

# Queensland Payroll Tax - new compliance approach

22 November 2019

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## ***In brief***

The Queensland Office of State Revenue (Qld OSR) has announced a new approach to its payroll tax compliance programme that may impact many employers with employees based in Queensland.

The Qld OSR has advised that employers have until 31 January 2020 to review their Queensland payroll tax lodgments and where needed, revise their returns for any shortfalls under a voluntary disclosure arrangement, before 1 February 2020, when the OSR will commence the new approach.

## ***In detail***

In a recent meeting between our Employment Services Team and the Investigations Team of the Qld OSR, the Qld OSR advised that as a result of new and improved data analytics tools and enhanced sharing of information between government agencies, it intends to increase its focus on the accuracy of QLD payroll tax lodgments. This new approach will commence in February 2020 and is to be achieved through an increase in investigations and audits.

To assist potentially affected employers manage the consequences of the new compliance approach, the Qld OSR has advised that taxpayers have until 31 January 2020 to review their QLD payroll tax lodgments and where needed, revise their returns under voluntary disclosure, before the tougher new approach applies.

Where a voluntary disclosure has not been made and the Qld OSR subsequently investigates the taxpayer and it is found that payroll tax has been underpaid, the Qld OSR has advised that it is highly unlikely it will allow the remission of penalty tax as compared to what would otherwise apply had a voluntary disclosure been made. Note that the Commissioner is able to impose a penalty tax rate of up to 75 per cent of any payroll tax shortfall.

However, the Qld OSR has also advised that those taxpayers who conduct a review of their payroll tax lodgments and believe that there is a likely understatement of wages subject to payroll tax, but have not finalised the extent of the necessary voluntary disclosures before 31 January 2020, can notify the Qld OSR through their PwC contact before 31 January 2020 of an intention to lodge a voluntary disclosure - this will then preserve the right to remission of penalty tax under a voluntary disclosure.

It is noted that the opportunity to request remission of penalties under voluntary disclosures will not be lost after 31 January 2020, where the voluntary disclosure is initiated by the taxpayer before an investigation or audit has commenced. However, the QLD OSR has advised that it expects to issue investigation and audit letters to a significant number of taxpayers on 1 February 2020.

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## ***Actions***

We strongly advise any employer who has had Queensland based employees to review historic QLD payroll tax lodgments dating back to 30 June 2015.

Determining the extent of wages for QLD payroll tax purposes can be complex, as the definition of wages is broad and includes items such as:

- Wages, salaries, allowances, bonus payments, commissions
- Payments to certain independent contractors
- Director payments
- Shares and options
- Fringe benefits

There are also a number of exemptions and rebates that may apply.

The Qld OSR has advised that it is also focussed on whether:

- taxpayers with Australian wide wages above the QLD payroll tax threshold are registered for payroll tax;
- taxpayers have correctly assessed themselves as being grouped for payroll tax with other entities; and
- taxpayers are incorrectly claiming contractor exemptions where they are deemed to be an employment agent.

## ***The takeaway***

Now is the time to review your payroll tax registrations and lodgments, especially in Queensland. If you become aware that the wages disclosed on the historic annual payroll tax reconciliations may need revision, it would be prudent to take action now and reach out to your PwC representative for advice on accessing the voluntary disclosure arrangements that currently apply in relation to QLD obligations.

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## ***Let's talk***

For a deeper discussion of how these issues might affect your business, please contact:

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