Calculation of Payroll Tax

Frequency of Returns and Payment

Payroll tax is a monthly tax. For each month, the employer is required to:

- lodge a monthly payroll tax return; and
- pay the payroll tax due under that return.

The return and payment is required not later than the 21st day of the next month.

An exception to the requirement to lodge a monthly return will normally be granted when an employer's estimated NT payroll tax liability is not more than $8400 per year – see Monthly Returns – in which case the return and payment is required annually.

Payroll Tax Rate

From 1 July 2011, the payroll tax rate is 5.5 per cent of NT wages, after deducting the Annual Deductible Amount (if any).

Prior payroll tax rates will continue to apply to wages paid or payable in respect of periods up to and including 30 June 2011.

See Appendix 1 for historical payroll tax rates and Threshold Amounts.

Introduction to Threshold Amount, Annual Deductible Amount and Monthly Deductible Amount

Threshold Amount

From 1 July 2011, the annual payroll tax Threshold Amount (previously known as the "General Exemption") increased from $1.25 million to $1.5 million. This means that an employer, or a group of employers, with total Australian wages of up to $1.5 million will not pay any payroll tax in the NT.

The pre-1 July 2011 threshold of $1.25 million operated as a general exemption, i.e. the full $1.25 million (or a relevant proportion for employers or groups of employers that pay interstate wages) was exempt from tax irrespective of the amount of wages paid.

From 1 July 2011, the threshold will change from a general exemption to a deduction from an employer's taxable wages. The amount of the deduction depends on the amount by which the employer's (or group's) annual total Australian wages exceed $1.5 million.

Annual Deductible Amount

For employers with wages above the $1.5 million Threshold Amount, the maximum amount to be deducted from the employer's wages, known as the Annual Deduction, will start at $1.5 million and reduce by $1 for every $4 in wages paid by employers above the Threshold Amount.

This means that an employer, or a group of employers, paying total Australian wages of $7.5 million or more in a year will not receive a deduction for that year.

In the same manner as the former General Exemption Deduction (or GED), the actual amount to be deducted from the employer's wages, known as the Annual Deductible Amount, is the Annual Deduction reduced in proportion to the NT component of the employer's or group's

total Australian wages and in proportion to the number of days in the year that the employer pays Australian wages.

Also, in the same manner as the former GED, only one Threshold Amount and Annual Deductible Amount applies to a group of employers. The Annual Deductible Amount available to the group will vary from a maximum of $1.5 million (where total Australian wages do not exceed $1.5 million) to nil (where total Australian wages equal or exceed $7.5 million).

Monthly Deductible Amount

Employers or groups with estimated wages of less than $7.5 million in a financial year are able to claim a Monthly Deductible Amount as a deduction against the monthly taxable wages. The Monthly Deductible Amount is one-twelfth of the employer's, or their group's, Annual Deductible Amount determined by reference to the estimated Australian wages for the current financial year.

Generally for employers who lodge monthly payroll tax returns through TRMeR, the Annual Deductible Amount (and therefore Monthly Deductible Amount) will automatically be based upon the employer's or group's NT and interstate wages from the previous financial year provided the employer was a registered taxpayer and lodged returns for each month of the prior financial year.

Where an employer determines that their wages, or the wages for the group, will be significantly different to the previous financial year, the employer can increase or decrease the wages estimate in TRMeR for the current financial year. A new Annual Deductible Amount will then be automatically calculated based on the updated estimate.

Part Year Employers

Where an employer did not employ in the NT for the whole of the previous financial year, or had a change in group status, the employer will need to nominate an estimate of NT and interstate wages for the current financial year. Failure to do so may result in a significant underpayment during the current financial year which may attract interest and/or penalty tax.

Annual Adjustment

The Monthly Deductible Amount is provisional and is subject to an annual adjustment at the end of the financial year, to reflect the difference between the estimated total wages and actual total wages paid in the financial year.

How a Taxpayer's Annual Deductible Amount is Calculated

While the maximum possible level of Annual Deductible Amount is $1 500 000, a taxpayer's individual Annual Deductible Amount entitlement is dependent on:

- whether the employer (and group members, where applicable) pay wages in the NT only;
- whether the employer (and group members, where applicable) pay wages in the NT and one or more other states;

- the overall value of NT wages (including group members, where applicable);
- the overall value of Australian wages (including group members, where applicable);
- whether or not the taxpayer is the Designated Group Employer of a group; and
- the proportion of total Australian wages that are paid in the NT.

Example 1:
NT only non-group employer – pays NT wages only of less than $1 500 000 per annum

Employer 1 Pty Ltd pays wages in the NT only and is not grouped.

In 2011-2012, Employer 1's NT wages are $1 400 000. However, as this is below the $1 500 000 threshold, no payroll tax is payable.

Example 2:
NT only non-group employer – pays NT wages only of between $1 500 000 and $7 500 000 per annum

Employer 2 Pty Ltd pays wages in the NT only and is not grouped.

In 2011-2012, Employer 2's wages are $3 000 000,

Its Annual Deductible Amount entitlement will be calculated using the following formula:

$$AD = TA - \left[\frac{TW + IW - TA}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$3\,000\,000 + \$0 - \$1\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$1\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \$375\,000$$

$$= \$1\,125\,000$$

2011-2012 payroll tax liability would be calculated as follows:

$$Tax = (TW - AD) \times \text{payroll tax rate } \%$$

$$= (\$3\,000\,000 - \$1\,125\,000) \times 5.5\%$$

$$= \$1\,875\,000 \times \$5.5\%$$

$$= \$103\,125$$

LEGEND:

AD Annual Deduction
TA Threshold Amount
TW Total taxable wages (taxable NT wages) paid by the employer during the financial year
IW Total taxable interstate wages paid by the employer during the financial year

Example 3:
NT only non-group employer – pays NT wages over $7 500 000 per annum

Employer 3 Pty Ltd pays wages in the NT only and is not grouped.

In 2011-2012, Employer 3's wages are $20 000 000.

As its wages are over $7 500 000, it is not entitled to claim any Annual Deductible Amount.

Its 2011-2012 payroll tax liability would be calculated as follows:

(TW– AD) x payroll tax rate %

= ($20 000 000 - $0)
= $20 000 000 x 5.5%
= $1 100 000

LEGEND:

TW Total taxable wages (taxable NT wages) paid by the employer during the financial year

AD Annual Deduction

Where a non-grouped employer pays wages in both the NT and other states, the same basic formula is used to calculate the Annual Deductible Amount entitlement, as per the following example.

Example 4:
Non-group employer – pays wages in the NT and in one or more other states

Employer 4 Pty Ltd is not grouped, and pays wages in the NT and in other states.

In 2011-2012, Employer 4's NT wages and interstate wages are $2 000 000 and $4 000 000 respectively.

Its Annual Deductible Amount entitlement and payroll tax liability is be calculated in 3 steps as follows:

Step 1: Calculate the Annual Deduction

$$AD = TA - \left[\frac{TW + IW - TA}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$2\,000\,000 + \$4\,000\,000 - \$1\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$4\,500\,000}{4}\right]$$

= $1 500 000 - $1 125 000
= $375 000

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Step 2: Calculate the Annual Deductible Amount (takes into account wages paid inside and outside the NT)

$$ADA = \left[\frac{TW}{TW + IW} \right] \times AD$$

$$= \left[\frac{\$2\,000\,000}{\$2\,000\,000 + \$4\,000\,000} \right] \times \$375\,000$$

$$= \frac{1}{3} \times \$375\,000$$

$$= \$125\,000$$

Step 3: Calculate payroll tax liability

Payroll tax liability = (TW - ADA) x payroll tax rate %

= ($2 000 000 - $125 000) x 5.5%
= $1 875 000 x 5.5%
= $103 125

LEGEND:

AD Annual Deduction
TA Threshold Amount
TW Total taxable wages (taxable NT wages) paid by the employer during the financial year
IW Total taxable interstate wages paid by the employer during the financial year
ADA Annual Deductible Amount

Where a grouped employer pays wages in both the NT and other states, the same basic formula is used to calculate the Annual Deductible Amount entitlement. The following example shows an employer that pays wages only in the NT, and where the other group members pay wages only outside the NT.

Example 5:
Grouped employer – pays wages in the NT only, group members pay wages interstate only

Employer 5 Pty Ltd is a member of a group, and is the only member of the group that pays wages in the NT.

Other members of the group pay wages outside the NT only.

In 2011-2012, Employer 5's NT wages and group interstate wages are $1 000 000 and $3 000 000 respectively.

Its Annual Deductible Amount entitlement and payroll tax liability is calculated in 3 steps as follows:

Continued on next page

Step 1: Calculate the Annual Deduction

$$AD = TA - \left[\frac{GTW + GIW - TA}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$1\,000\,000 + \$3\,000\,000 - \$1\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$2\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \$625\,000$$

$$= \$875\,000$$

Step 2: Calculate the Annual Deductible Amount

$$ADA = \left[\frac{GTW}{GTW + GIW}\right] \times AD$$

$$= \left[\frac{\$1\,000\,000}{\$1\,000\,000 + \$3\,000\,000}\right] \times \$875\,000$$

$$= \frac{1}{4} \times \$875\,000$$

$$= \$218\,750$$

Step 3: Calculate payroll tax liability

Payroll tax liability = (TW - ADA) x payroll tax rate %

= ($1 000 000 - $218 750) x 5.5%
= $781 250 x 5.5%
= $42 968

LEGEND:

AD Annual Deduction
TA Threshold Amount
GTW Total taxable group NT wages paid by the employer during the financial year
GIW Total taxable group interstate wages paid by the employer during the financial year
TW Total taxable wages (taxable NT wages) paid by the employer during the financial year
ADA Annual Deductible Amount

Where a grouped employer pays wages in both the NT and other states, the same basic formula is used to calculate the Annual Deductible Amount entitlement. The following example shows a group with wage payments in various states, including the NT.

Example 6:
Grouped employer – three group members – two NT based, one interstate

Employer 6A Pty Ltd and Employer 6B Pty Ltd are members of a group and both pay wages in the NT only.

Employer 6C Pty Ltd is also a member of the same group, but pays wages in Queensland only.

In 2011-2012, the wages of Employer 6A, 6B and 6C are $1 000 000, $500 000 and $2 000 000 respectively.

Employer 6A is the Designated Group Employer (DGE) and claims all the Annual Deductible Amount.

The payroll tax liability of Employer 6A and Employer 6B is calculated in the following steps:

Step 1: Calculate the Annual Deduction

$$AD = TA - \left[\frac{GTW + GIW - TA}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$1\,500\,000 + \$2\,000\,000 - \$1\,500\,000}{4}\right]$$

$$= \$1\,500\,000 - \left[\frac{\$2\,000\,000}{4}\right]$$

$$= \$1\,500\,000 - \$500\,000$$

$$= \$1\,000\,000$$

Step 2: Calculate the Annual Deductible mount for employer 6A

$$ADA = \left[\frac{GTW}{GTW + GIW}\right] \times AD$$

$$= \left[\frac{\$1\,500\,000}{\$1\,500\,000 + \$2\,000\,000}\right] \times \$\,1\,000\,000$$

$$= \frac{3}{7} \times \$1\,000\,000$$

$$= \$428\,571$$

Step 3: Calculate payroll tax liability for employer 6A

Payroll tax liability = (TW - ADA) x payroll tax rate %

= ($1 000 000 - $428 571) x 5.5%
= $571 429 x 5.5%
= $31 428

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Step 4: Calculate payroll tax liability for employer 6B (non-DGE therefore no Annual Deductible Amount entitlement)

Payroll tax liability = (TW - ADA) x payroll tax rate %

= ($500 000 - $0) x 5.5%
= $500 000 x 5.5%
= $27 500

LEGEND:

AD Annual Deduction
TA Threshold Amount
GTW Total taxable group NT wages paid by the employer during the financial year
GIW Total taxable group interstate wages paid by the employer during the financial year
ADA Annual Deductible Amount
TW Total taxable wages (taxable NT wages) paid by the employer during the financial year

Annual Adjustment Calculation

At the end of the financial year, all registered employers must complete an Annual Adjustment return by reconciling their wages and recalculating their payroll tax liability for the year. For a group, the DGE is required to recalculate the payroll tax liability of the group as a whole.

The return is an extended version of the monthly form and details the wages for the entire financial year. By examining these figures, any over or under payment occurring throughout the financial year can be adjusted in the payment of June's payroll tax liability.

Any adjustments for the previous financial year must not be recorded in the Annual Adjustment return. If a refund is payable for a previous financial year, a separate application in writing should be made to TRO.

Where there was an under-declaration made in a prior year (i.e. a year prior to the year for which the Annual Adjustment return is being completed), the employer should separately disclose this to the TRO by email, fax or letter apart from the Annual Adjustment return (and not include the under-declared wages in the return for the year just ending), as any such adjustment may require the issue of a separate assessment for the earlier year.

For non-group employers and DGEs, completion of the return involves recalculating the Annual Deductible Amount for the financial year based on the actual wages paid by the employer or group and the Australian employment period for that year.

TRMeR produces the Annual Adjustment return using the following steps:

Step 1: Calculate the Annual Deduction

$$AD = TA - \left[\frac{TW + IW - TA}{4}\right]$$

Step 2: Calculate the Annual Deductible Amount

$$ADA = \left[\frac{TW}{TW + IW}\right] \times AD$$

Step 3: Calculate payroll tax liability

payroll tax liability = (TW - ADA) x 5.5%

Step 4: Calculate payroll tax liability or refundable

From the liability calculated in Step 3, deduct payroll tax actually paid during the year. The balance is the amount owing (or refundable, where an overpayment was made in the first eleven months of the year).

LEGEND:

AD Annual Deduction

TA Threshold Amount

TW Total taxable wages (taxable NT wages) paid by the employer during the financial year

IW Total taxable interstate wages paid by the employer during the financial year

ADA Annual Deductible Amount

Nomination of Member of a Group to Claim the Annual Deduction

Only one member, who is nominated by the group (the DGE), can claim the Annual Deduction on behalf of the group. The approved nomination form F-PRT-003 is to be used. All other members are required to pay tax on their gross NT wages.