



Important payroll tax changes for queensland employers

As part of a National harmonisation effort designed to cut red tape for businesses, Queensland's payroll tax legislation is being amended with effect from 1 July 2008.

New South Wales and Victoria 'harmonised' their legislation with effect from 1 July 2007 and the other States are all due to follow from 1 July 2008.

It is only the key rules applying to the calculation of taxable wages that will change. This is designed to ensure that businesses with employees across multiple States will find it easier to calculate their payroll tax liability. Currently, each State has different rules applying to different payments, benefits, grouping, contractors etc. It is these rules that will be harmonised to make the calculation of 'taxable wages' simpler.

Importantly, the payroll tax exemption threshold (\$1,000,000 for Queensland), the rate (4.75%) and the lodgement process will not change. So Queensland should remain the lowest taxing State.

Key changes to the legislation are as follows

- Fringe Benefits – the taxable value of fringe benefits will be determined using the lower (type 2) gross up rate (1.8692).
- Grouping – A controlling interest will be changed to 'more than 50%' including a tracing rule; currently a controlling interest is 50% or more.
- Contractors – Specific contractor rules will be introduced for 'independent contractors' who operate like an employee.
- Employee Share Acquisition Schemes – Specific rules will be introduced to capture the 'discount' on the grant of a share or option to an employee for less than market value as taxable wages. Currently Queensland has no such specific legislation.
- Wages definition – will be aligned with NSW and Vic to include wages paid to or by third parties (including non executive directors).
- Director Superannuation – Superannuation contributions for 'non employee' directors will be liable to pay-roll tax.

Numerous other changes will be made to 'harmonise' the legislation. Should you have any queries about the new changes and how they will affect your business, please do not hesitate to contact Hanrick Curran's taxation director, Jamie Towers, or your usual Hanrick Curran contact on 07 3229 6966.