

EXPLANATORY MEMORANDUM

REVENUE LAWS AMENDMENT (TAX RELIEF) BILL 2004

This Bill seeks to implement measures to cut red tape for pay-roll tax payers and to waive a land tax liability of less than \$20 where a person does not have to pay metropolitan region improvement tax.

The Bill also contains amendments that are complementary to the tax relief measures contained in the Revenue Laws Amendment (Tax Relief) Bill (No. 2) 2004.

The Bill proposes amendments to the *Pay-roll Tax Assessment Act 2002* and *Taxation Administration Act 2003*.

The proposed amendments to the *Pay-roll Tax Assessment Act 2002* are aimed at reducing compliance costs for employers and improving their working capital and cash flow.

These amendments facilitate the simplification of the pay-roll tax regime by aligning pay-roll tax administration with modern business practices and electronic commerce initiatives.

From 1 January 2005, pay-roll tax payers with an annual Western Australian tax liability of below \$20,000 will be able to elect to pay their tax once a year, rather than on a monthly basis.

From 1 July 2006, pay-roll tax payers whose annual liability falls between \$20,000 and \$100,000, will be able to elect to pay their pay-roll tax on a quarterly basis by using the Office of State Revenue's Revenue Online system.

The remaining taxpayers will be required to lodge and pay monthly using Revenue Online.

It is expected that some 5,000 medium-sized businesses will benefit from the new lodgement arrangements.

The pay-roll tax administrative measures are estimated to cost \$17.9 million over the next four years.

This Bill also includes amendments that complement the change to the pay-roll tax rate that takes effect from 1 January 2005 contained in the Revenue Laws Amendment (Tax Relief) Bill (No. 2) 2004.

These complementary amendments ensure that the tax-free threshold of \$750,000 is appropriately apportioned in circumstances where there are seasonal fluctuations in wages, or changes to the status of a taxpayer over the course of the year.

Apportioning the annual threshold in 2004-05 is necessary as different rates apply in the first and second half of the financial year.

An amendment to the *Taxation Administration Act 2003* is proposed to ensure that from 1 July 2005, land tax assessments of less than \$20 will not be issued unless the taxpayer is also liable for metropolitan region improvement tax.

The Bill also includes provisions to ensure that any taxpayers who pay conveyance duty on instruments executed on or after 29 October 2004, and before legislation for the 10% cut in conveyance duty rates and increased first home owner thresholds is passed, will receive the appropriate refund. This provision allows for the reassessment of duty on such instruments at the lower rates of conveyance duty.

Overall, the estimated cost of the measures in this Bill and the Revenue Laws Amendment (Tax Relief) Bill (No. 2) 2004 is \$121 million in this financial year, and \$1,113 million over the period to 2008-09.

Part 1 - Preliminary

Clause 1: Short title

This clause provides that the Act may be cited as the *Revenue Laws Amendment (Tax Relief) Act 2004*.

Clause 2: Commencement

This clause sets out the dates of commencement of the amendments in the Bill.

Subclause (1) provides that the Act commences on the day that it receives Royal Assent, subject to the alternative dates in subclauses (2) and (3).

Subclause (2) provides that Part 2 Divisions 1 and 2 commence on 1 January 2005. Those Divisions relate to the ability to change certain pay-roll tax lodgement arrangements and provide for the change of the pay-roll tax rate with effect from 1 January 2005.

Subclause (3) provides that Part 2 Division 3 commences on 1 July 2006. That Division also relates to the ability to change certain pay-roll tax lodgement arrangements.

Part 2 – *Pay-roll Tax Assessment Act 2002* amended

Division 1 – The Act Amended

Clause 3: The Act amended

This clause provides that the amendments in this Part are to the *Pay-roll Tax Assessment Act 2002*.

Division 2 – Amendments commencing on 1 January 2005

Clause 4: Section 22A inserted

This clause inserts the new section 22A.

Subsection (1) provides that this section modifies the provisions of the *Pay-roll Tax Assessment Act 2002* with reference to the pay-roll tax rate, and related provisions, as applied to the assessment year which commences on 1 July 2004 (the “**2004/5 year**”).

Subsection (2) provides that the modifications effected by this section are required because the rate of pay-roll tax for the first six months of the 2004/5 year (the “**old rate**”) is different from the rate of pay-roll tax for the last six months of the 2004/5 year (the “**new rate**”). The first six months of the 2004/5 year are referred to as the “**first period**” and the last six months of the 2004/5 year are referred to as the “**second period**”.

Subsection (3) provides that for the purposes of the calculation of an amount of pay-roll tax which is payable under this Act, the old rate applies to the whole or part of a return period which falls within the first period, and the new rate applies to the second period.

Subsection (4) provides the method to be applied for the purposes of the calculation of an amount of pay-roll tax payable by an employer, or group of employers for the whole or part of the 2004/5 year (the “**tax period**”). The total amount of pay-roll tax payable by the employer or group is determined in accordance with subsection (5) to be the sum of

the pay-roll tax payable in the first and second periods. Separate amounts are to be calculated for the employer's period of liability prior to 1 January 2005 (the "**first part of the tax period**") and the period of liability after 31 December 2004 (the "**second part of the tax period**").

Subsection (5) provides for the application of the rate of pay-roll tax and the calculation of the apportionment of the threshold amount for an employer's period of liability that is the whole or part of the 2004/5 year. The term "**relevant part period**" is used to designate an employer's period of liability within either the first part of the tax period or the second part of the tax period.

For the purposes of the calculation of an amount of pay-roll tax that is payable under this Act for the 2004/5 year, a reference to the assessment year is taken to be a reference to the first period or the second period, as appropriate. The old rate is to be applied to the WA taxable wages paid or payable in the first period, and the new rate is to be applied to the WA taxable wages paid or payable in the second period. A reference to the annual threshold amount in the *Pay-roll Tax Assessment Act 2002* is to be multiplied by the part period factor F, as specified.

Paragraph (a) provides that a reference in the *Pay-roll Tax Assessment Act 2002* to the tax period is taken to be a reference to the relevant part period, except in a reference to an annual threshold amount or an apportioned threshold amount.

Paragraph (b) provides that a reference to the pay-roll tax rate is taken to be the old rate, if the relevant part period is the first part of the tax period, and is taken to be the new rate, if the relevant part period is the second part of the tax period.

Paragraph (c) provides that the annual threshold amount for the assessment year for a local non-group employer, as referred to in section 10(1)(b), is to be multiplied by the part period factor as defined in subsection (6) for the purposes of determining that employer's liability to pay-roll tax for the 2004/5 year.

Paragraph (d) provides that if a provision of the *Pay-roll Tax Assessment Act 2002* refers to an apportioned threshold amount for the tax period under section 12(1), 14, or 18, as the case requires, the calculation of the apportioned threshold

amount is to be modified by multiplying the amount that T represents in the formula by the part period factor as defined in subsection (6).

Subsection (6) provides the method of calculation of the “**part period factor**” for the purposes of subsections (5)(c) and (d).

The part period factor means the amount represented by the variable “F” where $F = W_p/W$, where W_p is the total amount of WA taxable wages paid or payable by the employer, or group, during the relevant part period and W is the total amount of WA taxable wages paid or payable by the employer, or group, during the tax period.

This means that the threshold amount for an employer is apportioned according to the amount of wages paid in the relevant part period as a fraction of the wages paid in the tax period.

The examples provided in Attachment 1 to this memorandum illustrate the application of the provisions of the new section 22A.

Clause 5: **Section 29 amended and transitional provisions**

Subclause (1) amends section 29(1) to provide that a non-group employer, or a DGE on behalf of all members of a group, may apply to the Commissioner for exemption from the requirement to lodge monthly returns.

Subclause (2) inserts subsections (1a), (1b), (1c) and (1d) after section 29(1).

Subsection (1a) provides that, except as stated in subsection (1c) or (1d), upon application from an employer, or DGE of a group, with an expected pay-roll tax liability for an assessment year of less than \$20,000, or a greater amount prescribed by regulation, the Commissioner is obliged to give an exemption from lodging returns on a monthly basis.

Subsection (1b) provides a definition of “**expected pay-roll tax liability**” for the purposes of subsection (1a). The expected pay-roll tax liability of an employer or group is the amount of pay-roll tax for which the employer or group would be liable if the employer or group were to pay, or be liable to pay, WA taxable wages and interstate wages of an

amount equal to those paid by the same employer, or group during the immediately preceding assessment year. Or, if the Commissioner is satisfied that the utilisation of the wage figures of the preceding year would not result in a reasonable approximation of the wages to be paid in the assessment year, then the wages as reasonably determined by the employer or, in the case of a group, the DGE.

In practical terms, for an employer with an ongoing pay-roll tax liability, the total of WA taxable wages and interstate wages (if any) for the previous assessment year, will be used to derive the expected pay-roll tax liability for the purposes of this definition.

Where an employer's circumstances change, or where the employer is only liable to pay pay-roll tax for part of the year, then the employer, or the DGE, may, having reasonably assessed their circumstances, provide to the Commissioner an approximation of the wages to be paid in the assessment year. Subject to paragraph (1c), this approximation of wages to be paid will be used to derive the expected pay-roll tax liability.

Subsection (1c) provides that the Commissioner may decline to exempt an employer, or group, from lodging monthly returns until the employer, or DGE, provides sufficient information to justify a determination of the expected pay-roll tax liability as required under subsection (1b).

Subsection (1d) provides that the Commissioner may decline to give an exemption if he considers that providing the exemption to lodge monthly returns would create an unacceptable risk to the revenue. By way of example, this provision could be used in the case of a taxpayer who has a history of late payment or non-lodgement of returns.

Subclause (3) amends section 29(2) by inserting "in any other circumstances" after "may", to provide that the Commissioner may exempt an employer from the requirement to lodge monthly returns in circumstances other than those explicitly stated in this section.

Subclause (4) inserts subsections (4a) and (4b).

Subsection (4a) provides that an exemption from the requirement to lodge monthly returns for members of a group must apply to every member of the group and must

result in each member of the group lodging returns on the same frequency. This ensures that all members of a group of employers are on the same footing as regards the requirement to lodge returns.

Subsection (4b) provides that an exemption under subsection (1a) cannot exclude the operation of subsection (8)(a). This means that an employer who is exempt from lodging monthly returns is still required to lodge an annual return within 21 days after the end of the assessment year.

Subclause (5) amends section 29(6) to provide that the Commissioner cannot revoke an exemption from the obligation to lodge monthly returns unless the person benefiting from the exemption consents to the revocation, or the Commissioner considers that the exemption creates an unacceptable risk to revenue.

Subclause (6) is a transitional provision which preserves the effect and conditions of any exemption from the requirement to lodge monthly returns provided to an employer or group prior to the commencement of this section.

Clause 6: Glossary amended

Subclause (1) provides that the amendments in this section are to the Glossary at the end of the *Pay-roll Tax Assessment Act 2002*.

Subclause (2) makes amendments to Clause 1 of the Glossary.

Paragraph (a) amends the definition of “pay-roll tax rate” by inserting the word “progressive” before “return period” in the first place where it occurs and by deleting “return” before “period” in the second place where it occurs.

Paragraph (b) inserts a new self-explanatory definition of “progressive return period” in the appropriate alphabetical position. From 1 July 2006, a progressive return period may be monthly, quarterly, or semi-annual. However, for the 2004/5 year, progressive return periods will only be monthly.

Division 3 - Amendments commencing on 1 July 2006

Clause 7: Section 11 amended

This clause amends section 11 of the *Pay-roll Tax Assessment Act 2002* by:

- deleting “monthly” and inserting instead “progressive”;
- deleting “month” in the first place where it occurs and inserting instead “progressive return period”; and
- deleting “month” in each place where it occurs in paragraph (a) or (b) and inserting instead “period”.

These amendments provide for the determination of the amount of pay-roll tax payable by a local non-group employer that is required to lodge returns on a progressive return period basis.

Clause 8: Section 12 amended

This clause amends section 12(2) by:

- deleting “month” in the first two places where it occurs and inserting instead “progressive return period”;
- inserting “N x ” before “T” in the formula, and deleting “M” and inserting instead “P”;
- by inserting “N is the number of months in the period” before the description of “T”;
- in the description of “D”, by deleting “month” in both places where it occurs and inserting instead “period”; and
- deleting the description of “M” and inserting instead “P is the number of days in the period”.

These amendments provide for the determination of the apportioned threshold amount for a local non-group employer that is required to lodge returns on a progressive return period basis.

The provisions previously only applied to a monthly return period, but will now also operate for quarterly returns.

It should be noted that the variable “N” may only be a whole number. Where an employer is only liable for part of a month within a progressive return period, then “N” should be rounded up to the nearest whole number.

The following examples illustrate the application of these amendments.

Example 1

An employer lodging returns on a monthly basis and liable for the whole month.

$$A = N \times T \times \frac{D}{P}$$

Where:

N is the number of months in the period

T is the monthly threshold amount for the assessment year

D is the number of days in the period, or part of the period during which WA taxable wages were paid or payable

P is the number of days in the period

$$A = 1 \times 62,500 \times \frac{30}{30}$$

$$A = \$62,500$$

Example 2

An employer lodging returns on a monthly basis who commences on 10 April 2007.

Using the formula in example 1:

$$A = 1 \times 62,500 \times \frac{21}{30}$$

$$A = \$43,750$$

Example 3

An employer lodging returns on a quarterly basis and liable for the whole of the period 1 April 2007 to 30 June 2007.

Using the formula in example 1:

$$A = 3 \times 62,500 \times \frac{91}{91}$$

$$A = \$187,500$$

Example 4

An employer lodging returns on a quarterly basis who commences on 10 April 2007.

Using the formula in example 1:

$$A = 3 \times 62,500 \times \frac{82}{91}$$

$$A = \$168,956$$

Clause 9: Section 15 amended

Subclause (1) amends section 15(1):

- by deleting “month” in the first place where it occurs and inserting instead “progressive return period”; and
- in paragraph (a) by deleting “month” and inserting instead “period”.

Subclause (2) amends section 15(8) by inserting “progressive” before “return period”.

These amendments provide for the determination of the amount of pay-roll tax payable by an interstate non-group employer that is required to lodge returns on a progressive return period basis.

The provisions previously only applied to a monthly return period, but will now also operate for quarterly returns.

Clause 10: Section 16 amended

This clause amends section 16(1) and 16(2) by inserting “progressive” before “return periods”.

These amendments provide for the annual reconciliation of the pay-roll tax payable by a non-group employer that is required to lodge returns on a progressive return period basis.

Clause 11: Section 19 amended

Subclause (1) amends section 19(1) by:

- deleting “monthly” and inserting instead “progressive”; and
- deleting the word “return” before “period.” at the end of the subsection.

These amendments provide for the determination of the pay-roll tax payable by an employer that is a member of a group (except the DGE) that is required to lodge returns on a progressive return period basis.

The provisions previously only applied to a monthly return period, but will now also operate for quarterly returns.

Subclause (2) amends section 19(2) by:

- deleting “monthly” and inserting instead “progressive”; and
- deleting the word “return” before “period;” at the end of paragraph (a).

These amendments provide for the determination of the pay-roll tax payable by the DGE of a group that is required to lodge returns on a progressive return period basis.

The provisions previously only applied to a monthly return period, but will now also operate for quarterly returns.

Clause 12: Section 20 amended

This clause amends section 20(1) and 20(2) by inserting “progressive” before the words “return periods”.

These amendments provide for the annual reconciliation of the pay-roll tax payable by the members of a group that is required to lodge returns on a progressive return period basis.

Clause 13: Section 27 amended

This clause amends section 27(1) by deleting “monthly” and inserting instead “returns for progressive return periods”.

This amendment provides that a non-group employer who lodges returns on a progressive return period basis, or who is liable to pay interstate taxable wages for an assessment year, must also lodge an additional return for the assessment year declaring interstate taxable wages.

Clause 14: Section 28A inserted

This clause inserts the new section 28A.

Subsection (1) provides that where an employer is required to lodge a return in a circumstance described in subsection (2) in relation to a progressive return period, or an additional return under section 27, both the lodgement of the return, and the payment of pay-roll tax that is due on the last day for lodging the return, must be made in the manner prescribed in the regulations.

The manner to be prescribed is lodgement of returns and payment of tax by electronic means.

Subsection (2) provides that subsection (1) applies where:

- an employer has, or is a member of a group that has, an expected pay-roll tax liability for an assessment year that is greater than, or equal to, the amount applying under section 29(1aa) (that amount being equal to, or greater than, \$100,000, or a greater amount prescribed by the regulations); and
- the employer is required to lodge a return for a progressive return period in that assessment year or, to lodge an additional return under section 27 for reconciliation purposes for that year; or
- a condition of an exemption from lodging monthly returns under section 29 requires a return to be lodged in accordance with this section. This will apply to employers lodging returns on a quarterly basis.

Subsection (3) provides that for the purposes of subsection (2)(a)(i) “expected pay-roll tax liability” has the same meaning given to that term in section 29(1b).

Clause 15: Section 29 amended and transitional provisions

Subclause (1) inserts a new subsection (1aa) after section 29(1a).

Subsection (1aa) provides that, except for the circumstances in which the Commissioner may decline, under subsection (1c) or (1d), to grant an exemption to an employer from lodging monthly returns, the Commissioner has to give such an exemption to an employer, or DGE of a group, upon application from that employer or DGE, where the expected pay-roll tax liability for the assessment year is greater than the amount specified in subsection (1a) (i.e. \$20,000, or a greater amount prescribed by regulation), but less than:

- \$100,000; or
- a greater amount prescribed for the purpose of this subsection by the regulations.

This subsection provides that an employer, or DGE of a group, is entitled to apply for an exemption from lodging monthly returns where the employer’s, or group’s, expected pay-roll tax liability for an assessment year falls between \$20,000 and \$100,000 (or a greater amount prescribed by the

regulations).

Subclause (2) amends section 29(1b) by deleting “subsection (1a)” and inserting instead “subsections (1a) and (1aa)”.

This amendment provides that the definition of expected payroll tax liability applies to both subsections (1a) and (1aa).

Subclause (3) amends section 29(4) by deleting “prescribed” and inserting “prescribed in the regulations” after “(if any)”, the first time it is mentioned.

Subclause (4) inserts new subsections (4c) and (4d).

Subsection (4c) provides that, without limiting any other conditions that can be prescribed in the regulations or specified in a notice, an exemption from lodging monthly returns provided under section (1aa) is granted subject to the conditions that:

- the return be lodged for each quarter, and the lodgement of the return, its form and the information it contains be as specified in section 26 of the *Pay-roll Tax Assessment Act 2002* as if a reference in that section to a month, were a reference to a quarter;
- the return be lodged in accordance with section 28A; and
- any return required under section 27 be also lodged in accordance with section 28A.

Subsection (4d) defines “quarter” for the purposes of subsection (4c). The definition is self-explanatory.

Subclause (5) amends section 29(6) by inserting “or (1aa)”, after “subsection (1a)” to provide that the Commissioner cannot revoke an exemption that subsection (1a) or (1aa) obliges the Commissioner to give, unless the person benefiting from the exemption consents to the revocation, or the Commissioner considers that the exemption creates an unacceptable risk to revenue.

Subclause (6) amends section 29(8) by:

- deleting “the notice of” in paragraph (a) and inserting instead “a condition of the”; and
- deleting paragraph (b) and inserting instead the following paragraph “(b) if a condition of the exemption requires returns to be lodged more frequently than annually, lodge returns as the condition requires.”.

This amendment provides that a person who is exempted from lodging monthly returns must lodge an annual return within 21 days after the end of the assessment year, unless a condition prescribed in the regulations, or specified in the notice of exemption, provides otherwise, or must lodge returns more frequently if the exemption is granted on that condition.

Subclause (7) is a transitional provision which preserves the effect and conditions of any exemption from the requirement to lodge monthly returns provided to an employer or group prior to the commencement of this section.

Clause 16: Section 45 amended

This clause inserts new paragraph 45(2)(fa).

The paragraph provides that regulations may be made where section 28A(1) applies to prescribe the manner of lodging a return or the making of a payment. Such regulations may include the electronic lodgement of a return or electronic payment.

Clause 17: Glossary amended

Subclause (1) provides that the amendments in this section are to the Glossary at the end of the Act.

Subclause (2) amends the definition of “return period” in Clause 1 of the Glossary, by deleting paragraph (c) and inserting a new paragraph (c) which provides that if an employer is exempt from lodging monthly returns under section 29, then a return period means a progressive return period if a condition of the exemption requires returns to be lodged more frequently than annually or, if no such condition is prescribed or specified, then, a return period means an assessment year.

Part 3 – *Taxation Administration Act 2003* amended

Clause 18: The Act amended

This clause provides that the amendments in this Part are to the *Taxation Administration Act 2003*.

Clause 19: Section 23 amended

This clause amends section 23(2)(c) so that the Commissioner is not required to issue an assessment notice where land tax has been waived in accordance with section 56 of the Act. Section 56 of the Act allows the Commissioner to waive the payment of tax up to a prescribed limit, which is currently \$20. This will ensure that an assessment notice does not have to be issued where land tax of less than \$20 is waived and a person does not have to pay metropolitan region improvement tax.

Part 4 - Reassessment

Clause 20: Certain instruments to be assessed again

Subclause (1) sets out certain definitions that are relevant for the purposes of this section. The definitions are self-explanatory.

Subclause (2) provides that the Commissioner must assess an instrument in accordance with the provisions of the *Stamp Act 1921* as amended by the *Revenue Laws Amendment (Tax Relief) Act (No. 2) 2004* where the instrument was first executed on or after 29 October 2004 and the instrument has been assessed in accordance with the provisions of the *Stamp Act 1921* as enacted immediately before 29 October 2004.

Subclause (3) provides that subsection (2) does not allow the Commissioner to assess an instrument in accordance with the provisions of the *Stamp Act 1921* as amended by the *Revenue Laws Amendment (Tax Relief) Act (No. 2) 2004* where the instrument is executed on or after 29 October 2004, but replaces an instrument to the extent that it includes the same property that was included in the instrument executed prior to 29 October 2004.

Subclause (4) ensures that the reassessment and refund provisions of the *Taxation Administration Act 2003* apply in relation to an assessment made by the Commissioner under subsection (2).

SECTION 22A - APPLICATION OF CALCULATION PROVISIONS

EXAMPLE 1 - LOCAL NON-GROUP EMPLOYER FOR WHOLE OF ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the employer during the relevant part period

W is the total amount of WA taxable wages paid or payable by the employer during the tax period (2004/05 year)

For example:

	Wages
1/7/04 - 31/12/04	350,000
1/1/05 - 30/06/05	500,000

$$\text{Period 1} \quad A = 750,000 \quad \times \quad \frac{350,000}{850,000} \quad = \quad 308,824$$

$$\text{Period 2} \quad A = 750,000 \quad \times \quad \frac{500,000}{850,000} \quad = \quad 441,176$$

Tax Payable	Period 1	Period 2	
Taxable Wages	350,000	500,000	
Threshold Amount	<u>308,824</u>	<u>441,176</u>	
Wages to be taxed	41,176	58,824	
Rate of Tax	6%	5.5%	
Tax Payable	\$2,470.56	\$3,235.32	Total \$5,705.88

EXAMPLE 2 - LOCAL NON-GROUP EMPLOYER FOR PART OF ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W} \times \frac{P}{Y}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the employer during the relevant part period

W is the total amount of WA taxable wages paid or payable by the employer during the tax period (2004/05 year)

P is the number of days in the assessment year for which wages were paid or payable

Y is the number of days in the assessment year

For example: Wages

1/12/04 - 31/12/04	300,000
1/1/05 - 30/06/05	400,000

$$\text{Period 1} \quad A = 750,000 \times \frac{300,000}{700,000} \times \frac{212}{365} = 186,693$$

$$\text{Period 2} \quad A = 750,000 \times \frac{400,000}{700,000} \times \frac{212}{365} = 248,924$$

Tax Payable	Period 1	Period 2	
Taxable Wages	300,000	400,000	
Threshold Amount	<u>186,693</u>	<u>248,924</u>	
Wages to be taxed	113,307	151,076	
Rate of Tax	6%	5.5%	
Tax Payable	\$6,798.42	\$8,309.18	Total \$15,107.60

EXAMPLE 3 - INTERSTATE NON-GROUP EMPLOYER FOR WHOLE ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W} \times \frac{W}{W+I}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the employer during the relevant part period

W is the WA taxable wages paid or payable by the employer during the assessment year

I is the interstate taxable wages paid or payable by the employer during the assessment year

For example:	WA Wages	Interstate Wages	Total Wages
1/7/04 - 31/12/04	150,000	350,000	500,000
1/1/05 - 30/06/05	200,000	400,000	<u>600,000</u>
			1,100,000

$$\text{Period 1} \quad A = 750,000 \times \frac{150,000}{350,000} \times \frac{350,000}{1,100,000} = 102,273$$

$$\text{Period 2} \quad A = 750,000 \times \frac{200,000}{350,000} \times \frac{350,000}{1,100,000} = 136,364$$

Tax Payable	Period 1	Period 2	
Taxable Wages	150,000	200,000	
Threshold Amount	<u>102,273</u>	<u>136,364</u>	
Wages to be taxed	47,727	63,636	
Rate of Tax	6%	5.5%	
Tax Payable	\$2,863.62	\$3,499.98	Total \$6,363.60

EXAMPLE 4 - INTERSTATE NON-GROUP EMPLOYER FOR PART OF AN ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W} \times \frac{W}{W+I} \times \frac{P}{Y}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the employer during the relevant part period

W is the WA taxable wages paid or payable by the employer during the assessment year

I is the interstate taxable wages paid or payable by the employer during the assessment year

P is the number of days in the assessment year for which wages were paid or payable

Y is the number of days in the assessment year

For example:	WA Wages	Interstate Wages	Total Wages
1/12/04 - 31/12/04	100,000	350,000	450,000
1/1/05 - 30/06/05	250,000	400,000	<u>650,000</u>
			1,100,000

$$\text{Period 1 } A = 750,000 \times \frac{100,000}{350,000} \times \frac{350,000}{1,100,000} \times \frac{212}{365} = 39,601$$

$$\text{Period 2 } A = 750,000 \times \frac{250,000}{350,000} \times \frac{350,000}{1,100,000} \times \frac{212}{365} = 99,004$$

Tax Payable	Period 1	Period 2	
Taxable Wages	100,000	250,000	
Threshold Amount	<u>39,601</u>	<u>99,004</u>	
Wages to be taxed	60,399	150,997	
Rate of Tax	6%	5.5%	
Tax Payable	\$3,623.94	\$8,304.78	Total \$11,928.72

EXAMPLE 5 - GROUP FOR WHOLE ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W} \times \frac{W}{W+I}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the group during the relevant part period

W is the WA taxable wages paid or payable by the group during the assessment year

I is the interstate taxable wages paid or payable by the group during the assessment year

For example:	WA Wages	Interstate Wages	Total Wages
1/7/04 - 31/12/04	500,000	1,200,000	1,700,000
1/1/05 - 30/06/05	800,000	1,500,000	<u>2,300,000</u>
			4,000,000

$$\text{Period 1} \quad A = 750,000 \times \frac{500,000}{1,300,000} \times \frac{1,300,000}{4,000,000} = 93,750$$

$$\text{Period 2} \quad A = 750,000 \times \frac{800,000}{1,300,000} \times \frac{1,300,000}{4,000,000} = 150,000$$

Tax Payable	Period 1	Period 2	
Taxable Wages	500,000	800,000	
Threshold Amount	<u>93,750</u>	<u>150,000</u>	
Wages to be taxed	406,250	650,000	
Rate of Tax	6%	5.5%	
Tax Payable	\$24,375.00	\$35,750.00	Total \$60,125.00

EXAMPLE 6 - GROUP FOR PART OF AN ASSESSMENT YEAR

Apportioned threshold amount for each part period

$$T \times \frac{W_p}{W} \times \frac{W}{W+I} \times \frac{P}{Y}$$

T is the annual threshold amount for the assessment year

W_p is the WA taxable wages paid or payable by the group during the relevant part period

W is the WA taxable wages paid or payable by the group during the assessment year

I is the interstate taxable wages paid or payable by the group during the assessment year

P is the number of days in the assessment year for which wages were paid or payable

Y is the number of days in the assessment year

For example: Wages	WA Wages	Interstate Wages	Total
1/12/04 - 31/12/04	200,000	1,000,000	
1,200,000			
1/1/05 - 30/06/05	800,000	1,500,000	
<u>2,300,000</u>			
3,500,000			
Period 1 A =	750,000	x	<u>200,000</u> x <u>1,000,000</u> x <u>212</u> =
24,892		1,000,000	3,500,000 365
Period 2 A =	750,000	x	<u>800,000</u> x <u>1,000,000</u> x <u>212</u> =
99,569		1,000,000	3,500,000 365
Tax Payable	Period 1	Period 2	
Taxable Wages	200,000	800,000	
Threshold Amount	<u>24,892</u>	<u>99,569</u>	
Wages to be taxed	175,108	700,431	
Rate of Tax	6%	5.5%	
Tax Payable	\$10,506.48	\$38,523.71	Total \$49,030.19

