Payroll Tax

Calculation of Tax Payable – Interstate Non-group Employer

Pay-roll Tax Assessment Act 2002

As at 28 June 2016

This fact sheet explains how payroll tax for interstate non-group employers in Western Australia (WA) is calculated. The 'Payroll Tax Employer Guide' should be read in conjunction with this fact sheet.

Introduction

From 1 July 2016, the annual tax-free threshold gradually phases out for employers or groups of employers with annual taxable wages in Australia between $850,000 and $7.5 million. Employers with annual taxable wages of $7.5 million or more will pay payroll tax on their entire taxable wages.

For periods before 1 July 2016, please refer to the archived Calculation of Tax Payable fact sheet.

Definition of an Interstate Non-group Employer

An interstate non-group employer is an employer who pays wages both in WA and at least one other Australian State or Territory and is not related to, or grouped for payroll tax purposes with, any other wage-paying entity.

Calculating Your Payroll Tax Liability

Payroll tax in WA is calculated at the rate of 5.5% on the difference between the taxable wages paid by an employer in WA and the deductable amount of the tax-free threshold to which the employer is entitled. This is calculated after your taxable wages have been declared and can be estimated using the online Payroll Tax Calculator.

Australian taxable wages

Australian taxable wages are the total taxable wages paid or payable by an employer or group of employers across all Australian jurisdictions in an assessment year, including both WA wages and wages liable to tax under another State or Territory's corresponding payroll tax legislation.

Annual and monthly threshold amount

Payroll tax becomes payable when the total Australian taxable wages paid by an employer, or group of employers, exceed the monthly and annual threshold amount.

The tax-free annual threshold amount is $850,000 (equates to $70,833 monthly) and can be apportioned (pro-rata) for part periods if applicable.

Note: Apportioned thresholds are applicable in, but not limited to, circumstances where the employer does not pay wages for a whole financial year, becomes a member of a group, or where a business is sold or acquired during the year.

Upper threshold amount

The upper threshold is the amount at which the tax-free threshold phases out. The upper threshold is $7.5 million and can be apportioned for part periods if applicable.

Once the total Australian taxable wages are equal to or exceed the upper threshold amount, payroll tax is payable on the employer's total WA taxable wages without any deduction.

Deductable amount

The deductable amount is the amount employers may be entitled to deduct from their WA taxable wages and is calculated by using a tapering value formula.

Tapering Value

A tapering value formula is used to calculate the gradual reduction in the deductable amount which employers may claim against their WA taxable wages between the annual threshold amount and the upper threshold amount.

Tapering value

annual threshold amount / (upper threshold amount – annual threshold amount)

$850,000 / ($7,500,000 - $850,000) → simplified to 17/133

= 0.1278195488721800

Calculation of the estimated deductable amount for a monthly or quarterly return period

An estimated deductable amount is allocated for a monthly or quarterly return period using the Australian taxable wages declared for the previous two financial years as an estimate of the wages that will be paid during the current financial year.

Please contact the Office of State Revenue if the Australian taxable wages for the current financial year are expected to be significantly higher or lower than the previous financial year.

Calculation of the deductable amount for an annual tax liability for the whole or part of a financial year

To determine the payroll tax payable for part of a financial year, both the apportioned annual threshold and upper threshold amounts must first be calculated.

Full year deductable amount
(annual threshold amount – [(total Australian taxable wages – annual threshold amount) x tapering value]) x (total WA taxable wages/total Australian taxable wages)

Apportioned annual threshold
annual threshold amount x (number of days in the part-year/number of days in the year)

Apportioned upper threshold
upper threshold amount x (number of days in the part-year/number of days in the year)

Apportioned deductable amount
(apportioned annual threshold amount – [(total Australian taxable wages – apportioned annual threshold amount) x tapering value]) x (total WA taxable wages/total Australian taxable wages)

Annual Reconciliation and Adjustments

Annual reconciliation is the process of finalising the payroll tax returns for the financial year, determining the actual deductable amount and calculating the total payroll tax payable for the financial year.

After the actual deductable amount is calculated at annual reconciliation using the actual total WA and Australian taxable wages submitted, a credit or debit amount is identified based on the difference between the estimated deductable amount that was allocated for monthly or quarterly return periods and the actual deductable amount from annual reconciliation.

Please refer to the Annual Reconciliation webpage for further information.

Contact the Office of State Revenue

Office	Office of State Revenue 200 St Georges Terrace PERTH WA 6000	**Telephone**	08 9262 1300 1300 368 364 (WA country callers only – local call charge)
Postal	Office of State Revenue GPO Box T1600 PERTH WA 6845	**Web Enquiry** **Website**	www.osr.wa.gov.au/PayrollEnquiry 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 this Act for complete details.

Appendix

Examples of calculation of annual payroll tax payable for the whole of a financial year

Example 1: Australian taxable wages less than or equal to $850,000

An employer pays total Australian taxable wages of $790,000 consisting of $500,000 in WA and $290,000 in Victoria, for the entire financial year beginning on 1 July 2016. As the total Australian taxable wages are below the annual threshold amount of $850,000, no payroll tax is payable.

Example 2: Australian taxable wages between $850,000 and $7.5 million

An employer pays total Australian taxable wages of $1,470,000 consisting of $490,000 in WA and $980,000 in South Australia, for the entire financial year beginning on 1 July 2016. The deductable amount and tax payable for the 2016/2017 financial year is calculated as follows:

(annual threshold amount – [(total Australian taxable wages – annual threshold amount) x tapering value]) x (total WA taxable wages / total Australian taxable wages)

($850,000 – [($1,470,000 – $850,000) x (17/133)]) x ($490,000/$1,470,000)

Step 1: Subtract the annual threshold amount from the total Australian taxable wages

$1,470,000 – $850,000 = $620,000

Step 2: Multiply the answer in step 1 by 17/133

$620,000 x 17 divided by 133 = $79,248

Step 3: Subtract the answer in step 2 from the annual threshold amount

$850,000 – $79,248 = $770,752

Step 4: Divide the total WA taxable wages by the total Australian taxable wages

$490,000 / $1,470,000 = 0.33333333333

Step 5: Multiply the answer in step 3 by the answer in step 4

$770,752 x 0.33333333333 = $256,917 (this is the deductable amount)

Step 6: Subtract the answer in step 5 from the total WA taxable wages

$490,000 - $256,917 = $233,083

Step 7: Multiply the answer in step 6 by the payroll tax rate of 5.5%

$233,083 x 5.5% = $12,819.57 payroll tax payable

Example 3: Australian taxable wages of $7.5 million or more

An employer pays total Australian taxable wages of $20,000,000 consisting of $2,000,000 in WA and $18,000,000 in South Australia for the entire financial year beginning on 1 July 2016. The deductable amount would be calculated as $0 as the total Australian taxable wages are in excess of the upper threshold limit of $7,500,000.

Payroll tax is calculated on the total WA wages as follows:

$2,000,000 x 5.5% = $110,000

Examples of calculation of apportioned payroll tax payable for part of a financial year

Example 4: Australian taxable wages less than or equal to apportioned annual threshold

An employer pays total Australian taxable wages of $375,000 consisting of $200,000 in WA and $175,000 in Victoria for the part of the financial year from 1 July 2016 to 30 December 2016 (183 days). The apportioned annual threshold amount is calculated as follows:

annual threshold amount x (number of days in the part-year / number of days in the year)

$850,000 x (183 / 365)

Step 1: Divide the number of days wages paid by the number of days in the year

183 / 365 = 0.501369863

Step 2: Multiply the annual threshold amount by the answer in step 1

$850,000 x 0.501369863 = $426,164 (this is the apportioned annual threshold amount)

As the Australian taxable wages of $375,000 for the part-year are below the apportioned annual threshold of $426,164, no payroll tax is payable.

Example 5: Australian taxable wages between $850,000 and $7.5 million of apportioned annual threshold

An employer pays total Australian taxable wages of $300,000 consisting of $250,000 in WA and $50,000 in Victoria for the part of the financial year from 1 July 2016 to 30 September 2016 (92 days). The apportioned annual threshold amount is calculated as follows:

annual threshold amount x (number of days in the part-year / number of days in the year)

$850,000 x (92 / 365)

Step 1: Divide the number of days wages paid by the number of days in the year

92 / 365 = 0.252054795

Step 2: Multiply the annual threshold amount by the answer in step 1

$850,000 x 0.252054795 = $214,247 (this is the apportioned annual threshold amount)

The deductable amount and payroll tax payable is calculated as follows:

(apportioned annual threshold amount – [(total Australian taxable wages – apportioned annual threshold amount) x tapering value]) x (total WA taxable wages / total Australian taxable wages)

($214,247 – [($300,000 - $214,247) x (17/133)]) x ($250,000/$300,000)

Step 3 Subtract the apportioned annual threshold amount from the Australian taxable wages

$300,000 - $214,247 = $85,753

Step 4: Multiply the answer in step 3 by 17/133

$85,753 x 17 divided by 133 = $10,961

Step 5 Subtract the answer in step 4 from the apportioned annual threshold amount

$214,247 – $10,961 = $203,286

Step 6: Divide the total WA taxable wages by the total Australian taxable wages

$250,000 / $300,000 = 0.83333333333

Step 7: Multiply the answer in step 5 by the answer in step 6

$203,286 x 0.83333333333 = $169,405 (this is the deductable amount)

Step 8: Subtract the answer in step 7 from the total WA taxable wages

$250,000 - $169,405 = $80,595

Step 9: Multiply the answer in step 8 by the payroll tax rate of 5.5%

$80,595 x 5.5% = $4,432.73 payroll tax payable

Example 6: Australian taxable wages of $7.5 million or more of apportioned annual threshold

An employer pays total Australian taxable wages of $5,500,000 consisting of $3,000,000 in WA and $2,500,000 in Victoria for the part of the financial year from 1 July 2016 to 29 February 2017 (243 days). The apportioned upper threshold amount is calculated as follows:

upper threshold amount x (number of days in the part-year / number of days in the year)

$7,500,000 x (243 / 365)

Step 1: Divide the number of days wages paid by the number of days in the year

243 / 365 = 0.665753425

Step 2: Multiply the upper threshold amount by the answer in step 1

$7,500,000 x 0.665753425 = $4,993,151 (this is the apportioned upper threshold amount)

As the employer's total Australian taxable wages for the part-year are above the apportioned upper threshold amount of $4,993,151, payroll tax is payable on the total WA taxable wages of $3,000,000.

Payroll tax is calculated as follows:

$3,000,000 x 5.5% = $165,000