A Public Ruling, when issued, is the published view of the Commissioner of State Revenue (the Commissioner) on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue(s) it addresses. Where a change in legislation or case law (the law) affects the content of a Public Ruling, the change in the law overrides the Public Ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant or exemption, as the case may be, in accordance with the law.

What this Ruling is about

1. The Pay-roll Tax (Harmonisation) Amendment Act 2008 amended the Payroll Tax Act 1971 (the Payroll Tax Act) with effect from 1 July 2008 to harmonise certain aspects of Queensland’s payroll tax system with the systems of other jurisdictions.

2. From 1 July 2000, the supply of most goods and services became subject to the Commonwealth’s Goods and Services Tax (the 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 4(5) of the Payroll Tax Act provides that 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 Payroll Tax Act and that payment includes an amount of GST.

4. This Public Ruling explains how the GST impacts on the calculation of an employer’s liability for payroll tax.

Ruling and explanation

Payments to employees

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

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

Example 1

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for $6 000 a month plus $600 GST. Assuming that the payments are not otherwise exempt under the Payroll Tax Act, the taxable wages are taken to be $6 000 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 Payroll Tax Act.

Example 2

An employment agency supplies a person to its client under an employment agency contract for one month. It paid that person $2 000 plus $200 GST. Assuming that the payments are not otherwise exempt, the taxable wages for the month are taken to be $2 000.

Fringe benefits

8. 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 (Cwlth) (the FBT Act).

9. 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.

Date of effect

10. This Public Ruling takes effect from the date of issue.

David Smith
Commissioner of State Revenue
Date of Issue 3 July 2009

References

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