

# PAYROLL TAX ESSENTIALS FOR BUSINESS OWNERS

As an employer, there are some circumstances where you will be required to pay payroll tax. This fact sheet considers your tax obligations.

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## UNDERSTANDING PAYROLL TAX



- Payroll tax is a state and territory tax that employers must pay if they exceed the payroll tax threshold in that jurisdiction unless an exemption applies.
- If you are a member of a group, your taxable wages may be grouped with other group members.
- The tax is based on the total amount of taxable wages paid to all employees across Australia.

## PAYROLL TAX THRESHOLDS AND PAYMENT DATES



Each state and territory has a different payroll tax threshold and payment dates. At the time of writing, these are:

- Victoria: \$700,000 per year or \$58,333 per month
- New South Wales: \$1,200,000 per year, \$92,055 for 28 day months, \$98,630 for 30 day months, and \$101,918 for 31 day months
- South Australia: \$1,500,000 per year
- Queensland: \$1,300,000 per year or \$108,333 per month
- Australian Capital Territory: \$2,000,000 per year or \$166,666.66 per month
- Northern Territory: \$1,500,000 per year
- Tasmania: \$1,250,000 per year
- Western Australia: \$1,000,000 per year.

## CONSIDERATIONS FOR ESOPS AND CONTRACTORS



- Employee Share Option Plans: Employee share scheme shares or options are “wages” for payroll tax purposes. Their value at the grant or vesting date is the value for payroll tax purposes.
- Payments to Contractors: May be considered “wages” for payroll tax purposes, depending on whether the arrangement satisfies the “relevant contract” provisions. Some exceptions may apply.
- Employment Agencies: you may need to pay payroll tax on the wages of workers who provide services to clients. For on-hire arrangement, both agencies may need to pay this unless a chain-of-on-hire declaration is completed.

## CALCULATING PAYROLL TAX ACROSS MULTIPLE STATES/TERRITORIES



- Payroll tax is paid in the state/territory where employees perform their duties in a given month.
- If the employee's duties are spread across different jurisdictions, a “nexus test” is applied, considering the place of residence, ABN address, or the location where services are mainly performed.
- If total wages exceed your state/territory's threshold, you pay tax in that jurisdiction. However, the threshold will be reduced to reflect the percentage of employees and wages paid in that state/territory.