



Commissioner's Discretion to Exclude from a Group

The *Pay-roll Tax Assessment Amendment Act 2010* amended the *Pay-roll Tax Assessment Act 2002* ('the Act') to increase the consistency of the legislation of Western Australia's payroll tax system with the legislation of other jurisdictions.

One of the areas which has been harmonised is the grouping of employers and the Commissioner's discretion to exclude members from such groups, effective 1 July 2012.

Harmonised revenue rulings are issued by jurisdictions to publish the views of the Commissioner in respect of the interpretation and application of the harmonised provisions of payroll tax legislation. In other jurisdictions, this Commissioner's Practice is published as harmonised Revenue Ruling PTA 031.

As section 127 of the *Taxation Administration Act 2003* requires that a practice to be established by the Commissioner must first be published, and as harmonised Revenue Ruling PTA 031 sets out the practice that will be followed when the discretion to exclude members from a group is considered, harmonised Revenue Ruling PTA 031 will be published in Western Australia as a Commissioner's practice rather than a revenue ruling.

This Commissioner's Practice outlines the matters the Commissioner will take into consideration when exercising the discretion to exclude members from a group.

For exclusion considerations for periods prior to 1 July 2012 please refer to Commissioner's Practice PT 2.

Background

Part 4 of the Act provides for the grouping of two or more employers. The effect of grouping is that only one payroll tax threshold amount can be claimed for a single group.

Broadly speaking, two employers will constitute a group where:

1. the two employers are corporations which are related to each other by virtue of section 50 of the *Corporations Act 2001* (Cth) (related corporations), or
2. at least one employee of a business performs any duties for or in connection with a business conducted by another employer, or there is an agreement between two employers for the employee of one of them to perform duties in the business conducted by the other employer (sharing of employees), or
3. the same person has, or the same persons have together, a controlling interest in two businesses (common control), or
4. an entity has a controlling interest in a corporation arising from tracing of interests in corporations (tracing provisions).

To avoid anomalies which may arise from the strict application of the grouping provision, section 38 of the Act provides that an employer that is grouped because of 2

(sharing of employees) or 3 (common control) or 4 (tracing provisions) may apply in writing to the Commissioner of State Revenue to be excluded from the group.

However, corporations which are grouped under 1 (related corporations) are not eligible to apply for an exclusion order.

In order to be granted an exclusion from a group, the applicant employer must satisfy the Commissioner that:

- a) the business is carried on independently of businesses carried on by any other member of the group; and
- b) the business is not connected with the carrying on of businesses carried on by any other member of the group.

The matters that the Commissioner must have regard to are:

- the nature and degree of the ownership and control of the business;
- the nature of the businesses; and
- any other matters the Commissioner considers relevant.

The Commissioner must be satisfied that:

- there is not a continuous course of active and significant relationship, in a business or commercial sense, between the carrying on of the applicant's business and the carrying on of businesses conducted by any other member of the group; and
- the connections which do exist are no more than casual, irregular or occasional occurrences.

The onus is on the employer who applies for an exclusion order to prove these matters.

Commissioner's Practice

1. In making a decision to exercise discretion to exclude a member of a group, the Commissioner will consider the nature and the extent of all relevant agreements and dealings between the member and other members of the group, including:
 - 1.1 the nature and extent of any commercial transactions between the members, including the value and percentage of the member's total business which is conducted with other members of the group;
 - 1.2 the extent to which members share resources, facilities or services, including premises, staff, management and accounting services;
 - 1.3 the extent to which the member controls or is involved in managerial decisions and day to day administration of the other members and the extent to which other members control or are involved in managerial decisions and day to day administration of the member;
 - 1.4 the extent to which there are financial interdependencies, including intra-group loans or guarantees and common banking facilities, and the terms and conditions attached to such agreements;

- 1.5 the degree to which there is a connection between a member and other members of the group in the purchase or sales of goods and services;
 - 1.6 the extent to which there is a connection between the nature of the businesses of the member and other members of the group; and
 - 1.7 the extent to which there is a connection between the ultimate owners of the member and other members of the group.
2. None of the matters listed above are determinative in isolation from the other matters listed, nor are they an exhaustive list of the relevant issues. Each case will be considered on the basis of all of the relevant facts and circumstances.

Date of Effect

This Commissioner’s practice takes effect from 1 July 2012.

Bill Sullivan
 COMMISSIONER OF STATE REVENUE

1 July 2012

Commissioner’s Practice History

Commissioner’s Practice	Issued	Dates of effect	
		From	To
PTA 031.1	1 July 2012	1 July 2012	4 May 2022