



Profit or Trust Distributions and Loan Accounts

1. The definition of wages in Division 2A of the the *Pay-roll Tax Assessment Act 2002* (PTA Act) includes any wages, remuneration, salary, commission, employer superannuation contributions, bonuses or allowances paid or payable to or in relation to an employee and fringe benefits as defined in the *Fringe Benefits Tax Assessment Act 1986* (Cth) (FBT Act).
2. A question may arise as to whether payments and loans made to a proprietor of a business, if they are also an employee or director of that business, are subject to payroll tax. The purpose of this revenue ruling is to provide clarification regarding the payroll tax treatment of these payments.

Ruling

3. For a payment to be subject to payroll tax, the payment must be made in respect of a person in their relevant capacity (for example, in their capacity as an employee or director). If payments are made to the person for some other reason (for example, they are shareholder entitled to a distribution of profit), the payment would generally not be wages. Therefore, distributions of profit (i.e. payments which are not made under an entitlement to remuneration for the performance of work and which are made from the surplus after deducting all expenses of the business) to persons who are both owners and employees of the business are not wages under the PTA Act.
4. Trust distributions (whether income or capital) and company dividends are not subject to payroll tax when paid to beneficiaries or shareholders even if they are also employees. These payments must be clearly shown in the books of account as profit distributions and not expenses of the business.

Loan payments

5. Whether a loan made to a beneficiary or shareholder who is also an employee of the business is subject to payroll tax depends on how the loan is regarded under the income tax legislation and the FBT Act. If the loan is deemed to be income to the beneficiary or shareholder for income tax purposes, it is not subject to payroll tax. If it is regarded as a loan benefit under the FBT Act, the taxable value calculated using the formula for Type 2 Benefit (as specified in the FBT Act) is subject to payroll tax. Please contact the Australian Taxation Office for more information on income tax and fringe benefits tax.
6. If the loan repayment is offset against the beneficiary's or shareholder's remuneration, the amount of the remuneration offset will be subject to payroll tax. If the loan repayment is offset against trust distributions to the beneficiary or dividends to the shareholder, the amount offset is not subject to payroll tax.
7. A partnership is not a legal entity. Any payment to the partners (whether the payments are described as *wages* or *loans*) are regarded as payments or drawings in respect of partnership profits and are not subject to payroll tax.

8. Revenue rulings do not have the force of law. Each decision made by the Commissioner of State Revenue is made on the merits of each individual case having regard to any relevant ruling.

Ruling history

Revenue Ruling	Issued	Effective Dates	
		From	To
PTA 016.1	24 June 2010	24 June 2010	24 October 2023
PTA 016.2	25 October 2023	25 October 2023	Current