

Revenue Ruling 2008

Public Ruling

| | | |
|-----------------------|---|---|
| Ruling Number | : | PTA021 |
| Title | : | Exemption for Contractors Ordinarily Rendering Services to the Public |
| Tax Line | : | Payroll Tax |
| Legislative Reference | : | <i>Payroll Tax Act 2008</i> |
| Previous Ruling | : | PUB-PT-2008-22 |
| Date of Ruling | : | 1 July 2008 |
| Attachments | : | - |

Preamble

The *Payroll Tax Act 2008* (the Act), which commenced on 1 July 2008, rewrites the *Pay-roll Tax Act 1971* and harmonises the payroll tax legislation in Victoria, NSW and Tasmania.

Parties to a 'relevant contract' are deemed to be employers and employees (sections 33 and 34 of the Act) and payments made under a contract are deemed to be wages (section 35 of the Act). Deemed wages are subject to payroll tax under section 36 of the Act.

While most contracts for the provision of services come within the meaning of 'relevant contract' under section 32 of the Act, there are certain types of contracts that are specifically excluded from the definition of 'relevant contract'. A contract is not a 'relevant contract' if the Commissioner of State Revenue (the Commissioner) is satisfied that the person who performed the services under the contract ordinarily performs services of that kind to the general public in that financial year.

This Revenue Ruling provides a non-exhaustive list of factors that the Commissioner takes into consideration in exercising his/her discretion under section 32(2)(b)(iv) of the Act.

Ruling

In exercising his/her discretion under section 32(2)(b)(iv) of the Act, the Commissioner needs to be satisfied that the contractor provides:

- the services in the course of conducting a genuine independent business; and
- ordinarily renders those services to the general public.

The mere fact that a contractor works on a succession of jobs for different principals does not mean that these criteria are satisfied. It is necessary to consider the steps undertaken by the contractor to create an independent business (ie to obtain work from clients other than the principal in question).

Revenue Ruling 2008

To seek an exemption under section 32(2)(b)(iv) of the Act, a principal is required to apply to the Commissioner for a determination.

In making his/her determination, the Commissioner will review the contractor's business and consider factors including (but not limited to):

- the use of a business name by the contractor
- the extent and nature of advertising undertaken by the contractor
- the range of clients serviced by the contractor
- the extent and nature of plant and equipment provided by the contractor in execution of the services
- the engagement of staff or sub-contractors by the contractor
- the use of business premises by the contractor
- the method of operation of the business (such as tendering for jobs)
- the potential for entrepreneurial risk
- the nature of contracts entered into (eg formal long term or informal rolled over contracts)
- the history of the formation of the contractor's business
- how the contractor won the contract
- whether work is performed on separate contracts concurrently
- the nature of the contractor's business and the type of services provided
- whether the contractor bears the cost and responsibility for faulty materials or workmanship
- whether the contractor quotes competitively for jobs on an all inclusive basis (all labour and materials), and
- whether the contractor merely charges for services on an hourly rate and adds on the cost of materials.

None of the above factors is conclusive on its own. The above is not an exhaustive list of factors that the Commissioner will take into account in exercising his discretion under section 32(2)(b)(iv) of the Act, he/she will also consider any other matters that are relevant to his/her decision.

However, the Commissioner will accept that a contractor ordinarily renders services to the public generally where, in the financial year in which services were provided under the contract in question, the contractor provided services of that type to:

1. two or more principals (not being members of a group) during the financial year, and
2. the principal claiming the exemption for an average of 10 days or less per month (excluding the months in which no services were provided).

Revenue Ruling PTA014 explains what constitutes a day's work.

If a contractor who has supplied services under a contract to a principal in a particular financial year, meets the above two criteria, the exemption in section 32(2)(b)(iv) of the Act applies. Under these circumstances, there is no need for the principal to obtain a determination from the Commissioner.

Revenue Ruling 2008

Example 1

Michael is a computer programmer. During the financial year, he provided services to Principal A and Principal B. Under his contract for service with Principal A, he provided his services as follows during the financial year.

| Month | Number of days worked for Principal A |
|--------------|--|
| July | 5 |
| August | 3 |
| September | 7 |
| October | 5 |
| November | 16 |
| December | 9 |
| January | 13 |
| February | 4 |
| March | 8 |
| April | 5 |
| May | 14 |
| June | 11 |
| Total | <hr/> <hr/> 100 |

Example 2

Shelly is also a computer programmer. During the financial year, she provided services to Principal C and Principal D. Under her contract for service with Principal C, she provided her services as follows during the financial year:

| Month | Number of days worked for Principal A |
|--------------|--|
| July | 11 |
| August | 16 |
| September | - |
| October | - |
| November | - |
| December | 22 |
| January | 21 |
| February | 20 |
| March | - |
| April | - |
| May | 18 |
| June | - |
| Total | <hr/> <hr/> 108 |

Revenue Ruling 2008

In the financial year, Shelly worked for a total of 108 days for Principal C. This worked out to be 18 (108 days divided by 6 months) days per month. Consequently, payments made by Principal C to Shelly are subject to payroll tax.

This Revenue Ruling is effective from 1 July 2008.

Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling.

Enquiries about this Revenue Ruling should be directed to the Research, Analysis and Legislative Review Section on telephone 03 6233 2694 or e-mail at revenuereview@treasury.tas.gov.au. Copies of this ruling may be obtained from our website at www.sro.tas.gov.au by selecting "Resources" and then "Rulings".

All rulings must be read subject to Revenue Ruling PUB-GEN-2008-29, "Explanation and status of Revenue Rulings".



W K Sawford
COMMISSIONER OF STATE REVENUE

Enquiries:

Telephone: (03) 6233 2694
Facsimile: (03) 6234 3357
Email: revenuereview@treasury.tas.gov.au
Internet: www.sro.tas.gov.au

By Correspondence:

The Commissioner of State Revenue, State Revenue Office
GPO Box 1374, HOBART Tas 7001

In Person: 3rd Floor, 80 Elizabeth Street, Hobart

PTA021

