

1995

**THE LEGISLATIVE ASSEMBLY FOR THE  
AUSTRALIAN CAPITAL TERRITORY**

**PAYROLL TAX (AMENDMENT) BILL 1995**

**EXPLANATORY MEMORANDUM**

**Circulated by the authority of the Treasurer  
Kate Carnell, MLA**

## PAYROLL TAX (AMENDMENT) BILL 1995

### **Summary**

The Payroll Tax Act 1987 (the Act) provides for the imposition of payroll tax on employers where the annual Australia wide wages of the employer (or group of employers) exceed the minimum threshold (currently \$550,000)

As part of the Government's initiatives to address the problem of unemployment in the ACT the Government has decided to provide an exemption from payroll tax to employers who employ any person who has been out of work for at least eleven months in the preceding twelve months

This Bill will amend the Act to give effect to this initiative

To provide an exemption scheme that is simple to administer (from both the employers and ACT Revenue Office point of view) and effectively targets the long term unemployed this Bill provides that a long term unemployed person is to be defined as a person who, immediately prior to his or her employment has been

- a) registered as unemployed with the Commonwealth Employment Service for a period of at least eleven months in the preceding twelve months, and
- b) is receiving an allowance from the Department of Social Security in respect of that unemployment

The exemption is limited to wages paid during the first two years of the person's employment. The scheme will generally be limited to employers who are the first to employ a long term unemployed person. That is if a long term unemployed person is initially employed for a period of less than two years and changes employers no payroll tax exemption will apply to that subsequent employer

However to allow for circumstances where an unemployed person obtains employment only to then quickly lose that employment the Bill provides for the exemption to be preserved for a subsequent employer provided the period of employment did not exceed four weeks in the previous twelve months

### **Financial Implications**

The cost of this initiative will depend on the effect it will have on the number of long term unemployed persons gaining employment. However for each person employed at say a salary level of \$25,000 the loss to revenue would be \$1,750 per annum.

Details of the Bill are attached

## DETAILS OF THE PAYROLL TAX (AMENDMENT) BILL 1995

Clauses 1,2 and 3 deal with administrative matters of the Act

### **Exemption from tax**

Clause 4 - amends section 9 the Principal Act by including a further class of wages upon which no payroll tax will be payable

Sub-Clause 4(a) inserts a new paragraph (ha) which provides that payroll tax will not be payable on the first two years of employment of a prescribed person

Sub-Clause 4(b) inserts a new subsection (5) which defines prescribed person as a person who immediately before his or her employment had been registered with the Commonwealth Employment Service as unemployed for over 12 months and had been receiving an allowance from the Department of Social Security in respect of that unemployment. This definition ensures that the exemption will generally be limited to the employer who initially employs the prescribed person

The definition of prescribed person in subsection (5) however also recognises that there may be occasions where initial employment may not result in on going work and in such circumstances a prescribed person should not have to wait a further 12 month period to gain exemption eligibility. Subsection (5) therefore further provides that where the aggregate of these periods of unsuccessful employment do not exceed 4 weeks in the preceding 12 months these periods of employment will not affect the prescribed persons eligibility. This will effectively preserve the payroll tax exemption for a subsequent employer

### **Transitional**

Clause 5 provides that the exemption applies only to persons employed after the commencement of this bill