

# Payroll Tax Issues: Are You At Risk?

Figure out if you are at risk of the 5 most common payroll tax issues businesses face.

## 5-Risk Areas.

Below are some questions to assist you in determining whether you need a review of your payroll tax reporting and compliance.

### 1. EXCLUSION ORDERS AND RELATED BODIES CORPORATE

Are your businesses carried on by companies where one entity:

- a. owns 50% or more of the shares in the other;
- b. has the ability to cast more than 50% of the votes at a general meeting; or
- c. controls the board of the other company,

and you are not treating those entities as being grouped for payroll tax purposes?

### 2. COMMON CONTROL OF TRUSTS

We often see mistakes occurring in relation to people not correctly recognising when trusts may be grouped for payroll tax purposes. In this regard two trusts will be grouped where:

- a. who are the potential beneficiaries (The Beneficiary) of a trust (Trust 1);
- b. the trustee of Trust 1 is also a beneficiary of another trust (Trust 2);

then The Beneficiary has a controlling interest in Trust 2, as well as Trust 1. Trust 1 and Trust 2 are subject to common control and are grouped for payroll tax purposes.

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### 3. AUSTRALIAN TAXABLE WAGES

Do you have employees in various states and territories across Australia, or internationally and you are unsure on whether you should be including the interstate and international employees' wages in your Australian taxable wages?

For example, we recommend you think about:

- a. Whether you pay amounts to workers in multiple states or territories in Australia?
- b. Whether you lodging payroll tax returns in all the states and territories in Australia where the workers are located?
- c. Whether any amounts are being paid to workers who reside outside of Australia?
- d. Whether the workers are contractors, rather than employees?
- e. Whether any contractor exemptions apply in relation to the workers?
- f. Whether the exemptions for overseas workers applies? For example, in Queensland if you pay wages to a person in another country for more than 6 months those wages may be exempt from payroll tax.
- g. Subject to determining whether any exemptions for payroll tax apply to the wages, have you included all taxable wages paid in all the states and territories of Australia (and in some cases taxable wages paid to workers who are not in Australia) as your Australian taxable wages in every state and territory in which you lodge a payroll tax return?

### 4. EMPLOYEES VERSES CONTRACTORS

Do you have workers that you have classified as contractors, rather than employees and one or more of the following applies:

- a. the worker is subject to your control in how they carry out their work, including having their hours set by you and having to report to you on the performance of the work;
- b. the worker is provided equipment by you;
- c. the cost for any corrections to the work is borne by you rather than the worker;
- d. the worker is unable to subcontract the work to someone else;
- e. the worker is paid a set amount for a period, rather than paid an amount per item or activity undertaken;
- f. the worker provide services to only you, as opposed to having multiple clients?

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## 5. REVIEW PROCESSES

Do you have a periodic review process in place to regularly check you payroll tax compliance and obligations?

- a. What does this review process involve and what level of managerial oversight is required for the process?
- b. How frequently does the review process take place?

Are you concerned that your business' circumstances have changed such that your payroll tax reporting obligations may have changed?

For example:

- a. have you hired new staff;
- b. have you acquired other businesses that also employ staff; or
- c. have you begun providing additional benefits to your staff that would be classified as fringe benefits (i.e. cars, car parking, expense payments, including reimbursements)?

If one or more of the above issues applies to you and you are unsure of the correct payroll tax treatment of these issues, contact us for an assessment and advice.

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**If you are unsure of the correct payroll tax treatment of these issues, contact Taryn on **(07) 3014 6513**, or at **[thartley@mcw.com.au](mailto:thartley@mcw.com.au)** for an assessment and advice**

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