, liable to pay-roll tax. However, various exclusions apply. In WA, payments under a contract of service where there is a common law employer/employee relationship, will be liable for pay-roll tax, even if the payment is made to the worker's company, partnership or trust. However, exclusions apply. In Tasmania, payments received by a contractor (whether a natural person, in partnership or via a trust or company) employed to provide their labour exclusively or primarily to one employer, will be treated as taxable wages for pay-roll tax. In the NT, the liability for pay-roll tax depends on the existence of an employer/employee relationship, as determined under common law principles, including where a worker is engaged through an intermediary company, partnership or trust. In the ACT, the GST-exclusive amount of payments made under a service contract for labour or services provided primarily to one person (and not to the public generally) are deemed to be wages for pay-roll tax purposes, regardless of whether the supplier of the services is a natural person, company, partnership or trust.

7 Defence force payments

These are payments by employers to employees who are on leave to work in the defence forces.

8 Employment agency contract payments

In VIC, from 1 January 2005 onwards, the employment agency will be liable for pay-roll tax for their on-hired workers rather than the clients of the agency. An exemption will apply to wages paid in respect of workers on-hired to a client that is exempt under S.10 of the Pay-roll Tax Act 1971 (Vic). In NSW, QLD, SA, WA, the NT and the ACT, the employment agency is deemed to be the employer and therefore, generally liable for pay-roll tax on the contractor's wages. In Tasmania, an employment agency is liable for pay-roll tax on payments to a contract worker under an employment agency contract (excluding the agent's fee and amounts that would otherwise be exempt if paid by the end-user to the contractor).

9 Exempt charitable institutions/Local authorities/Public or non-profit hospitals

In VIC, wages paid to persons engaged exclusively in performing services that relate directly to the objects of religious and public benevolent institutions, public and non-profit hospitals, non-profit non-government schools providing education at or below secondary level, and charitable bodies (other than schools, educational institutions or instrumentalities of the State) are exempt. In NSW, wages paid by religious institutions, public and non-profit hospitals, councils (exceptions apply), the Home Care Service, non-profit schools or colleges (not a technical school or college) providing education at or below secondary level, non-profit organisations (other than schools, colleges, statutory bodies or instrumentalities of the State) either registered as a charity (or is a charity, in the opinion of the Commissioner), or which has as one of its objects, a charitable, benevolent, philanthropic or patriotic purpose, are exempt. In QLD, under certain conditions, wages of employees paid in performing the services of religious or public benevolent institutions, or those whose principal objects are the relief of poverty or the care of sick, aged, infirm, afflicted incorrigible persons, or children (excluding an organisation whose primary object is sporting, recreation, leisure or social activities which are not exempt), private non-government institutions providing primary and/or secondary level education, are exempt. In SA, an exemption will generally apply to employees working exclusively for religious or public benevolent institutions, public or non-profit hospitals, private non-profit schools or colleges providing education at or below secondary levels, non-profit kindergartens, non-profit health service providers and certain other specific organisations. In WA, exemptions are provided for religious organisations, hospitals, schools, government departments, public benevolent and charitable institutions. In Tasmania, an exemption will generally apply to employees of public benevolent and religious institutions, public or non-profit private hospitals and private schools or colleges that do not provide education higher than secondary level. In the NT, an exemption will generally apply to wages received by employees of religious or public benevolent institutions, public or non-profit private hospitals, non-government non-profit schools or colleges (except technical) providing education at or below secondary level, and local governing bodies for all wages except those in relation to prescribed trading activities. In the ACT, wages paid by charitable organisations (other than those operated for educational purposes), schools or colleges (other than technical schools or colleges) operated by a body corporate, society or association providing education at or below secondary level, hospitals that are recognised under the Health Insurance Act 1973 of the Commonwealth.

10 Fringe benefits

In VIC, NSW, QLD, SA, WA, Tasmania and the ACT, the value of fringe benefits included for pay-roll tax purposes is the value included in the annual FBT return. However, some jurisdictions exclude certain benefits from pay-roll tax (e.g., tax-exempt body entertainment fringe benefits are excluded in some jurisdictions). In the NT, all fringe benefits are grossed up at the Type 2 rate of 1.8692 for pay-roll tax purposes (excluding LAFHAs which are treated as allowances instead of fringe benefits), regardless of whether they are treated as Type 1 or Type 2 benefits on the annual FBT return. In WA, LAFHAs are treated as allowances instead of fringe benefits, remote area benefits are exempt from pay-roll tax and the otherwise deductible rule is disregarded if the fringe benefit is not a work-related benefit. In Tasmania, the total value of salary that is sacrificed to obtain an exempt or excluded benefit must be declared as wages.

11 Make-up pay

Generally refers to amounts paid to 'make-up' the difference between the employee's normal wages and the prescribed workers compensation payments.

12 Maternity/Adoption leave

In VIC, payments made to female employees taking maternity leave, and male or female employees taking adoption leave are exempt up to a maximum of 14 weeks. The exemption does not apply to fringe benefits, sick, annual, recreation, long service or similar leave. Any ACT employer who provides paid maternity leave, adoption leave or primary carer leave in relation to the birth or adoption of a child may claim an exemption from pay-roll tax for wages paid or payable for a maximum of 14 weeks leave for any one pregnancy, birth or adoption. The exemption does not apply for leave of any other kind, including sick leave, annual leave or long service leave.

13 Payments for work done outside Australia

In VIC, pay-roll tax applies to wages received in the State for work done partly interstate and partly in another country (or countries), and for work done wholly outside Australia where the employee worked overseas for less than 6 continuous months. Where the continuous period is 6 months or more, wages received from the seventh month onwards are exempt. In NSW, wages received in the State for work done wholly outside Australia over a period exceeding 6 months, are exempt. In QLD, wages received in the State for work done wholly outside Australia are exempt if the employee worked overseas for more than 6 continuous months. If the period of continuous service is 6 months or less, the wages are taxable. In SA, pay-roll tax applies to wages paid in the State for services rendered outside Australia if the employee has rendered services to the employer in the preceding 6 months. In WA, wages received in the State are exempt after 6 months where they are paid for services performed entirely in another country for a continuous period exceeding 6 months. In Tasmania, where wages are received in the State for work performed wholly overseas, only the first six months of the assignment is taxable. In the NT, wages received in the Territory will not be taxable from the beginning of the seventh month of a continuous overseas assignment where the work is done wholly outside Australia. In the ACT, pay-roll tax is payable on wages assigned in the Territory for services provided outside Australia.

14 Payments for work done within Australia

The pay-roll tax liability of payments for services rendered depends, inter alia, on whether there is an employer/employee relationship, where the work is done and/or the payment made. Generally, wages paid/payable in a particular State/Territory for work done wholly or partly in that jurisdiction will be liable for pay-roll tax in that particular State/Territory. Likewise, wages that are paid/payable interstate for work done wholly in the particular State/Territory will be liable for pay-roll tax in that State/Territory. Wages paid outside Australia for services rendered mainly in the particular State/Territory will be liable to pay-roll tax in that State/Territory.

15 Piece work payments

Payments for work completed at piece work rates, generally to itinerant or out-workers.

16 Reimbursements

Generally, reimbursements of expenses incurred by employees are taxable if they have a taxable value under the FBTA 1986 (e.g., non-business expenses). However, in WA the otherwise deductible rule is disregarded if the fringe benefit is not a work-related benefit.

17 Termination payments

Termination payments include ETPs, as defined in S.27A(1) ITAA 1936 including golden handshakes, accrued leave entitlements, payments in lieu of notice, amounts in excess of the tax free thresholds for bona fide redundancy and early retirement schemes payments, etc. Generally, in all states and territories ETPs that would be subject to income tax if paid to an employee are subject to pay-roll tax. In QLD, death benefit ETPs are excluded from pay-roll tax.

18 Trainees' wages

In VIC, wages paid to trainees under a training agreement made on or after 7 May 2003 are taxable from 1 July 2003 (or from 1 January 2004 if the agreement was made before 7 May 2003). Wages paid by certain approved not-for-profit Group Training Companies to apprentices and trainees on-hired to host employers are exempt from 1 January 2005. In NSW, from 1 January 2004, wages paid/payable to persons who are trainees under the Apprenticeship and Traineeship Act 2001 will be exempt from pay-roll tax. This replaces the previous rebate system which operated for approved schemes. The exemption does not apply to those registered as existing trainees under the Act. In QLD, wages paid to trainees (as defined in the Vocational Education, Training and Employment Act 2000) who commenced their traineeship after 1 December 2002 are exempt unless the trainee was employed for at least 3 continuous months full-time, or 12 months on a casual or part-time basis, before starting the traineeship. In SA, employers who pay wages to trainees and apprentices under 25 years of age pursuant to an approved Contract of Training approved by the State's Training and Skills Commission, pursuant to the Training and Skills Development Act 2003, may be eligible for a rebate of up to 80% of pay-roll tax paid on those wages. A rebate for existing trainees or apprentices over 25 years of age is restricted to the remaining contract term of their traineeship or apprenticeship, or four years, whichever is the lesser. In WA, payments to trainees employed under a training agreement as

part of the Australian traineeship system, are exempt. In Tasmania, an employer paying wages to a trainee (as defined in the Vocational Educational and Training Act 1994) under certain training agreements, may be eligible for a rebate of the pay-roll tax paid on those wages. In the NT, an exemption applies to the first 6 months of wages paid to graduates of approved tertiary institutions employed under approved trainee arrangements. However, the exemption does not apply if the person was employed by the employer at any time before graduating. An exemption also applies to wages paid to apprentices within the meaning of the Northern Territory Employment and Training Authority Act, and employees receiving wages funded under the Community Development Employment Program. In the ACT, an exemption applies for payment to a new starter employed for the first time in an industry or occupation and receiving approved training (as described in the Vocational Education and Training Act 1995). The employee must commence training within the first 12 months of employment and continue with that training for up to 12 months.

19 Trust distributions to beneficiaries providing services

In NSW, from 1 July 2003, distributions to a beneficiary in lieu of wages for work done by that person for the trust will be subject to pay-roll tax. In TAS, trust distributions, made from 1 July 2005, to a person in lieu of wages for work done for the trust may be liable to pay-roll tax.

20 Workers' compensation payments

Generally, only payments within the amounts prescribed under workers' compensation legislation are exempt. Any excess payments (i.e., "make-up pay") are subject to pay-roll tax.

15.03 Travel and Accommodation Allowance Rates – 2006/07

Travel and accommodation allowances are generally exempt up to the amounts shown below. Where the payment is in excess of the prescribed rate, only the excess is taxable.

State/Territory	Travelling Allowance (rate per kilometre) \$	Accommodation Allowance (rate per night) \$
Australian Capital Territory ¹	0.535	130.00
New South Wales ²	0.67	195.00
Northern Territory ³	N/A	N/A
Queensland	0.50	90.00
South Australia	0.56	127.60
Tasmania	0.5556	100.00
Victoria ⁴	0.535	130.00
Western Australia ⁵	0.67	110.00

- 1 The first 53.5 cents per kilometre of travel allowance and \$130 per day of accommodation allowance is excluded.
- 2 Reasonable allowances paid within the prescribed award rates are exempt. Where no award rates are specified, the amount in excess of the rate shown in the table is assessable. In NSW, car allowances paid as a lump sum or as a combination of lump sum and a per kilometre rate, are exempt if they do not exceed the amount which results by multiplying the number of business kilometres travelled by 67 cents per kilometre. Any excess is taxable.
- 3 Allowances are fully assessable for pay-roll tax purposes.
- 4 Car allowances that are exempt from FBT may also be exempt from pay-roll tax.
- 5 Reasonable allowances paid within the prescribed award rates are exempt. The exempt accommodation rates are \$145 per night elsewhere in Australia and \$200 per night in another country.