

Payroll tax and medical practices

What is payroll tax?

Payroll tax in Victoria is administered by the State Revenue Office (SRO).

Payroll tax is a state tax payable by employers on wages paid to employees, or deemed employees, which exceed a tax-free threshold. Payroll tax legislation (excluding rates and thresholds) has been largely harmonised across Australia since 2007.

The tax-free threshold for **2023-24 is \$700,000**. The tax rates for 2023-24 are:

- **4.85% for metropolitan employers**, and
- **1.2125% for regional employers**.

Employees and independent contractors

While wages paid to employees are generally subject to payroll tax, determining if a person is an employee or an independent contractor for payroll tax purposes is based on the common law test (see [Revenue Ruling PTA.038](#)).

The list of relevant factors the SRO may consider is extensive and includes:

- ability to delegate — worker must do the work personally
- hours of work by agreement
- worker is recognised as part of the business
- approval to take leave.

A contractor may be deemed to be an employee for payroll tax under the relevant contract provisions, in which case payments made to the contractor may be taxable.

Relevant contract provisions

Since 1983, relevant contract provisions have applied in Victoria when an employer receives services from an independent contractor. Determining whether the relevant contract provisions apply involves considering the nature of the specific arrangement, including the terms of the contract and the surrounding facts and circumstances.

Numerous exemptions can apply to exclude payments to contractors from being subject to payroll tax.

Payroll tax and medical practices – Revenue Ruling PTA.041

[Revenue Ruling PTA.041](#) was issued by the SRO on 11 August 2023. This ruling outlines the SRO's longstanding position regarding payments from medical centre businesses to practitioners potentially being subject to the relevant contract provisions.

The ruling does not represent a change in approach to payroll tax and medical practices in Victoria, but provides additional guidance for medical centres.

The ruling contains details about how the relevant contract provisions apply, including explanations of exemptions that may be available:

- The practitioner works for no more than 90 days in the financial year.
- The practitioner provides services to the public generally.
- The services under the contract are provided by 2 or more persons.

Need further assistance?

You can request a private ruling for your particular circumstances online at sro.vic.gov.au/request-private-ruling

If you require assistance to pay payroll tax, you can apply for a payment arrangement. Please contact the SRO at dms@sro.vic.gov.au for more information.

This has been prepared for the Australian Medical Association on 8 November 2023.