



Pay-roll Tax

Calculation of Tax Payable

Pay-roll Tax Assessment Act 2002

As at 1 July 2012

Introduction

This fact sheet explains how to calculate pay-roll tax in Western Australia and applies to employers who are registered as:

- **A local non-group** – wages are paid only in Western Australia and the employer is not related to any other wage paying entity (refer to example 1);
- **An interstate non-group** – wages are paid both in Western Australia and at least one other State or Territory and the employer is not related to any other entity (refer to example 2);
- **A local group** – the employer is grouped with at least one other wage paying entity and all members of the group pay wages only in Western Australia (refer to ****Note** at example 1); and
- **An interstate group** – the employer is grouped with at least one other wage paying entity and pays wages in Western Australia. At least one member of the group pays wages in another State or Territory (refer to example 3).

The [General Information](#), [Wages Definition](#) and [Grouping Provisions](#) fact sheets should be read in conjunction with this fact sheet.

The method for calculating the amount payable on a pay-roll tax return is set out as follows:

	\$
Taxable Wages	xxxx
Less Threshold amount (if any)	<u>xxxx</u>
Taxable Amount	xxxx
Tax payable at 5.5%	xxxx
Balance brought forward (if any)	xxxx
Amount Payable	<u><u>xxxx</u></u>

The Office of State Revenue (OSR) will determine the threshold amount that will be allocated throughout the financial year for interstate non-group and interstate group employers. This is calculated by using the taxable wages declared for the previous financial year as an estimate of the wages that will be paid for the current financial year. At the end of the financial year as part of the annual reconciliation, an adjustment (based on the actual wages paid) is made to reflect the actual threshold amount.

Local non-group and local group employers are entitled to the full monthly threshold of \$62,500. In the case of a local group employer, the designated group employer of the group will receive this threshold in full.

Designated group employer (DGE)

A DGE must be nominated for every group. The DGE is the member responsible for providing information (such as actual wages) to OSR on behalf of the group and is usually the member that pays the most wages in Western Australia.

Only the DGE can claim any threshold amount on behalf of the group throughout the financial year. In the annual reconciliation, any unused threshold amount is allocated to other group members on a pro-rata basis.

Threshold amount

The threshold amount equates to the monthly liability threshold of \$62,500 or the annual liability threshold of \$750,000 or apportioned for part periods if applicable.

For employers who pay interstate wages, the annual liability threshold amount is determined using the following formula:

$$\frac{\text{WA Wages}}{\text{Australia Wide Wages}} \times 750,000$$

An example of the calculation is shown in examples 2 and 3.

Estimated threshold amount

Local non-group and local group employers are entitled to the full monthly threshold amount of \$62,500. In the case of a local group employer, the DGE of the group will receive this threshold amount in full.

Interstate non-group and interstate group employers will have their threshold amount estimated by OSR. For example: the threshold amount allocated for the July 2012 to September 2012 period will be estimated based on the actual taxable wages declared for the 2010/11 financial year.

The threshold amount allocated for the October 2012 to September 2013 period will be estimated using the actual taxable wages declared for the 2011/12 financial year. This estimates process will continue to operate each financial year, with an estimated threshold amount being set for October each year to September the next year.

If an employer did not have taxable wages, or if the taxable wages are expected to be significantly higher or lower than the new year's estimates, the employer may advise OSR of the amount to be used for estimated purposes.

The actual threshold amount is calculated at the end of the financial year as part of the annual reconciliation process. Refer to examples 2 and 3 for further information.

Pay-roll tax rate

The rate of pay-roll tax in Western Australia is 5.5%.

Annual reconciliation and adjustments

Most employers lodge their pay-roll tax returns monthly. However, employers who pay wages close to the annual threshold of \$750,000 may apply to lodge returns annually.

For local non-group and local group employers, the annual reconciliation, which is performed by OSR, is required to correct fluctuations in monthly wage levels declared by employers throughout the financial year.

For example, due to seasonal conditions, an employer's monthly wages may be reduced to the extent that no tax is payable in some months. However over the financial year the employer's wages may exceed the annual liability threshold of \$750,000. Therefore an adjustment is required and will result in the employer receiving a credit assessment.

In the case of interstate non-group and interstate group employers the annual reconciliation is the difference between the tax payable, as calculated by applying the annual threshold formula to the employer's annual wages for the financial year, and the aggregate of tax payable throughout the year, as calculated on monthly returns.

Calculation examples

Important Note

The calculations that follow apply only where an employer pays wages in Australia for the whole financial year. These calculations **do not need** to be performed by employers. They are performed by OSR and are shown here only for the benefit of employers who wish to manually calculate their pay-roll tax liability.

Example 1: Local non-group employer

ABC Pty Ltd employs in Western Australia only and has taxable wages of \$1,000,000 in a financial year.

	Annual Wages (\$)
WA Taxable wages	1,000,000
Less threshold amount *	750,000
Taxable amount	250,000
Tax payable (5.5%) on taxable amount	13,750.00

* If ABC Pty Ltd declared wages on a monthly frequency they would be entitled to the full threshold amount of \$62,500 per month.

****Note: Local group employer**

The threshold amount is always applied to the DGE's Western Australian wages first. Any excess amount is then apportioned to remaining group members on a pro-rata basis.

Example 2: Interstate non-group employer

DEF Pty Ltd employs both in Western Australia and Victoria and had the following taxable wages in these three financial years.

State and Territory in which wages are paid	Taxable Wages		
	2009/10	2010/11	2011/12
Western Australia	1,000,000	1,500,000	1,600,000
Other States and Territories	1,000,000	1,000,000	1,400,000
Total Wages	2,000,000	2,500,000	3,000,000

Step 1: Allocating the estimated monthly threshold amount for the period 1 July 2011 to 30 September 2011.

$$\frac{\text{WA Wages 2009/10}}{\text{Australia Wide Wages for 2009/10}} \times 750,000 / 12 \text{ months}$$

$$\frac{1,000,000}{2,000,000} \times 750,000 / 12 \text{ months}$$

= \$31,250 per month

On the July 2011 to September 2011 returns a threshold amount of \$31,250 per month would be calculated. The total threshold amount allocated for this period would be \$31,250 x 3 months = \$93,750.

Step 2: Allocating the estimated monthly threshold amount for the period 1 October 2011 to 30 September 2012. (However, only the October 2011 to June 2012's estimated monthly threshold amount will be utilised for the annual reconciliation).

$$\frac{\text{WA Wages 2010/11}}{\text{Australia Wide Wages for 2010/11}} \times 750,000 / 12 \text{ months}$$

$$\frac{1,500,000}{2,500,000} \times 750,000 / 12 \text{ months}$$

= \$37,500 per month

On the October 2011 to June 2012 returns a threshold amount of \$37,500 per month would be calculated. The total threshold allocated for this period would be \$37,500 x 9 months = \$337,500.

Step 3: Annual reconciliation & adjustment for the 2011/12 financial year

At reconciliation, the actual threshold amount is recalculated based on actual wages declared for the 2011/12 financial year.

$$\frac{\text{WA Wages 2011/12}}{\text{Australia Wide Wages for 2011/12}} \times 750,000$$

$$\frac{1,600,000}{3,000,000} \times 750,000 = \$400,000 \text{ per year}$$

	Declaration on returns (\$)	Annual reconciliation based on actual wages (\$)
WA taxable wages	1,600,000	1,600,000
Less threshold amount July to September	93,750	
October to June	<u>337,500</u>	400,000
Taxable amount	1,168,750	1,200,000
Tax payable (5.5%) on taxable amount	64,281.25	66,000.00
Annual reconciliation debit: \$1,718.75		

DEF Pty Ltd would have to pay an additional \$1,718.75 as the actual threshold amount \$400,000 is less than the estimated threshold of \$431,250.

Example 3: Interstate group employer

GHI Pty Ltd and its other group members employ in Western Australia, Queensland and New South Wales and had the following taxable wages in the past three financial years.

State and Territory in which wages are paid for the group	Taxable Wages		
	2009/10	2010/11	2011/12
Western Australia	500,000	550,000	620,000
Other States and Territories	500,000	500,000	480,000
Total Wages	1,000,000	1,050,000	1,100,000

GHI, as the DGE of the group, is entitled to the threshold allocation for the group during the financial year. Both Red Pty Ltd and Blue Pty Ltd would pay pay-roll tax at 5.5% on wages paid in WA with no threshold allocation.

Group Members	Taxable Wages					
	2009/10		2010/11		2011/12	
	WA	Interstate	WA	Interstate	WA	Interstate
GHI Pty Ltd	200,000	400,000	250,000	300,000	420,000	280,000
Red Pty Ltd	100,000	-	100,000	-	100,000	100,000
Blue Pty Ltd	200,000	100,000	200,000	200,000	100,000	100,000
	500,000	500,000	550,000	500,000	620,000	480,000

Step 1: Allocating the estimated monthly threshold for the period 1 July 2011 to 30 September 2011.

$$\frac{\text{WA Wages 2009/10}}{\text{Australia Wide Wages for 2009/10}} \times 750,000 / 12 \text{ months}$$

$$\frac{500,000}{1,000,000} \times 750,000 / 12 \text{ months}$$

= \$31,250 per month

On the July 2011 to September 2011 returns a threshold amount of \$31,250 per month would be calculated. The total threshold amount allocated for this period would be \$31,250 x 3 months = \$93,750.

Step 2: Allocating the estimated monthly threshold amount for the period 1 October 2011 to 30 September 2012. (However, only the **October 2011 to June 2012's** estimated monthly threshold amount will be utilised for the annual reconciliation).

$$\frac{\text{WA Wages 2010/11}}{\text{Australia Wide Wages for 2010/11}} \times 750,000 / 12 \text{ months}$$

$$\frac{550,000}{1,050,000} \times 750,000 / 12 \text{ months}$$

= \$32,738 per month

On the October 2011 to June 2012 returns a threshold amount of \$32,738 per month would be calculated. The total threshold amount allocated for this period would be \$32,738 x 9 months = \$294,642.

Step 3: Annual reconciliation & adjustment for the 2011/12 financial year

At reconciliation, the actual threshold amount is recalculated based on actual wages declared for the 2011/12 financial year.

$$\frac{\text{WA Wages 2011/12}}{\text{Australia Wide Wages for 2011/12}} \times 750,000$$

$$\frac{620,000}{1,100,000} \times 750,000 = \$422,727 \text{ per year}$$

	Declaration on returns (\$)	Annual reconciliation based on actual wages (\$)
WA taxable wages	620,000	620,000
Less threshold amount		
July to September	93,750	
October to June	<u>294,642</u>	422,727
Taxable amount	231,608	197,273
Tax payable (5.5%) on taxable amount	12,738.44	10,850.01
Annual reconciliation credit: \$1,888.43		

The group would receive a credit of \$1,888.43 as the actual threshold amount \$422,727 is greater than the estimated threshold of \$388,392.

The threshold amount is always applied to the DGE's Western Australian wages first. Any excess amount is then apportioned to remaining group members.

GHI's Western Australian taxable wages in 2011/12 are \$420,000 and the actual threshold amount at annual reconciliation is \$422,727. Therefore, the excess threshold amount is \$2,727.

The total Western Australian taxable wages for Red Pty Ltd and Blue Pty Ltd in 2011/12 are \$200,000. The Western Australian taxable wages for Red Pty Ltd are \$100,000, which is 50% of the total amount. Therefore, it is entitled to 50% of the excess threshold amount of \$2,727, i.e. \$1,363.

Blue Pty Ltd is entitled to other 50% of the excess threshold amount, i.e. also \$1,363.

If the group were registered on an annual frequency the calculation for the 2011/12 financial year would be as per the annual reconciliation column.

This pay-roll tax information should be used only as a guide and if you have any questions regarding your liability or require more detailed information, please contact OSR using the details provided below.

Contact the Office of State Revenue

Office	Office of State Revenue Plaza Level 200 St Georges Terrace PERTH WA 6000	Telephone	(08) 9262 1300 1300 368 364 (WA country STD callers only – local call charge)
Office hours	8:00 am – 5:00 pm Monday to Friday	Facsimile	(08) 9226 0841
		Web Enquiry	www.osr.wa.gov.au/PayrollEnquiry
Postal	Office of State Revenue GPO Box T1600 PERTH WA 6845	Website	www.osr.wa.gov.au

Note: The information contained in this FACT SHEET is issued for guidance purposes only. It is not an exhaustive explanation of the provisions of the *Pay-roll Tax Assessment Act 2002* and reference should be made to the Act for complete details.