

# Revenue Ruling

Ruling Number	:	PTA019
Title	:	Contractors – Labour and Non-Labour Components
Tax Line	:	Payroll Tax
Legislative Reference	:	<i>Payroll Tax Act 2008</i>
Previous Ruling	:	PUB-PT-2008-20
Date of Ruling	:	1 July 2008
Attachments	:	-

## Preamble

The *Payroll Tax Act 2008* (the Act), which commenced on 1 July 2008, rewrote the *Pay-roll Tax Act 1971* and harmonised payroll tax legislation in Tasmania with Victoria and New South Wales. A summary of the jurisdictions that have adopted this Revenue Ruling is available at: <http://payrolltax.gov.au/revenue>.

Parties to a 'relevant contract' are deemed to be employers and employees (section 33 and 34 of the Act) and payments made under a relevant contract are deemed to be wages (section 35 of the Act). Deemed wages are subject to payroll tax under section 36 of the Act.

While most contracts for the provision of services come within the meaning of 'relevant contract' under section 32 of the Act, certain types of contracts are specifically excluded from the definition of 'relevant contract'. Where none of the exclusions apply, section 35(2) of the Act allows the Commissioner of State Revenue (the Commissioner) to determine an amount which can be deducted from the payments made under the contract. This amount relates to the non-labour component where the contractor provides equipment and/or materials. The Commissioner has approved certain deductions for various classes of contracts to reflect the amount for equipment and/or materials (please refer to Revenue Ruling PTA018).

Uncertainty may arise where payments under a relevant contract are made against separate invoices for the labour and non-labour components or itemised separately under a single invoice in which the labour and non-labour components are separately charged. The purpose of this Revenue Ruling is to clarify which amounts paid under these circumstances would be taken to be wages and would, therefore, be subject to payroll tax.

## Ruling

In determining taxable wages for the purposes of section 35 of the Act, payments made under a relevant contract can only be reduced by the approved deduction (listed in Revenue Ruling PTA018) regardless of the actual amount of non-labour component charged by the contractor. Where the labour and non-labour components are charged separately (whether in a single invoice or otherwise), the entire sum paid (ie payments for both the labour and non-labour component) less any approved deduction must be declared as wages for payroll tax purposes.

If a deduction is not approved for a particular class of contract, an employer may apply in writing to the Commissioner for a determination. Similarly, where an employer believes that it is entitled to a higher deduction than the approved deduction, the employer may apply to the Commissioner for a determination.

In applying for a determination, details on the cost of materials and equipment provided by the contract and the amount(s) paid to the contractor must be provided to allow calculation of a percentage deduction.

**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.**

## More Information

Enquiries about this Revenue Ruling should be directed to the Legislation, Communication and Review Section on telephone (03) 6166 4400 or e-mail at [revenuereview@treasury.tas.gov.au](mailto:revenuereview@treasury.tas.gov.au).

All rulings must be read in conjunction with the 'Explanation and Status of Revenue Rulings' available on the SRO website, [www.sro.tas.gov.au/resources/rulings](http://www.sro.tas.gov.au/resources/rulings).



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**COMMISSIONER OF STATE REVENUE**

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