

## ADMINISTRATIVE ARRANGEMENT

### *Payroll Tax Act 1971*

#### **Temporary payroll tax amnesty measure in relation to payments made to dentists under the relevant contract provisions**

#### **Background**

Under the *Payroll Tax Act 1971* (Payroll Tax Act), payroll tax is imposed on taxable wages paid or payable by an employer. Relevantly, payments made under a relevant contract are subject to payroll tax, unless an exemption applies.

The *Taxation Administration Act 2001* (Taxation Administration Act) supports the Payroll Tax Act by providing general provisions relating to the administration of payroll tax. For example, in relation to the making of assessments, including reassessments, and providing for refunds.

Payments made to dentists under a relevant contract are subject to payroll tax under the Payroll Tax Act, unless an exemption applies. Public Ruling PTAQ000.6.3 *Relevant contracts-medical centres* (Public Ruling PTAQ000.6.3) clarifies how the relevant contract provisions apply to an entity that conducts a medical centre business, including dental clinics.

The Queensland Government is providing a payroll tax amnesty in relation to payments made to contracted dentists up until 30 June 2025, to incentivise and support dental clinics to bring themselves forward and into compliance with their payroll tax obligations.

Dental clinics that receive the amnesty will not pay payroll tax on payments to contracted dentists during the amnesty period. This means that dental clinics that receive the benefit of the amnesty would commence paying payroll tax on payments made to contracted dentists from 1 July 2025, where an exemption to the relevant contract provisions does not apply.

The amnesty will provide dental clinics who are not currently complying with their payroll tax obligations, or have been subject to audit activity, in relation to payments to contracted dentists with time to review their arrangements, seek advice, and implement necessary changes to ensure future compliance with their payroll tax obligations.

On 30 September 2024, the Deputy Premier, Treasurer and Minister for Trade and Investment approved an administrative arrangement setting out the basis on which the payroll tax amnesty will be administered.

This administrative arrangement will be supported by guidelines that outline certain operational aspects of the amnesty (Guidelines for Administration), as approved by the Commissioner of State Revenue (Commissioner).

#### **Administrative Arrangement**

##### Definitions

1. **Amnesty period** means up until 30 June 2025 and the earlier of the following:
  - (a) 1 July 2018; or
  - (b) if a designated dental clinic was, or is currently, subject to audit activity, the earliest financial year that the audit activity relates to.
2. **Audit activity** means compliance activity, including an audit or investigation, undertaken by the Queensland Revenue Office in relation to payments to contracted dentists and commenced prior to the date of commencement of this administrative arrangement.
3. A **designated dental clinic** means an employer for payroll tax purposes that conducts a medical centre business (as set out in Public Ruling PTAQ000.6.3) that:
  - (a) meets the criteria for registration under section 52 of the Payroll Tax Act but is not registered for payroll tax in Queensland and makes payments to contracted dentists; or
  - (b) is registered for payroll tax in Queensland but is not declaring its payments to contracted dentists for payroll tax; or
  - (c) is or was subject to audit activity (that has not been finalised) in relation to its payments to contracted dentists; or
  - (d) has been assessed on payments to contracted dentists as a result of audit activity.

To remove any doubt, it does not include a dental clinic that:

- does not make payments to contracted dentists during the amnesty period; or
- commenced operation or commenced making payments to contracted dentists on or after 10 February 2023; or
- has been lodging and declaring its payments to contracted dentists for payroll tax purposes before 10 February 2023, without being subject to audit activity.

4. A **dentist** means a person registered as a dentist with the Dental Board of Australia.
5. **Payments to contracted dentists** means payments that are made under a contract between a dental clinic and a dentist that is a relevant contract, which are not exempt.
6. A **relevant contract** means a contract as set out in paragraph 11 of Public Ruling PTAQ000.6.3.

#### Eligibility requirements for the amnesty

7. To be eligible for the amnesty, a dental clinic must:
  - (a) be a designated dental clinic;
  - (b) make a voluntary disclosure and, if not already registered for payroll tax, register for payroll tax in Queensland by 30 June 2025; and
  - (c) comply with its ongoing payroll tax obligations after making the voluntary disclosure, this includes from 1 July 2025.
8. For the purposes of determining whether a dental clinic is required to be registered for payroll tax under Part 3, Division 1 of the Payroll Tax Act, taxable wages will include the amount of payments to contracted dentists.
9. To constitute a voluntary disclosure, designated dental clinics will need to voluntarily provide the Commissioner with all of the information that the Commissioner considers is necessary to properly determine the clinic's payroll tax obligations. This information is outlined in the Guidelines for Administration, as are the expectations for ongoing compliance with payroll tax obligations.
10. To remove any doubt, a dental clinic that does not satisfy each requirement in paragraph 7 will not be eligible for the amnesty.
11. The Commissioner's decision that a dental clinic is not eligible for the amnesty is non-reviewable.

#### Effect of the amnesty for payroll tax

12. The following paragraphs apply to dental clinics that satisfy the eligibility requirements for the amnesty.
13. The Commissioner will administer the Payroll Tax Act on the following basis:

- (a) payments to contracted dentists will not be included in assessing the dental clinic's payroll tax liability during the amnesty period; and

#### *Example*

*A dental clinic pays \$1.5 million in taxable wages in the 2022-23 financial year, including \$400,000 of payments to contracted dentists.*

*As the dental clinic's taxable wages (excluding payments to contracted dentists) are under the \$1.3M threshold (i.e. \$1.5M less \$400,000), it will not be liable to pay payroll tax for the 2022-23 FY. If this entity is not registered for payroll tax purposes it will be required to register for payroll tax prior to 30 June 2025, in accordance with the eligibility requirements, in order to access the benefits of the amnesty.*

*In the 2023-24 FY, the dental clinic pays \$2M in taxable wages, including \$400,000 of payments to contracted dentists.*

*The dental clinic's payroll tax liability will be assessed based on \$1.6M of taxable wages (i.e. \$2M less \$400,000). As the dental clinic's taxable wages (excluding payments to contracted dentists) exceed the \$1.3M threshold, it will be liable to pay payroll tax based on \$1.6M in taxable wages for the 2023-24 FY.*

- (b) if the dental clinic has already paid payroll tax in relation to payments to contracted dentists during the amnesty period as a result of audit activity, a reassessment of payroll tax will be made to exclude those payments. A refund may be made in accordance with Part 4, Division 2 of the Taxation Administration Act.

14. The amnesty will also apply for the purposes of determining the dental clinic's liability for the mental health levy until 30 June 2025.

*Example*

*A dental clinic pays \$12 million in taxable wages in the 2023-24 financial year, including \$3M of payments to contracted dentists.*

*As the dental clinic's taxable wages (excluding payments to contracted dentists) are under the \$10M threshold for the mental health levy (i.e. \$12M less \$3M), it will not be liable for the mental health levy for the 2023-24 FY.*

*To avoid any confusion, the dental clinic may still have a payroll tax liability for the 2023-24 FY.*

15. To remove any doubt, the amnesty only applies to dental clinics that satisfy the eligibility requirements for the amnesty. Where a dental clinic is a member of a group for payroll tax purposes, each group member that applies for the amnesty must separately satisfy the eligibility requirements.

Administration

16. Other provisions in the Payroll Tax Act and Taxation Administration Act continue to operate to the extent they are not related to payments to contracted dentists. For example, objections provisions under Part 6, Division 1 of the Taxation Administration Act.
17. In particular, the amnesty does not alter the operation of penalty tax or unpaid tax interest for any assessments made as part of administering the amnesty.

*Example*

*A dental clinic registers for payroll tax as part of satisfying the eligibility requirements for the amnesty. Its taxable wages (excluding payments to contracted dentists) exceed the \$1.3M threshold for the 2023-24 financial year. The dental clinic will be assessed for payroll tax on its taxable wages (excluding payments to contracted dentists) for the 2023-24 FY and interest and penalty tax will be imposed in accordance with the Taxation Administration Act.*

18. Section 21 of the Taxation Administration Act does not apply to reassessments decreasing a dental clinic's liability for tax, where the reassessment is made for the purposes of excluding payments to contracted dentists under this amnesty.

Commencement

This administrative arrangement applies on and from the date of approval.