

Payroll Tax in Australia

16th May 2018

Payroll tax essentially serves as a “state” tax on employment.

The following table indicates the differing rates and thresholds across each State and Territory in Australia as from 1 July 2018:

<p style="text-align: center;"><u>Queensland</u></p> <p style="text-align: center;">Threshold: \$1,100,000 (annually) \$91,666 (monthly)</p> <p style="text-align: center;">Rate: 4.75%</p>	<p style="text-align: center;"><u>Western Australia</u></p> <p style="text-align: center;">Threshold: \$850,000 (annually) \$70,833 (monthly)</p> <p style="text-align: center;">Rate: 5.5%</p>
<p style="text-align: center;"><u>Victoria</u></p> <p style="text-align: center;">Threshold: \$650,000 (annually) \$54,166 (monthly)</p> <p style="text-align: center;">Rate: 4.85% - in Melbourne Rate: 2.43 % - in country & regional</p>	<p style="text-align: center;"><u>Northern Territory</u></p> <p style="text-align: center;">Threshold: \$1,500,000 (annually) \$125,000 (monthly)</p> <p style="text-align: center;">Rate: 5.50%</p>
<p style="text-align: center;"><u>South Australia</u></p> <p style="text-align: center;">Threshold: \$600,000 (annually) – Rate: Nil \$600,000 - \$1m – Rate: 2.5% \$1m - \$1.5m – Rate: Var 2.5% - 4.95% \$1.5m plus – Rate: 4.95%</p> <p style="text-align: center;">Divide each threshold x 12 mths (mthly)</p>	<p style="text-align: center;"><u>Tasmania</u></p> <p style="text-align: center;">Threshold: \$1,250,000 (annually) \$102,740 (30day month)</p> <p style="text-align: center;">Rate: 6.1%</p>
<p style="text-align: center;"><u>New South Wales</u></p> <p style="text-align: center;">Threshold: \$750,000 (annually) \$61,644 (30day month)</p> <p style="text-align: center;">Rate: 5.45%</p>	<p style="text-align: center;"><u>ACT</u></p> <p style="text-align: center;">Threshold: \$2,000,000 (annually) \$166,166.66 (monthly)</p> <p style="text-align: center;">Rate: 6.85%</p>

A prevailing consideration for any retailer contemplating an expansion of their enterprise is whether the increase in employment growth will, depending on their size, either compound their existing payroll tax liability, or cause their business to surpass the exemption threshold.

In its April 2012 Report on the impacts and benefits of COAG reforms, the Productivity Commission documented the jurisdictional differences in payroll tax rates and revenue trends. The Report stressed the benefits of harmonisation and in doing so, reiterated the existing regulatory and red tape burdens for businesses operating in multiple jurisdictions.

For these businesses, there are various compliance costs and red tape regulatory burdens which have negative consequences on business viability.

Payroll tax reporting is required by the seventh day of each month which provides an unnecessarily short and strict time frame for small businesses. The onerous time frame is compounded for those small businesses that lack access to online technology or the competence to properly use it.

Furthermore, when accounts have to be reconciled at the end of the year, small businesses are compelled to seek outside assistance which results in additional cost burdens that cannot be recovered.

Notes

In May 2018

The Victorian Government (Coalition – Treasurer Pallas) - announced a cut in Payroll Tax for country regional businesses from 3.65% to 2.43%. The threshold has been lifted from 625k to 650k.