



2003-04 Budget Amendments

Pay-roll Tax Act

This circular provides information on proposed amendments to the Pay-roll Tax Act as part of the 2003-04 Budget. The changes outlined in this circular commence from 27 May 2003 and 1 July 2003.

Summary

In summary, the measures:

- (a) Reduce the pay-roll tax rate from 6.3 per cent to 6.2 per cent (effective 1 July 2003);
- (b) Allow designated group employers to lodge consolidated returns for, and pay tax on behalf of, members of a pay-roll tax group (effective 1 July 2003); and
- (c) Amend the grouping provisions to clarify the controlling interests of beneficiaries of discretionary trusts (effective 27 May 2003).

Pay-roll tax rate reduced

The pay-roll tax rate is reduced from 6.3 per cent to 6.2 per cent. The new rate applies to taxable wages paid or payable on or after 1 July 2003.

Consolidated returns and payment of tax for pay-roll tax groups

The *Pay-roll Tax Act* requires all registered employers to lodge returns and pay tax to the Commissioner of Taxes within 21 days after the close of each month for the wages paid or payable by them in that month.

In the case of a pay-roll tax group, that group is effectively considered to be a single employer for the purposes of calculating the tax payable. However, each member of the group that is an employer is required to lodge separate returns and pay tax for their respective taxable wages.

From 1 July 2003, a designated group employer (DGE) can seek approval from the Commissioner to submit a consolidated return on behalf of their group's members, and to make a single monthly payment in respect of the groups' tax liability.

The liability for the payment of tax and the lodging of a monthly return still rests on each member of the group. However, where the DGE lodges a consolidated return and makes a group payment, each member of the group is viewed to have lodged a return and made a payment. This means that if the DGE makes a late payment for the group, each member of the group will, in effect, have paid their tax liability late.

This amendment seeks to reduce administration and taxpayer compliance costs and aligns the Territory with similar arrangements in place in New South Wales and Victoria.

A DGE wishing to apply for the Commissioner's approval to lodge consolidated returns should complete Form PRT03, "Nomination of Designated Group Employer (DGE)", available from TRM or the website www.revenue.nt.gov.au. A copy of this form has been provided with the **2003-04 monthly pay-roll tax returns package**.

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Grouping provisions discretionary trusts

Under the *Pay-roll Tax Act* two or more businesses are viewed as a group where a person (or persons together) has a controlling interest in each of the businesses. A common form of controlling interest is where the person (or persons together) is a beneficiary in respect of more than 50 per cent of the value of the interests in the trust under which the business is carried on.

For the purpose of grouping businesses carried on under discretionary trusts, the *Pay-roll Tax Act* deems a person to be a beneficiary in respect of more than 50 per cent of the value of the interests in a discretionary trust where the person can benefit under that trust as the result of the exercise of a power or discretion under that trust. This may occur, for example, where a trustee of a trust can distribute trust income or property to any beneficiary of the trust.

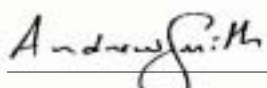
From 27 May 2003, the *Pay-roll Tax Act* is amended to clarify that it also deems a person to be a beneficiary in respect of more than 50 per cent of the value of the interests in a discretionary trust where the person can benefit under that trust as the result of the non-exercise of a power or discretion under that trust. This will cause 'takers in default' or beneficiaries with contingent interests in the trust property to be caught by the grouping provisions.

Where a business is grouped as a result of it being deemed as having a controlling interest in a discretionary trust it can be excluded from that group where the Commissioner of Taxes is satisfied that the business is carried on substantially independently of, and is not substantially connected with the businesses of all of the members of the group.

More details on exclusions from grouping is provided in the *Employers' guide to pay-roll tax in the NT*. Copies can be obtained either from our website www.revenue.nt.gov.au or contacting our office on 1300 305 353.

Revenue Circular RA001, which sets out information on the revenue circular system, is incorporated into and is to be read as one with this Circular.

Refer to the *Pay-roll Tax Amendment Bill 2003* for details of the amendments. For general information, please contact TRM on 1300 305 353.



Authorised by

the Commissioner of Taxes

6 June 2003