

1. The *Pay-roll Tax Assessment Amendment Act 2010* amended the *Pay-roll Tax Assessment Act 2002* (the Act) with effect from 1 July 2009 to harmonise the legislation of Western Australia's payroll tax system with the legislation of other jurisdictions.
2. From 1 July 2000, the supply of most goods and services became subject to the Commonwealth's Goods and Services Tax (GST). The GST has relevance to payroll tax because certain supplies which are subject to the GST are also subject to payroll tax. These include the supply of labour services by contractors and agency supplied staff.
3. Section 91B of the Act explains how the GST impacts on the calculation of an employer's liability for payroll tax.

#### ***Payments to, or in relation to, employees***

5. Employees' wages and salaries are not subject to the GST. Consequently, there is no impact for payroll tax purposes.

#### ***Payments to, or in relation to, contractors***

6. An employer can exclude the GST component from those payments to contractors which are taken to be taxable wages under the Act.

#### ***Example***

Employer A engages Contractor B for 12 months. Contractor B invoices Employer A for \$6000 a month plus \$600 GST.

Assuming that the payments are not otherwise exempt under the Act, the taxable wages are taken to be \$6000 per month.

