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Payroll tax treatment of JobKeeper Payments. *By Andrew Fricot*

All jurisdictions have now announced their payroll tax treatment of the JobKeeper payment subsidies.

Instead of a harmonised approach by all state and territory governments, both NSW and Victoria have differed in their treatment of the payments compared to the other jurisdictions who have been more generous with their treatment by exempting them completely. Below is a summary of the payroll tax treatment of the JobKeeper payments by the various state and territory governments:

New South Wales & Victoria

- JobKeeper payments that subsidise an employee's normal/ordinary earned wages are subject to payroll tax. Only additional payments that an employer makes to top-up their employee's normal wages to match the JobKeeper subsidy each fortnight required to qualify for JobKeeper payments scheme are exempt from payroll tax.
 - for employees that have been **stood down** the whole JobKeeper amount is exempt from payroll tax. However, in NSW if the stood down worker is still in receipt of payments from the employer in excess of the JobKeeper subsidy, the whole amount is liable for payroll tax inclusive of the JobKeeper subsidy value.
 - For workers whose **normal earned wages are less than the JobKeeper payment subsidy**, it is the gap between their normal earned fortnightly wage and the JobKeeper payment subsidy that is exempt from payroll tax.

Therefore, a worker's normal earned wages, although subsidised by the JobKeeper payment are liable for payroll tax.

Here are a few scenarios to explain the treatment of JobKeeper payments for payroll tax in NSW and Victoria:

1. An airline has **stood down** its pilots and is in receipt of JobKeeper payments to subsidise its employees' wages. It uses the subsidy to pay its pilots the \$1500* JobKeeper value each fortnight. The whole amount equivalent to the subsidy is exempt from payroll tax. Keeping in mind, if the employer paid the stood down worker more than the JobKeeper subsidy **in NSW**, the whole amount including the subsidy value would be liable.
2. Jessie is a part-time worker who works two days per week and ordinarily earns \$900 per fortnight as her normal wage. Her employer receives the \$1500* JobKeeper payment to subsidise her wages and as a result she is paid more. In this situation, the **gap/top-up** of \$600 is exempt from payroll tax, however her \$900 earned fortnightly wage, although subsidised, is still liable for payroll tax.

3. A real estate agency is in receipt of the JobKeeper payment subsidies for its workers. Its agents are paid \$2500 as normal earned wages each fortnight and continue paying as such. In this case, the full \$2500 is still liable for payroll tax, regardless of the \$1500* JobKeeper payment subsidy being applied to the benefit of the employer.

Queensland, Western Australia, South Australia, Tasmania, NT & ACT

- JobKeeper Payments are fully exempt from payroll tax. The exemption applies to the whole value of JobKeeper payment subsidies of businesses whose:
 - workers who have been **stood down**,
 - workers' normal fortnightly wage is typically below \$1500*, but receive the full benefit of the JobKeeper payment,
 - workers receive earned fortnightly wages above \$1500*.For all of these the full \$1500* JobKeeper payment subsidy is not subject to payroll tax.

Below is an example adopted from the Queensland Government website, it demonstrates the exempt treatment of JobKeeper payments for the various jurisdictions with the same treatment.

Example

“Paula receives JobKeeper payments of \$1,500 per fortnight for each of her employees Adam and Michelle.*

- *Adam’s wages are \$1,500 per fortnight, which are fully subsidised by the JobKeeper payment. Paula does **not include** this \$1,500* payment as liable wages for payroll tax purposes.*
- *Michelle’s wages are \$2,000 per fortnight, which includes the \$1,500* JobKeeper payment and \$500 in ordinary wages. Paula **must include** the \$500 of wages for payroll tax purposes, but not the \$1,500* JobKeeper payment.”*

It is great to see that all the state and territory governments have provided some form of tax relief regarding JobKeeper payments for payroll tax. It would have been good to see all jurisdictions applying a harmonised approach, unfortunately it's not the case. Employers in the jurisdictions of QLD, SA, WA, NT and ACT should feel relieved that JobKeeper payments subsidising employee wages are fully exempt from payroll tax. However, employers in NSW and Victoria need to be aware that treatment of the JobKeeper payments is less favourable in those states compared to the other jurisdictions.

For a summary of all payroll tax relief measures in response to the COVID-19 crisis offered by the various jurisdictions please visit www.payrolltaxsolutions.com.au, where this article is also available for download.



This article was written by **Andrew Fricot**, the founder and director of **Payroll Tax Solutions Pty Ltd**. He has over 15 years professional experience working as a key spokesperson, advisor and educator in the field of payroll tax, grants and rebates.

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Footnote:

**The JobKeeper wage subsidy payment was introduced to assist employers to keep their employees on during the COVID-19 pandemic crisis. From March – September 2020 the prescribed subsidy value is \$1500 per fortnight, from October – December 2020 the prescribed subsidy value is \$1200 per fortnight, and from January – March 2021 the prescribed subsidy value is further reduced to \$1000 per fortnight.*