



Treasury

Review of Payroll Tax Administration Consultation Guide

23 May 2018

Context of the Review

On 19 February 2018 as part of a suite of microeconomic reforms, the NSW Government announced that it would conduct a Review of Payroll Tax Administration in New South Wales (the Review) to reduce the administrative burden on businesses.

The objective of the Review is to identify options to reduce the costs incurred by employers in meeting their payroll tax obligations. The Review will have regard to arrangements in other jurisdictions and consult with payroll taxpayers, business advisers and professional bodies in identifying issues and potential opportunities.

The Government acknowledges that payroll tax thresholds and rates are a key concern for some taxpayers and continues to consider these, however, the scope of this Review is focused on the administrative aspects and compliance issues associated with payroll tax in NSW.

The Review is being undertaken by NSW Treasury, with PwC engaged by NSW Treasury to assist in conducting the Review.

Terms of reference of the Review

The Review will inquire into and report on the options for minimising the costs incurred by employers in complying with the payroll tax legislation, including:

- the administrative burden associated with monthly and annual returns and payments
- the record keeping burden and evidentiary requirements for employers when claiming exemptions under the relevant contracts provisions
- the conduct of audits
- how the level of voluntary compliance can be improved in an effort to reduce the number of defaulting employers who receive assessments for multiple prior tax years
- reviewing the effectiveness of client education processes and material made available to new and existing employers to assist voluntary compliance
- any other relevant considerations identified.

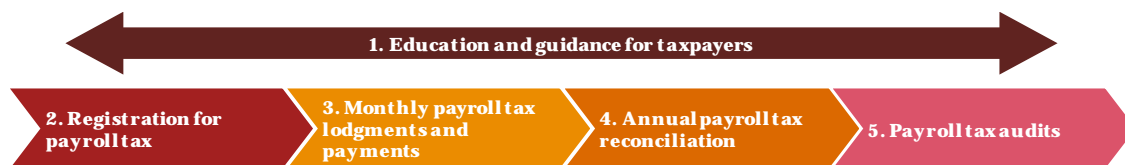
The Review will also consider the objectives for payroll tax administration, the effectiveness of Revenue NSW in meeting those objectives and future performance measurement of the tax administration system.

The Review will examine any administrative arrangements that are required to comply with the legislation, but payroll rates and thresholds are outside the scope of this review.

The Review will have regard to the Government's commitment to the maintenance of harmonisation of payroll tax administration across Australia, because of the administrative benefits to employers who employ staff in multiple states and territories. The Review may identify further areas of harmonisation that may be beneficial.

Payroll tax process

The following sets out the general process for payroll tax in NSW and may be helpful for stakeholders to refer to when preparing their response.



- 1. Education and guidance for taxpayers** As a self-assessed tax obligation, Revenue NSW provides a number of online tools and resources to assist new and existing payroll tax customers in meeting their payroll tax obligations in NSW, including:

- seminars and free webinars
- website guidance for key wage types and available exemptions
- a checklist of liable and exempt wage items
- factsheets
- Revenue Rulings
- free subscription service to receive email alerts about the latest payroll tax changes
- limited video tutorials.

The Client Education Unit in Revenue NSW can also be contacted directly by taxpayers via phone and email.

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- 2. Registration for payroll tax** Employers must register online for payroll tax with Revenue NSW within seven days after the month that their total Australian wages exceeds the monthly tax-free threshold that applies in NSW.

Specific requirements apply to employers that are part of a payroll tax group.

Entities may constitute a single payroll tax group where certain common links exist between the entities. A payroll tax group may be formed under the following circumstances:

- Related corporations within the meaning of the *Corporations Act 2001*
- Use of common employees
- Commonly controlled businesses
- Groups arising from tracing of interests in corporations
- A larger group can be formed out of smaller groups.

When a payroll tax group exists:

- Only one member of the group can claim the threshold entitlement in NSW.
- Each member of the group must generally lodge its own payroll tax return every month.
- A group can lodge a joint return
- Each member of the group is jointly and severally liable for any outstanding payroll tax of the other group members.

Businesses may apply for an exclusion from a group under certain circumstances.

3. Monthly payroll tax lodgments and payments

Employers are required to self-assess their payroll tax liability monthly. Each monthly return is due to be lodged with Revenue NSW within seven days of the end of each calendar month (or the next business day), with payment to be made by the same day of the calculated payroll tax liabilities.

Penalties and interest may apply to any lodgments or payments made after the monthly or annual due date.

Exemption requirements and substantiation

In addition to certain not-for-profit entity exemptions, apprentices and trainee exemptions, or rebates, and a range of general wage component exemptions, there are currently seven specific contractor exemptions that need to be satisfied to exclude payments made to contractors from being included in taxable wages.

While exemption substantiation is not required to be lodged with Revenue NSW as part of the monthly or annual payroll tax processes, in the event of an audit it is likely that Revenue NSW would seek substantiation of any exemptions claimed by the employer.

4. Annual payroll tax reconciliation

Employers must prepare and lodge an annual payroll tax reconciliation by 21 July. Any additional payroll tax liabilities on top of the monthly payments are payable within 21 days of the lodgement date.

5. Payroll Tax Audits

The Revenue NSW payroll tax compliance program focuses on identifying and contacting liable employers who have failed to register for payroll tax purposes, and investigating registered customers who appear to have understated their wages.

Where issues are identified under audit, Revenue NSW will issue notices of amended assessment to the taxpayer, with interest and penalties usually applying in respect of payroll tax underpayments. The typical period of review under audit by Revenue NSW is the four preceding financial years, plus the current financial year.

Request for submissions

The NSW Government would like to receive written submissions from stakeholders to gain a better understanding of their areas of concern and potential opportunities for improvement in relation to the administration of payroll tax in NSW. As such, we are seeking submissions from the public and interested stakeholders to obtain your views, specific examples and supporting evidence on issues including:

1. How can payroll tax administration processes in NSW be streamlined, noting that thresholds and rates are outside the scope of this Review?
2. What is the single change to the way payroll tax is administered in NSW which would be of greatest benefit?
3. Is there a simple, short term change that should be considered to make an immediate improvement to tax administration?
4. Are there practices that NSW should adapt from other jurisdictions, and what would their impact be if taken up in NSW?
5. Are there additional guidance/materials /tools that could be provided by Revenue NSW to improve an employer's user experience?
6. What is the administrative burden (time, cost) on your business associated with:
 - a. the initial payroll tax registration process?
 - b. monthly and annual returns and payments? How might this burden be reduced?
 - c. record keeping and evidentiary requirements for employers when claiming exemptions under the relevant contracts provisions? How might this burden be reduced?
 - d. the audit process undertaken by Revenue NSW? How might this burden be reduced?
7. Are there any areas where further harmonisation or co-ordination with other jurisdictions would be beneficial?
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?

How to make a submission

NSW Treasury is seeking input from stakeholders on the Review of Payroll Tax Administration outlined in this consultation guide.

The deadline and closing date for submissions is 5pm on Friday 6 July 2018.

Responses to the **Review of Payroll Tax Administration** must be provided to NSW Treasury in writing by email or post. Please note that email is the preferred option.

Please email to: **payrolltax.review@treasury.nsw.gov.au**

If posting/ mailing please address your written submission to:

**Payroll Tax Review, NSW Treasury
GPO Box 5469, Sydney NSW 2001**

Stakeholders should note that this guide includes a number of general questions/statements to which we would appreciate receiving stakeholder responses. When responding, where possible stakeholders are encouraged to provide any specific examples and/or supporting evidence.