



**PAYROLL TAX INCENTIVE SCHEME**  
**FINANCIAL YEAR 2007-08**

From 1 July 2007, NSW employers, or a group of related businesses, whose total Australian wages exceed the NSW monthly threshold of \$50,000, are required to pay NSW payroll tax. The annual NSW payroll tax threshold allocation for the 2007-08 financial year is \$600,000. The PTIS rebate relates to payroll tax paid in relation to genuine increased employment or wages growth in eligible locations.

**Payroll Tax Incentive Scheme – how to calculate your rebate**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Financial Yr</b>	<b>Wages for eligible employees only</b>	<b>Total wages (NSW only)</b>	<b>NSW pay-roll tax paid</b>	<b>Employer's proportion of eligible employee's wages</b>	<b>Rebate %</b>
<b>2007/2008</b>	\$	\$	\$	%	<b>100%</b>

**Rebate Amount =  $A \div B \times C \times D \times E = \$$ \_\_\_\_\_**

**Example 1**

A business operating wholly in an eligible location expands its number of employees, increasing its wages bill above the payroll tax-free threshold of \$600,000 a year and becoming liable for NSW payroll tax of 6% on the remaining amount.

The business pays \$950,000 in wages in financial year 2007-2008 and is therefore liable for payroll tax on (\$950,000 - \$600,000 PRT threshold) = \$350,000 at 6% = \$21,000.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Financial Yr</b>	<b>Wages for eligible employees only</b>	<b>Total wages (NSW only)</b>	<b>NSW pay-roll tax paid</b>	<b>Employer's proportion of eligible employee's wages</b>	<b>Rebate %</b>
2007/2008	\$950,000	\$950,000	\$21,000	100%	100%

**Rebate Amount =  $(\$950,000 \div \$950,000) \times \$21,000 \times 100\% \times 100\% = \$21,000$**

**Example 2**

A business operating in both an eligible and non-eligible location expands its number of eligible employees, increasing its payroll above the threshold and becoming liable for NSW payroll tax.

The business pays a total of \$1,800,000 in wages in financial year 2007-2008 and is liable for payroll tax at 6% on (\$1,800,000 - \$600,000 PRT threshold) = \$1,200,000 at 6% = \$72,000. The wages paid for PTIS eligible employees is \$350,000.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Financial Yr</b>	<b>Wages for eligible employees only</b>	<b>Total wages (NSW only)</b>	<b>NSW pay-roll tax paid</b>	<b>Employer's proportion of eligible employee's wages</b>	<b>Rebate %</b>
2007/2008	\$350,000	\$1,800,000	\$72,000	100%	100%

**Rebate Amount =  $(\$350,000 \div \$1,800,000) \times \$72,000 \times 100\% \times 100\% = \$13,999$**

### Example 3 (Grouped Entity- Single Lodger)

A business employing both eligible and non eligible employees is operating as part of a group of related businesses (The Office of State Revenue provides Grouping Information for Payroll Tax on its website at [www.osr.nsw.gov.au](http://www.osr.nsw.gov.au)).

Other employers in the group also operate in both eligible and non-eligible locations in NSW. The business expands its number of eligible employees, increasing the total payroll of the group above the NSW payroll tax threshold of \$600,000 and causing the group to become liable for NSW payroll tax.

The group of businesses pay a total of \$2,900,000 in wages in NSW during the financial year 2007-2008 and are liable for payroll tax on (\$2,300,000- \$600,000 PRT threshold ) = \$1,700,000 at 6% = \$138,000. The split of wages paid to eligible employees and non-eligible employees across the group is \$650,000 and \$2,250,000 respectively. The business claiming the rebate has a payroll for its eligible employees of \$300,000 (46% of the total eligible employee wages across the group).

Financial Yr	Wages for eligible employees only	Total wages (NSW only)	NSW pay-roll tax paid	Employer's proportion of eligible employee's wages	Rebate %
2007/2008	\$650,000	\$2,900,000	\$138,000	46%	100%

**Rebate Amount =  $(\$650,000 \div \$2,900,000) \times \$138,000 \times 46\% \times 100\% = \$14,228$**

### **PAYROLL TAX INCENTIVE SCHEME** **FINANCIAL YEAR 2008-09**

From 1 July 2008, the annual NSW payroll tax threshold has been increased to \$623,000 and will be indexed each year based on the Sydney Consumer Price Index (CPI). NSW employers or a group of related businesses, whose total Australian wages exceed the NSW monthly threshold of \$52,912, are required to pay NSW payroll tax.

The following information is available on the OSR website at:  
<http://www.osr.nsw.gov.au/taxes/payroll/faqs/2008/>

#### **PAYROLL TAX FAQS**

**What is the threshold for 2008-09?**

**\$623,000**

**What is the rate for 2008-09?**

For the period 1 July 2008 to 31 December 2008 it is **6 per cent**.  
For the period 1 January 2009 to 30 June 2009 it is **5.75 per cent**.

**How is the threshold determined?**

It will be indexed each year based on the percentage change in the Sydney CPI over the 12 months ending in March prior to the commencement of each payroll tax year.

**What if the CPI falls?**

The threshold can't go down even if the CPI falls

**Will the threshold always be a multiple of 1000?**

Yes, if the threshold using the CPI is a figure ending up to \$500 the threshold will be rounded down to the next \$1,000 (eg \$618,350 becomes \$618,000) and a figure more than \$500 will be rounded up (eg \$618,700 becomes \$619,000).

### What rate do I pay on my 2008-09 reconciliation?

You will pay 6 per cent on wages that exceed the threshold for the 6 months ending 31 December 2008. That threshold is \$314,060 (184 days x 623 000 divided by 365 days), and You will pay 5.75 per cent on wages that exceed the threshold for the 6 months ending 30 June 2009. That threshold is \$308,940 (181 days x 623 000 divided by 365 days)

### What if I am under the threshold for one half of the year and over it for the other half of the year?

If the wages paid or payable in one half of the year is less than the allocated threshold for that half of the year, the unused portion can be applied to the other half of the year.

If the wages paid or payable in one half of the year is less than the allocated threshold for that half of the year, the unused portion can be applied to the other half of the year.

#### Example:

Wages for first 6 months = \$500,000. Threshold = \$314,060

Wages for second 6 months = \$220,000. Threshold = \$308,940

The \$88,940 of unused threshold for the second half of the year can be applied to the first half of the year, giving a threshold of \$403,000 for the first half of the year. Hence the tax payable for the first 6 months is 6 per cent of \$97,000 and no tax is payable for the second 6 months. This will be reconciled as part of your annual reconciliation.

### What if I am over the threshold for one half of the year but under the annual threshold?

In that case no payroll tax is payable for that financial year and a refund will be provided as part of the annual reconciliation process.

### What are the rate changes?

The rate of Payroll tax of 6 per cent is to be reduced as follows:

To 5.75 per cent from 1 January 2009

To 5.65 per cent from 1 January 2010

To 5.50 per cent from 1 January 2011

Hence the rate for the following financial years will be:

Financial year	1 July – 31 December	1 January – 30 June
2008/09	6%	5.75%
2009/10	5.75%	5.65%
2010/11	5.65%	5.5%

For 2011-12 the rate of 5.50 per cent will apply for the whole year.

### 10. Does this mean the states are no longer harmonised?

No, thresholds and rates were not part of the harmonisation process. Each jurisdiction is still able to set its own rate and threshold as financial circumstances require.

### 11. Examples showing payroll tax savings

Wages	Payroll tax 2007-08	Payroll tax 2008-09 (Assuming 50% wages paid in each 6 months)	Saving
-------	---------------------	--	--------

\$700,000	\$6,000	\$4,517.35	\$1,482.65
\$1 million	\$24,000	\$22,142.35	\$1,857.65
\$5 million	\$264,000	\$257,142.35	\$6,857.65