

# Revenue Ruling 2008

## Public Ruling

Ruling Number	:	PTA017
Title	:	Grouping of Professional Practices and Administration Businesses
Tax Line	:	Payroll Tax
Legislative Reference	:	<i>Payroll Tax Act 2008</i>
Previous Ruling	:	PUB-PT-2008-18
Date of Ruling	:	1 July 2008 to 25 May 2015
Attachments	:	-

### Preamble

The *Payroll Tax Act 2008* (the Act), which commenced on 1 July 2008, rewrites the *Pay-roll Tax Act 1971* and harmonises the payroll tax legislation with Victoria and NSW.

Under the grouping provisions in Part 5 of the Act, two or more employers may constitute a group if:

- a) they are corporations that are related bodies corporate within the meaning of the *Corporations Act 2001 (Cth)* (section 70 of the Act);
- b) they share or inter-use employees (section 71 of the Act);
- c) they are controlled by the same person(s) (section 72 of the Act); or
- d) one has a controlling interest in the other (being a corporation) under the tracing provisions in section 73 of the Act.

Section 74 of the Act provides that if an employer is a member of two or more groups, all the members of those groups will constitute one group.

There are situations where a number of professional practices (eg legal practices, accounting practices, medical practices) operate from the same premises and share the services of an administrative service business. Under these circumstances, each of the professional practices may be grouped with the service business under section 71 of the Act. As a consequence, all of the businesses could be treated as one group under section 74 of the Act.

The purpose of this Revenue Ruling is to clarify the circumstances in which professional practices and administrative service businesses are regarded as a group.

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## Ruling

An administrative service business set up purely to provide administrative services to a professional practice, is routinely grouped with the professional practice under section 71 of the Act. However, the approach is less stringent in cases where several professional practices use the services of a single administrative business.

Where two or more professional practices use the services of one service administration business, the Commissioner of State Revenue (the Commissioner) will generally exercise his/her discretion under section 79 of the Act not to group all the professional practices with the administrative business if all the following conditions are met:

- none of the persons who own or operate the professional practices has a proprietary interest, whether directly or indirectly, in any of the other professional practices;
- the professional practices are carried on independently of, and unconnected with, each other (i.e. there is no significant financial interdependence and/or commercial transactions between the professional practices, and each professional practice is managed separately);
- none of the persons who own or operate the professional practices has a controlling interest (as defined in Sections 72 and 73 of the Act), in their own right, in the administrative services business;
- the administrative services business does not derive more than 60 per cent of its income from one professional practice; and
- there is no suggestion that such a structure is designed to avoid payroll tax.

If any of the above conditions are not satisfied, and you believe that you should not be grouped, please apply to the Commissioner for a determination.

This Revenue Ruling is effective from 1 July 2008.

**Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling.**

Enquiries about this Revenue Ruling should be directed to the Research, Analysis and Legislative Review Section on telephone 03 6166 4400 or e-mail at [revenuereview@treasury.tas.gov.au](mailto:revenuereview@treasury.tas.gov.au). Copies of this ruling may be obtained from our website at [www.sro.tas.gov.au](http://www.sro.tas.gov.au).

All rulings must be read subject to Revenue Ruling PUB-GEN-2008-29, "Explanation and status of Revenue Rulings".



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