

1994

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

**PAYROLL TAX (AMENDMENT) BILL 1994**

**EXPLANATORY MEMORANDUM**

**Circulated by the authority of the Chief Minister and Treasurer  
Rosemary Follett, MLA**

## **Payroll Tax (Amendment) Bill 1994**

### **Summary**

The Payroll Tax Act 1987 (the Act) provides for the imposition of payroll tax on ACT employers where the Australia wide wages of the employer (or group of employers) exceed the minimum threshold (\$500,000 for the current year).

Section 3A of the Act provides that where a non-cash benefit is provided by an employer, the value of the benefit is to be included for payroll tax purposes and the value of that benefit is its value as a fringe benefit for the purposes of the Commonwealth Fringe Benefits Tax Assessment Act 1986 (the FBT Act). The FBT Act was recently amended to change the method of calculating an employer's liability for fringe benefits tax (FBT).

The Commonwealth will, from 1 April 1994, assess FBT liability on the tax-inclusive value of the fringe benefit in the hands of the employee. In order to calculate the taxable value of fringe benefits paid or payable, employers, from 1 April 1994, will be required to increase current FBT values to 193% of what they are now to arrive at the tax-inclusive value. This would then become the FBT value for ACT payroll tax purposes.

From 1 April 1994, the current definition of "fringe benefits taxable amount" in the FBT Act is to be amended to be the tax-inclusive amount. The term "aggregate fringe benefits amount" will be introduced and have the meaning which "fringe benefits taxable amount" previously had, that is the actual value of fringe benefits to the employee.

The Bill proposes amendments to the Act to align the value of fringe benefits for ACT payroll tax purposes to aggregate fringe benefit amounts as defined in the FBT Act, and that the proposed amendments have a retrospective commencement on 1 April 1994. The effect of this proposal, therefore, is to prevent an increase in ACT employers' payroll tax liability because of the FBT changes.

### **Financial implications**

The existing payroll tax revenue base is not effected by the proposed changes.

Details of the Bill are attached.

**Details of the Payroll Tax (Amendment) Bill 1994**

Clauses 1 and 2 are formal requirements. They refer to the short title of the Bill, and commencement of the Bill, which is to be on 1 April 1994.

Clause 3 is a definitional requirement referring to the Act to which this amendment applies.

Clause 4 is a substitution clause which repeals the former section 3A of the Principal Act, and substitutes the new section 3A in its place. As discussed in the summary above, the new section 3A will prevent an increase in ACT employers' payroll tax liability due to changes in the FBT Act by aligning the value of fringe benefits for ACT payroll tax purposes to aggregate fringe benefit amounts as defined in the FBT Act.