

State Revenue Office - Victoria

Pay-roll Tax

Introduction

Under the Victorian *Pay-roll Tax Act 1971* a part-year employer is an employer, or a group of which an employer is a member, which employed in Australia for only part of a financial year.

Employers or groups of employers who do not employ during the whole financial year must calculate their pay-roll tax liability on a pro-rata basis. Accordingly, a part-year employer may be liable for pay-roll tax, although the wage level is less than the general exemption level of \$550,000 for the full financial year.

This document outlines the steps part-year employers should take in calculating the deduction for the financial year ending 30 June 2003. This information is relevant when completing the pay-roll tax part-period return form 4P.

Important Points

- An employer who is a member of a group is not entitled to claim a deduction unless the employer is the nominated member of that group.
- Australian wages are the total of the Victorian wages and the taxable wages in all other Australian States or Territories.
- In the case of a group, the Victorian wages are the total of the Victorian wages paid by all members of the group. The total Australian wages is the sum of all wages paid by all members of the group.

Calculation of the deduction for part-year employers

Step 1

Calculate the number of days the employer or group of employers employed in Australia between 1 July 2001 and 30 June 2002.

Number of days employed between
1 July 2001 and 30 June 2002
(maximum 365 days) = _____ (A)

Important Points

- For a non-group employer, the number of days employed will equal the number of days that the employer actually employed staff anywhere in Australia.
- In relation to a group of employers, if no member of the group employed outside Victoria, calculate the number of days the group as a whole employed in Victoria.
- If at least one member of the group employed outside Victoria, calculate the number of days the group as a whole employed anywhere in Australia

Step 2

Calculate the pro-rata deduction

$\frac{A \times \$550,000}{365} = \text{_____ (B)}$

Important Points

- If the employer's Australian wages, or in the case of a group, the group's total Australian wages, are equal to, or less than, the pro-rata deduction (B), no tax is payable. If this is the case, go to Step 4.
- If the employer, or all the members of the group of which the employer is the nominated member, paid wages in Victoria only, and those wages exceed the pro-rata deduction (B), the deduction for that employer or the nominated member of the group, is the amount shown at (B). If this is the case, go to Step 4.
- If the employer, or any member of the group of which the employer is the nominated member, paid wages in any other Australian State or Territory, and the total Australian wages exceed the amount shown at (B), go to Step 3 to calculate the deduction.

Step 3

Calculate the deduction where wages were paid in Victoria and elsewhere in Australia.

$$\frac{\$ \text{Victorian wages} \times B}{\$ \text{Australian wages}} = \text{_____ Deduction}$$

Step 4

Transcribe the deduction calculated at either Step 2 or Step 3 (depending on the circumstances) to the part-period return form 4P. To calculate the tax payable, the deduction is subtracted from the total Victorian wages with the difference multiplied by the tax rate of 5.35 per cent.