



REVENUE RULING

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PT 24.0

PAYROLL TAX

EXEMPTION FOR WAGES PAID TO TRAINEES

INTRODUCTION

1. The exemption from payroll tax for wages paid to trainees, provided for in section 41D of the *Pay-roll Tax Assessment Act 2002* ('PTA Act'), applies only to eligible new employees who are entitled to a rate of pay for ordinary hours of work of \$100,000 per annum or less ('the threshold amount').
2. This revenue ruling sets out the Commissioner of State Revenue's interpretation of the term 'a rate of pay for ordinary hours of work' for the purposes of determining if an employee's pay entitlement exceeds the threshold amount.

BACKGROUND

3. The *Pay-roll Tax Assessment Amendment (Exemption for Trainees) Act 2018* amended the PTA Act with effect from 1 December 2017 to narrow the payroll tax exemption for wages paid to trainees.¹
4. Under section 41D(3) of the PTA Act, wages paid or payable in relation to an employee are exempt from payroll tax if:
 - (a) the wages are paid or payable for a period during which the employee is an apprentice under a registered training contract that –
 - (i) is for a class A or class B qualification; and
 - (ii) in accordance with section 60C(5) of the VET Act,² refers to the apprentice under the training contract as a "trainee"; and
 - (iii) has not been in effect for longer than the nominal period for the training contract;and
 - (b) the employee is an eligible new employee under subsection (4);³ and
 - (c) on the day on which the training contract was lodged for registration under section 60F(2) of the VET Act –
 - (i) there had not been any previous registered training contract between the employee and the initial employer or a group member of the initial employer; and

¹ The exemption for wages paid to apprentices is not affected by these amendments.

² *Vocational Education and Training Act 1996*.

³ Section 41D(4) of the PTA Act sets out that an employee will be an *eligible new employee* if they had not been employed by the employer immediately before the commencement date stated in the training contract.

- (ii) the employee's pay entitlement did not exceed the threshold amount.
5. Under section 41D(5) of the PTA Act, the employee's pay entitlement exceeds the threshold amount if, under the terms and conditions that apply to their employment, the employee is entitled to an annualised rate of pay for ordinary hours of work that exceeds \$100,000 per annum for a full-time employee or the pro rata amount for a part-time employee.
 6. Transitional arrangements⁴ apply to continue the exemption for an existing employee whose training contract was lodged for registration under the VET Act prior to 1 December 2017. The exemption continues to apply for the balance of the nominal term of the training contract, subject to the employee's wages not exceeding the threshold amount at the time their contract was lodged.
 7. The term wages is defined in section 9AA(1) of the PTA Act and includes wages, remuneration, salary, commission, bonuses or allowances paid or payable to or in relation to an employee. See Fact Sheet ['Wages Definition'](#).

RULING

8. For eligible new employees, the pay entitlement is to be determined on the date the training contract is lodged for registration under the VET Act.
9. To determine whether an employee's pay entitlement exceeds the threshold amount, the 'rate of pay for ordinary hours of work' is to be calculated as the fixed and minimum remuneration an employee would ordinarily receive under the terms of their employment as payment for their ordinary hours of work, without regard to any additional amounts the employee may be entitled to for that work.⁵
10. The additional amounts referred to in paragraph 9 that are not included for the purpose of determining whether the employee's pay entitlement exceeds the threshold amount include:
 - (a) overtime or penalty rates;
 - (b) bonuses;
 - (c) allowances or loading, such as regional allowances or leave loading;
 - (d) commissions;
 - (e) fringe benefits;
 - (f) contributions to an employee share acquisition scheme; and
 - (g) superannuation contributions.

⁴ Division 6 of Schedule 1 to the PTA Act.

⁵ The term 'rate of pay for ordinary hours of work' is not defined in the PTA Act.

Example 1

An employer has an employment contract with a new trainee that provides for wages of \$50 per hour for a 37.5 hour week (\$97,500 per annum). The contract also provides for overtime rates, bonuses, leave loading and regional allowances, which are not taken into consideration when determining the employee's rate of pay for ordinary hours of work.

As the pay entitlement of \$97,500 per annum does not exceed the threshold amount, the employee's wages are exempt from payroll tax.

Example 2

An employer has an employment contract with a new trainee that provides for wages of \$50 per hour for a 37.5 hour week (\$97,500) plus a regional allowance under the relevant Award of 10 per cent per hour that increases the employee's rate of pay to \$55 per hour (\$107,250 per annum).

The wages paid under the allowance to the employee do not form part of the employee's rate of pay for ordinary hours of work. As the pay entitlement of \$97,500 per annum does not exceed the threshold amount, the employee's wages are exempt from payroll tax.

RULING HISTORY

Revenue Ruling	Issued	Dates of effect	
		From	To
PT 24.0	DRAFT	17 May 2018	28 June 2018
PT 24.0	29 June 2018	29 June 2018	30 June 2019