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Public Ruling

Payroll Tax Act—Harmonised: ALLOWANCES AND REIMBURSEMENTS

A Public Ruling, when issued, is the published view of the Commissioner of State Revenue (the Commissioner) on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue(s) it addresses. Where a change in legislation or case law (the law) affects the content of a Public Ruling, the change in the law overrides the Public Ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant or exemption, as the case may be, in accordance with the law.

What this Ruling is about

1. The *Pay-roll Tax (Harmonisation) Amendment Act 2008* amended the *Payroll Tax Act 1971* (the Payroll Tax Act) with effect from 1 July 2008 to harmonise certain aspects of Queensland's payroll tax system with the systems of other jurisdictions.
2. The definition of 'wages' in the Schedule of the Payroll Tax Act includes allowances. Employers often pay employees various types of allowances either to compensate them for unfavourable working conditions or to cover estimated expenses. Allowances are also commonly paid to comply with award requirements. Common examples of allowances include motor vehicle, tools, accommodation, tea, meal, travel, dirt and first-aid allowance. Alternatively, an employer may reimburse an employee the exact amount of expenses incurred.
3. The purpose of this Public Ruling is to explain the payroll tax treatment of allowances and reimbursements paid to an employee and any person taken to be an employee under Part 2, Division 1A of the Payroll Tax Act.

Ruling and explanation

4. Allowances are generally subject to payroll tax.
5. The only allowances that are not wholly taxable are motor vehicle allowances and accommodation allowances. For more information on these allowances, refer to Public Ruling PTA005—*Exempt allowances: motor vehicle and accommodation*.

6. Reimbursements are only taxable where they are subject to fringe benefits tax under the *Fringe Benefits Tax Assessment Act 1986* (Cwlth) (the FBT Act). A reimbursement of an expense is not subject to payroll tax if the reimbursement has all the following characteristics:
- at the time of payment, the expense has already been incurred by the employee (if the payment was made in advance, the employee has provided the employer with a receipt relating to the expense and refunded any excess from the advance payment)
 - the expenditure by the employee was incurred in the course of the employer's business and
 - the precise amount is reimbursed.
7. However, if a reimbursement is subject to fringe benefits tax, it is also subject to payroll tax regardless of whether the reimbursement has all the above characteristics. For more information on the payroll tax treatment of fringe benefits, refer to Public Ruling PTA003—*Fringe benefits*.
8. A reimbursement that is an exempt benefit under the FBT Act is also exempt from payroll tax.

Allowances and reimbursements paid under an employment agency contract

9. The principles mentioned above also apply to allowances and reimbursements paid under an employment agency contract by an employment agent to their service providers. Under Part 2, Division 1B of the Payroll Tax Act, the employment agent is generally liable for payroll tax payable on payments (including allowances, fringe benefits and superannuation contributions) made to service providers under an employment agency contract.

Date of effect

10. This Public Ruling takes effect from the date of issue.

David Smith
 Commissioner of State Revenue
 Date of Issue 3 July 2009

References

Public Ruling	Issued	Dates of effect	
		From	To
PTA011.2	3 July 2009	3 July 2009	Current
PTA011.1	24 February 2009	1 July 2008	2 July 2009