

# Revenue Ruling

Ruling Number	:	PTA033
Title	:	Contractors - Services Ancillary to the Supply of Goods
Tax Line	:	Payroll Tax
Legislative Reference	:	<i>Payroll Tax Act 2008</i>
Previous Ruling	:	-
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 taken to be employers and employees (sections 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'. One of the exclusions is a contract where the provision of labour is ancillary to the provision of materials and/or equipment (section 32(2)(a) of the Act).

The purpose of this Revenue Ruling is to explain how section 32(2)(a) of the Act would apply to exclude a contract from the definition of 'relevant contract'.

## Ruling

Where the amount relating to the provision of materials and/or equipment under a contract is more than 50 per cent of the total contract amount, the provision of labour under the same contract is considered ancillary. There must be evidence to substantiate that the provision of materials and/or equipment is the principal object of the contract.

The amount attributable to materials and/or equipment must be reasonable, having regard to the type of services provided. In determining what is a reasonable amount, due regard must be given to the current market prices for such materials and equipment. This exemption does not apply if the

materials and/or equipment are purchased from the principal or any member of a group (within the meaning of Part 5 of the Act) to which the principal belongs.

The principal may apply to the Commissioner of State Revenue for written advice if:

- the 50 per cent criterion is not satisfied; and/or
- the materials and/or equipment were bought from the principal (or a member of a group to which the principal belongs) at arms' length; and
- the principal believes that the exemption should apply.

Alternatively, where the 50 per cent criterion is not satisfied, the principal may be entitled to a deduction depending on the profession of the contractor (Revenue Ruling PTA018).

**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 [revenueview@treasury.tas.gov.au](mailto:revenueview@treasury.tas.gov.au).

All rulings must be read in conjunction with the 'Explanation and Status of Revenue Rulings' available on the SRO website, <https://www.sro.tas.gov.au/resources/rulings>.



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**COMMISSIONER OF STATE REVENUE**

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