

## **DEPARTMENT OF PLANNING & ENVIRONMENT**

### **REVIEW OF PAYROLL TAX ADMINISTRATION**

#### **Submissions may address the following questions:**

**1. How can payroll tax administration processes in NSW be streamlined noting that thresholds and rates are outside the scope of this review?**

- Payroll tax administration processes in NSW can be streamlined by reducing the timing of payments from monthly to quarterly.
- *For businesses that are established in more than one state, uniform thresh-hold levels and rates could be prescribed.*
- The calculation of payroll tax can be quite complex as it includes more than wages/salaries.

**2. What is the single change to the way payroll tax is administered in NSW which would be of greatest benefit?**

- The timing of payment and reconciliation.

**3. Is there a simple, short term change that should be considered to make an immediate improvement to tax administration?**

- Reduce the complexity of payroll tax calculation by reviewing the inclusions and exclusions.

**4. Are there practices that NSW should adapt from other jurisdictions, and what would their impact be if taken up in NSW?**

- Do not have information on other jurisdictions.

**5. Are there additional guidance/materials /tools that could be provided by Revenue NSW to improve an employer's user experience?**

- Currently the payments subject to payroll tax are quite extensive and is not exclusively wages/salaries. Some inclusions are allowances, bonuses, commission, contractor and consultant payments, fringe benefits, salary sacrifice, shares, superannuation, third party payments.
- More information in the form of what payments are included and excluded will be beneficial, as well as tools to assist with the calculation.

- Rules regarding grouping and controlled businesses are numerous and can be quite complex; these rules should be simplified.
- 6. What is the administrative burden (time, cost) on your business associated with:**
- a. the initial payroll tax registration process?**
- No new registrations have occurred.
- b. monthly and annual returns and payments? How might this burden be reduced?**
- If payments could be based on a quarterly time frame, then this would reduce the amount of time required for the annual payroll tax reconciliation. The timing would be shifted from monthly to quarterly & a deeper review could be conducted on the non-wage components of payroll tax, thus reducing the time required for the annual reconciliation.
  - Currently preparing the annual payroll tax reconciliation with a due date of 21 July; financial year end reporting is also happening at the same time. This places a significant burden on the business for resources to do both.
- c. record keeping and evidentiary requirements for employers when claiming exemptions under the relevant contracts provisions? How might this burden be reduced?**
- Information and records are maintained in SAP accounting system along with payroll records and reconciliations by the payroll group.
- d. the audit process undertaken by Revenue NSW? How might this burden be reduced?**
- No exposure to audit burden.
- 7. Are there any areas where further harmonization or co-ordination with other jurisdictions would be beneficial?**
- Harmonization in the form of payroll tax rates, thresholds. Standardization of items to be included and excluded from the payroll tax calculation across all states & territories. Rules regarding grouping and controlled businesses are numerous and can be quite complex.
- 8. How might the performance of the NSW payroll tax administration process be measured to keep track of the efficiency and effectiveness of the system, and to benchmark with other tax administration systems?**
- National or state/territory based data base to collect information on payroll tax payments, audits.
  - The database can track organisations that have paid payroll tax on time & correctly; and those that have not paid on time. This can also include tracking of penalty interest rates applied.
  - Reporting of various components of payroll tax – amounts and types.