



Payroll Tax

Calculation of Tax Payable – Local Non-group Employer

Pay-roll Tax Assessment Act 2002

As at 28 June 2016

This fact sheet explains how payroll tax for local non-group employers in Western Australia (WA) is calculated. The '[Payroll Tax Employer Guide](#)' should be read in conjunction with this fact sheet.

Introduction

From 1 July 2016, the annual tax-free threshold gradually phases out for employers or groups of employers with annual taxable wages in Australia between \$850,000 and \$7.5 million. Employers with annual taxable wages of \$7.5 million or more will pay payroll tax on their entire taxable wages.

For periods before 1 July 2016, please refer to the archived [Calculation of Tax Payable](#) fact sheet.

Definition of a Local Non-group Employer

A local non-group employer is an employer who pays wages only in WA and is not related to, or grouped for payroll tax purposes with, any other wage-paying entity.

Calculating Your Payroll Tax Liability

Payroll tax in WA is calculated at the rate of 5.5% on the difference between the taxable wages paid by an employer in WA and the deductible amount of the tax-free threshold to which the employer is entitled. This is calculated after your taxable wages have been declared and can be estimated using the online [Payroll Tax Calculator](#).

Annual and monthly threshold amounts

Payroll tax becomes payable when the total WA taxable wages paid by an employer, or group of employers, exceed the monthly and annual threshold amount.

The tax-free annual threshold amount is \$850,000 (equates to \$70,833 monthly) and can be apportioned (pro-rata) for part periods if applicable.

Note: Apportioned thresholds are applicable in, but not limited to, circumstances where the employer does not pay wages for a whole financial year, becomes a member of a group, or where a business is sold or acquired during the year.

Upper threshold amount

The upper threshold is the amount at which the tax-free threshold phases out. The upper threshold is \$7.5 million and can be apportioned for part periods if applicable.

Once the total WA taxable wages are equal to or exceed the upper threshold amount, payroll tax is payable on the employer's total WA taxable wages without any deduction.

Deductable amount

The deductible amount is the amount employers may be entitled to deduct from their WA taxable wages and is calculated by using a tapering value formula.

Tapering Value

A tapering value formula is used to calculate the gradual reduction in the deductible amount which employers may claim against their WA taxable wages between the annual threshold amount and the upper threshold amount.

Tapering value

annual threshold amount / (upper threshold amount – annual threshold amount)
\$850,000 / (\$7,500,000 - \$850,000) → simplified to 17/133
= 0.1278195488721800

Calculation of the deductible amount for a monthly or quarterly return period or part period

To determine the payroll tax payable for a monthly or quarterly return period or part thereof, both the apportioned threshold and upper threshold amounts must first be calculated.

Apportioned threshold

Number of months in the return period x monthly threshold amount x (number of days taxable wages paid or payable in the return period / number of days in the return period)

Apportioned upper threshold

Number of months in the return period x (upper threshold amount / 12) x (number of days taxable wages paid or payable in the return period / number of days in the return period)

Apportioned deductible amount

apportioned threshold amount – [(total taxable wages – apportioned threshold amount) x tapering value]

Calculation of the deductible amount for an annual tax liability for the whole or part of a financial year

To determine the payroll tax payable for part of a financial year, both the apportioned annual threshold and upper threshold amounts must first be calculated.

Full year deductible amount

annual threshold amount – [(total taxable wages – annual threshold amount) x tapering value]

Apportioned annual threshold

annual threshold amount x (number of days in the part-year/number of days in the year)

Apportioned upper threshold

upper threshold amount x (number of days in the part-year/number of days in the year)

Apportioned deductible amount

apportioned annual threshold amount – [(total taxable wages – apportioned annual threshold amount) x tapering value]

Annual Reconciliation and Adjustments

Annual reconciliation is the process of finalising the payroll tax returns for the financial year, determining the actual deductible amount and calculating the total payroll tax payable for the financial year.

After the actual deductible amount is calculated at annual reconciliation using the actual total WA taxable wages submitted, a credit or debit amount is identified based on the difference between the estimated deductible amount that was allocated for monthly or quarterly return periods and the actual deductible amount from annual reconciliation.

Please refer to the [Annual Reconciliation webpage](#) for further information.

Contact the Office of State Revenue

Office	Office of State Revenue Plaza Level 200 St Georges Terrace PERTH WA 6000	Telephone	08 9262 1300 1300 368 364 (WA country callers only – local call charge)
Office hours	8:00 am – 5:00 pm Monday to Friday	Web Enquiry	www.osr.wa.gov.au/PayrollEnquiry
Postal	Office of State Revenue GPO Box T1600 PERTH WA 6845	Website	www.osr.wa.gov.au

Note: The information contained in this FACT SHEET is issued for guidance purposes only. It is not an exhaustive explanation of the provisions of the *Pay-roll Tax Assessment Act 2002* and reference should be made to this Act for complete details.

Appendix

Examples of calculation of monthly payroll tax payable for the whole of a financial year

Example 1: WA taxable wages less than or equal to \$70,833 per month

An employer who lodges payroll tax returns on a monthly basis pays taxable wages in WA of \$50,000 for the entire month of July 2016. As the taxable wages are below the monthly threshold amount of \$70,833, no payroll tax is payable.

Example 2: WA taxable wages of between \$70,833 and \$625,000 per month

An employer who lodges payroll tax returns on a monthly basis pays taxable wages in WA of \$100,000 for the entire month of July 2016. The apportioned threshold amount for the July 2016 return period is calculated as follows:

number of months in the return period x monthly threshold amount x (number of days taxable wages paid or payable in the return period / number of days in the return period)

$$1 \times \$70,833 \times (31 / 31) = \$70,833$$

The deductible amount and tax payable for the July 2016 return period is calculated as follows:

apportioned threshold amount – [(total taxable wages – apportioned threshold amount) x tapering value]

$$\$70,833 - [(\$100,000 - \$70,833) \times (17/133)]$$

Step 1: Subtract the apportioned threshold amount from the total taxable wages for July

$$\$100,000 - \$70,833 = \$29,167$$

Step 2: Multiply the answer in step 1 by 17/133

$$\$29,167 \times 17 \text{ divided by } 133 = \$3,728$$

Step 3: Subtract the answer in step 2 from the apportioned threshold amount

$$\$70,833 - \$3,728 = \$67,105 \text{ (this is the deductible amount)}$$

Step 4: Subtract the answer in step 3 from the total taxable wages for July 2016

$$\$100,000 - \$67,105 = \$32,895$$

Step 5: Multiply the answer in step 4 by the payroll tax rate of 5.5%

$$\$32,895 \times 5.5\% = \$1,809.23 \text{ payroll tax payable}$$

Example 3: WA taxable wages of \$625,000 or more per month

An employer lodges monthly payroll tax returns and pays taxable wages in WA of \$1,600,000 for the entire month of July 2016.

The deductible amount would be calculated as \$0 as the total taxable wages are in excess of the apportioned upper threshold limit of \$625,000.

Payroll tax is calculated as follows:

$$\$1,600,000 \times 5.5\% = \$88,000$$

Examples of calculation of annual payroll tax payable for the whole of a financial year

Example 4: WA taxable wages less than or equal to \$850,000

An employer pays wages in WA of \$790,000 for the entire financial year beginning on 1 July 2016. As the taxable wages are below the annual threshold amount of \$850,000, no payroll tax is payable.

Example 5: WA taxable wages between \$850,000 and \$7.5 million

An employer pays wages in WA of \$1,470,000 for the entire financial year beginning on 1 July 2016. The deductible amount and tax payable for the 2016/2017 financial year is calculated as follows:

annual threshold amount – [(total taxable wages – annual threshold amount) x tapering value]

$$\$850,000 - [(\$1,470,000 - \$850,000) \times (17/133)]$$

Step 1: Subtract the annual threshold amount from the total taxable wages

$$\$1,470,000 - \$850,000 = \$620,000$$

Step 2: Multiply the answer in step 1 by 17/133

$$\$620,000 \times 17 \text{ divided by } 133 = \$79,248$$

Step 3: Subtract the answer in step 2 from the annual threshold amount

$$\$850,000 - \$79,248 = \$770,752 \text{ (this is the deductible amount)}$$

Step 4: Subtract the answer in step 3 from the total taxable wages

$$\$1,470,000 - \$770,752 = \$699,248$$

Step 5: Multiply the answer in step 4 by the payroll tax rate of 5.5%

$$\$699,248 \times 5.5\% = \$38,458.64 \text{ payroll tax payable}$$

Example 6: WA taxable wages of \$7.5 million or more

An employer pays wages in WA of \$20,000,000 for the entire financial year beginning on 1 July 2016. The deductible amount would be calculated as \$0 as the total taxable wages are in excess of the upper threshold limit of \$7,500,000.

Payroll tax is calculated as follows:

$$\$20,000,000 \times 5.5\% = \$1,100,000$$

Examples of calculation of apportioned payroll tax payable for part of a financial year

Example 7: WA taxable wages less than or equal to apportioned annual threshold

An employer pays wages in WA of \$375,000 for the part of the financial year from 1 July 2016 to 30 December 2016 (183 days). The apportioned annual threshold amount is calculated as follows:

annual threshold amount x (number of days in the part-year / number of days in the year)

$$\$850,000 \times (183 / 365)$$

Step 1: Divide the number of days wages paid by the number of days in the year

$$183 / 365 = 0.501369863$$

Step 2: Multiply the annual threshold amount by the answer in step 1

$$\$850,000 \times 0.501369863 = \$426,164$$

As the taxable wages of \$375,000 for the part-year are below the apportioned annual threshold of \$426,164, no payroll tax is payable.

Example 8: WA taxable wages between \$850,000 and \$7.5 million of apportioned annual threshold

An employer pays wages in WA of \$2,000,000 for the part of the financial year from 1 March 2017 to 30 June 2017 (122 days). The apportioned annual threshold amount is calculated as follows:

annual threshold amount x (number of days in the part-year / number of days in the year)

$$\$850,000 \times (122 / 365)$$

Step 1: Divide the number of days wages paid by the number of days in the year

$$122 / 365 = 0.334246575$$

Step 2: Multiply the annual threshold amount by the answer in step 1

$$\$850,000 \times 0.334246575 = \$284,110 \text{ (this is the apportioned annual threshold amount)}$$

The apportioned upper threshold amount is calculated as follows:

upper threshold amount x (number of days in the part-year / number of days in the year)

$$\$7,500,000 \times (122 / 365)$$

Step 3: Multiply the upper threshold amount by the answer in step 1

$$\$7,500,000 \times 0.334246575 = \$2,506,849$$

As the taxable wages of \$2,000,000 for the part-year fall within the apportioned annual and upper threshold amounts, the deductible amount and payroll tax payable is calculated as follows:

apportioned annual threshold amount – [(total taxable wages – apportioned annual threshold amount) x tapering value]

$$\$284,110 - [(\$2,000,000 - \$284,110) \times (17/133)]$$

Step 4: Subtract the apportioned annual threshold amount from the total taxable wages

$$\$2,000,000 - \$284,110 = \$1,715,890$$

Step 5: Multiply the answer in step 4 by 17/133

$$\$1,715,890 \times 17 \text{ divided by } 133 = \$219,324$$

Step 6: Subtract the answer in step 5 from the apportioned annual threshold amount

$$\$284,110 - \$219,324 = \$64,786$$

Step 7: Subtract the answer in step 6 from the total taxable wages

$$\$2,000,000 - \$64,786 = \$1,935,214$$

Step 8: Multiply the answer in step 7 by the payroll tax rate of 5.5%

$$\$1,935,214 \times 5.5\% = \$106,436.77 \text{ payroll tax payable}$$

Example 9: WA taxable wages of \$7.5 million or more of apportioned annual threshold

An employer pays wages in WA of \$5,500,000 for the part of the financial year from 1 July 2016 to 29 February 2017 (243 days). The apportioned upper threshold amount is calculated as follows:

upper threshold amount x (number of days in the part-year / number of days in the year)

$$\$7,500,000 \times (243 / 365)$$

Step 1: Divide the number of days wages paid by the number of days in the year

$$243 / 365 = 0.665753425$$

Step 2: Multiply the upper threshold amount by the answer in step 1

$$\$7,500,000 \times 0.665753425 = \$4,993,151$$

As the employer's taxable wages for the part-year are above the apportioned upper threshold amount of \$4,993,151 payroll tax is payable on the total taxable wages of \$5,500,000.

Payroll tax is calculated as follows:

$$\$5,500,000 \times 5.5\% = \$302,500$$