

## NSW Productivity Commission - Payroll Tax Administration Review Recommendations – Government Response

Recommendation	Government Response
<p><b>Recommendation 1</b> Shift Revenue NSW’s regulatory model and effort toward a greater emphasis on early engagement, education and support throughout a business’ interaction with Revenue NSW (i.e. on an ongoing annual or bi-annual basis and throughout a business’ journey through the payroll cycle).</p>	<p>Agree. Government should encourage the adoption of modern tax administration techniques and processes.</p>
<p><b>Recommendation 2</b> NSW Government, in consultation with other jurisdictions, to engage with software providers to explore whether warning flags/notifications could be embedded in their business software packages to advise businesses of potential payroll tax requirements.</p>	<p>Agree. Revenue NSW, with other State Revenue Offices, to explore liability flagging options with business software providers.</p>
<p><b>Recommendation 3</b> Revenue NSW to consider the feasibility of providing a 50 per cent reduction in any penalties owed, at the Commissioner’s discretion, for those businesses that register for the first time and lodge their payroll tax return within three months of receiving communication from Revenue NSW on their potential obligations.</p>	<p>Agree. Legislation will be developed to implement a penalty reduction program to encourage early compliance.</p>
<p><b>Recommendation 4</b> Amend legislation to enable Revenue NSW to implement a tiered compliance model that provides for less frequent payment calculation and/or lodgement of payroll tax returns by businesses. A proposed three tiered compliance model is:</p> <ul style="list-style-type: none"> <li>• Businesses with an annual payroll tax liability of up to \$20,000: annual payment, lodgement and reconciliation</li> <li>• Businesses with an annual payroll tax liability above \$20,000 and up to \$150,000: monthly payment of a fixed amount, based on previous year’s payroll tax liability (with a 3% uplift), annual reconciliation</li> <li>• Businesses with an annual payroll tax liability above \$150,000: monthly payment, based on monthly lodgements with annual reconciliation</li> </ul>	<p>Agree. Legislation will be developed to reduce compliance burden. Revenue NSW to modify systems and educate employers.</p>

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<p><b>Recommendation 5</b> Revenue NSW should implement a single payment reference number for all monthly lodgements by an entity.</p>	<p>Agree. Revenue NSW to report on options and costs of implementing a single business payment reference number.</p>
<p><b>Recommendation 6</b> Revenue NSW should provide clarification on which grouping arrangements are captured under the grouping provisions and which contractor arrangements are captured under payroll tax definitions:</p> <p><b>a)</b> In the short term, Revenue NSW should develop concise documents to provide practical case examples on which grouping and contractor arrangements are captured under payroll tax requirements and which arrangements are excluded, including providing case examples by sector.</p> <p><b>b)</b> In the longer term, Revenue NSW should work with other jurisdictions to amend the legislation to provide improved clarity and consistency.</p>	<p><b>a)</b> Agree. Revenue NSW to issue new materials to provide clearer guidance.</p> <p><b>b)</b> Agree. Revenue NSW to engage with other States and Territories. Treasurer to take legislation harmonisation opportunities to the Board of Treasurers.</p>
<p><b>Recommendation 7</b></p> <p><b>a)</b> Amend the legislation to enable Revenue NSW to extend the deadline for annual reconciliation from 21 days to 28 days after the end of June.</p> <p><b>b)</b> In the longer term, Revenue NSW should engage with other jurisdictions to implement the extended deadline across all jurisdictions.</p>	<p><b>a)</b> Agree.</p> <p><b>b)</b> Agree. Revenue NSW to engage with other States and Territories. The NSW Treasurer to take legislation harmonisation opportunities to the Board of Treasurers.</p>
<p><b>Recommendation 8</b> Revenue NSW should focus audit processes equally on making the experience easy for the client and balancing evidentiary requirements, via</p> <ul style="list-style-type: none"> <li>• providing clarity and rationale for the audit and linking the rationale to the particular part of the legislation that has triggered the audit</li> <li>• requesting evidence based on the rationale provided and explaining how the evidence the business supplies will support its case</li> <li>• include advice in the education and training packages (as in Recommendation 1) on how to avoid an audit (i.e. how to ensure your business is operating as a best practice compliant business) as well as what to expect when undergoing an audit.</li> </ul>	<p>Agree. Revenue NSW to improve the customer understanding and experience of the audit process. This is consistent with the Revenue NSW Customer Charter.</p>

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<p><b>Recommendation 9</b></p> <p>a) Revenue NSW should investigate streamlining the requirements and the potential for a SmartForm for de-grouping applications.</p> <p>b) In consultation with other jurisdictions, Revenue NSW should investigate simplifying the information requirements for de-grouping applications.</p>	<p>a) Agree. Revenue NSW is exploring the use of a Smart Form or online application to assist businesses.</p> <p>b) Agree. Revenue NSW to engage with other States and Territories. Treasurer to take harmonisation opportunities to the Board of Treasurers.</p>
<p><b>Recommendation 10</b></p> <p>Revenue NSW should work with other jurisdictions to explore opportunities to standardise the monthly lodgement forms (or online calculators) and the annual reconciliation forms for all clients.</p>	<p>Agree. Revenue NSW to engage with other States and Territories. Treasurer to take harmonisation opportunities to the Board of Treasurers.</p>
<p><b>Recommendation 11</b></p> <p>The NSW Government should aim to restrict any future changes to payroll tax rates or thresholds to the start of a financial year, unless exceptional circumstances exist.</p>	<p>Agree in-principle, recognising the systems and administrative imposts for Revenue NSW and NSW businesses when asked to apply payroll tax changes within a financial year.</p>
<p><b>Recommendation 12</b></p> <p>An appropriate independent body should investigate better aligning the different definitions of employee and contractor with those of other relevant government entities, including:</p> <p>a) in the short term, engage with the State Insurance Regulatory Authority to more closely align employee and contractor definitions where applicable.</p> <p>b) in the longer term, work with other jurisdictions to explore opportunities to further align payroll tax definitions across jurisdictions, including employee and contractor definitions.</p>	<p>a) Agree. The review should be done concurrently with the review of contractor provisions under Recommendation 6(b).</p> <p>b) Revenue NSW to engage with other States and Territories. Treasurer to take harmonisation opportunities to the Board of Treasurers.</p>