

PAYROLL TAX, EXTENSION TO CONTRACTORS

1275. Hon. C.L. Edwardes to the Treasurer

- (1) Has the Treasurer yet determined how payments made under contracts wholly or predominantly for the labour of 'employee like' contractors will be assessed for the extension to the payroll tax base announced in the State budget 2001/2002?
- (2) If so, how will payments be assessed?
- (3) If not, when will this determination be made?

Mr RIPPER replied:

As announced in the 2001-02 Budget, the Government will be consulting with tax professionals and relevant industry groups in the development of tests to identify 'employee-like' contractors, payments for the labour of whom are to be subject to payroll tax from 1 July 2002. Importantly, payments to contractors operating as independent businesses will not be subject to payroll tax.

I have already advised Parliament that these tests will be as consistent as possible with the Commonwealth's 'alienation of personal services income' tests, whilst recognising the practical differences between payroll tax and income tax. The tests will be refined during the consultation process - which is already well underway - to ensure that the new provisions operate in a practical and workable manner for employers. Legislation giving effect to this measure will be drafted following completion of the consultation process, and the Government is still working towards passage by 1 July as previously announced in the Budget.