

Payroll tax changes – regional Queensland employers

The 2019-2020 Queensland Budget contained significant payroll tax measures including:

- increasing the tax-free threshold from \$1.1 million to \$1.3 million
- the introduction of a 1% discount for regional employers (**Regional Discount**) for the years ending 30 June 2020 to 30 June 2023 only)
- increasing the payroll tax rate to 4.95% for employers, or employers who are part of a payroll tax group, with total taxable wages of more than \$6.5 million.

These measures are good news for Queensland regional employers, but employers and their advisors need to be aware of the precise circumstances in which the Regional Discount will be available and the extent to which the Regional Discount applies in calculating payroll tax obligations.

Increased payroll tax threshold

Whilst many regional employers will have taxable wages below the new tax-free threshold of \$1.3 million, the threshold may be inadvertently breached due to various factors such as:

- ensuring any taxable payments to contractors are included in determining taxable wages
- paying wages to owners, which are part of taxable wages (as opposed to profit distributions, which are not subject to payroll tax)
- the impact of the grouping provisions, which mean only one tax-free threshold is available.

The payroll tax grouping provisions can be problematic in situations where different family members conduct distinct businesses. This is because these businesses may be technically grouped for payroll tax purposes due to common control, including deemed control of discretionary trusts by any potential beneficiary, or common employees such as book-keepers looking after the affairs of two or more of the family businesses.

Tax types

- payroll tax

Tax practice areas

- tax advisory services
- tax audits and reviews
- tax objections

Regional employers and their advisors should carefully review payroll tax calculations and the application of the contractor and grouping provisions to their circumstances.

If it is identified that taxable wages are above the \$1.3 million threshold, then regional employers will want to consider whether they are eligible for the Regional Discount.

If total taxable wages of all group members is in excess of \$6.5 million, then the applicable payroll tax rate would increase from 4.75% to 4.95% for employers within the group.

Regional employer discount

For the Regional Discount to apply, key requirements include:

- the employer's registered business address must be in regional Queensland, or the employer has a principal place of employment located in regional Queensland
- at least 85% of taxable wages are paid to regional employees.

Which regions are eligible for the discount?

The Regional Discount benefits employers located outside South-East Queensland. The legislation refers to the discount applying to 'Regional Queensland', which is defined by reference to the Statistical Area level 4 (SA4) regions of Cairns, Central Queensland, Darling Downs Maranoa, Mackay-Isaac-Whitsunday, Queensland Outback, Townsville and Wide Bay. Geographic boundaries of these regions can be identified on the Australian Bureau of Statistics [map](#).

Circumstances in which the discount will not apply

Employers close to the fringe of South-East Queensland will need to be vigilant in determining whether they are potentially eligible for the discount. For instance employers based in Toowoomba will not be eligible, but employers based in Oakey, Pittsworth or Warwick (part of the Darling Downs Maranoa) will potentially be eligible.

In determining whether an employer is a regional employer, regard is had in the first instance to where the ABN registered business address is located. Regional employers and their advisors should review ABN records and ensure their registered business address is up to date and reflects the actual business address, and not some other address such as an accountant's office or director's address. This could potentially be problematic if for instance a regional employer has incorrectly used an ABN address of their accountant who is based in South-East Queensland – including Toowoomba, Ipswich, the Sunshine Coast or Brisbane.

Even if a business satisfies being a regional employer, care needs to be taken in determining if more than 85% of wages are paid to regional employees.

A business located in Oakey would potentially satisfy the requirement of having a principal place of employment in regional Queensland. However, if more than 85% of its workforce travel from Toowoomba (only 20km away) then the Oakey business would not satisfy the requirement of at least 85% of its wages being paid to regional employees. This is because the legislation defines regional employees as having a principal place of residence in regional Queensland, which is defined by the geographic regions referred to above.

Similarly, if a regional employer located in a mining or regional district utilises fly in fly out (**FIFO**) workers who reside in South-East Queensland (i.e. Brisbane, Gold Coast, Sunshine Coast, Ipswich or Toowoomba), then the employer will need to determine if taxable wages paid to these employees constitutes more than 85% of wages paid to employees. If so, then the Regional Discount would not apply. A similar situation could arise with regional health providers.

If less than 15% of wages paid to employees are paid to employees who reside in South-East Queensland then the Regional Discount could still apply – for instance if only one or two health

professionals (or other workers) commute from South-East Queensland, but the balance of wages are paid to staff who reside in Regional Queensland.

Discount applies to Contractor payments

Whilst the wording of the Regional Discount refers to 'employees', for payroll tax purposes contractors are taken to be employees. Therefore it is intended that regional employers pay taxable wages, including to persons 'taken to be employees' under the contractor provisions, then the Regional Discount would apply to these payments.

Further assistance

We can assist regional employers and their advisors with a variety of payroll tax matters, including:

- reviewing and understanding how the payroll tax grouping provisions apply to their circumstances – to ensure the ability to claim tax-free thresholds have been properly identified
- reviewing and understanding how the payroll tax provisions apply to payments to contractors, which may have the effect of causing total taxable wages to be subject to payroll tax
- understanding and applying the Regional Discount to determine the extent to which any benefit can be obtained.

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