

Allowances & reimbursements

Revenue Ruling PT.008

Replaced by PT.059

CEASED 30 June 1993 CEASED 30 June 1993 CEASED 30 June 1993 CEASED 30 June 1993

Preamble

The definition of 'wages' in Section 3(1) of the *Payroll Tax Act 1971* (the Act) has always included allowances. Employers pay allowances to employees in a wide range of circumstances (for example, travelling, tools, accommodation, tea, meal, dirt etc) to compensate employees for undertaking responsibilities in respect of various expenses of the business. The employer does not expect any verification of such expenses, and pays the allowance whether or not the employee actually incurs an expense, often due to award requirements.

Alternatively, an employer may operate on a reimbursement system whereby an employee only receives a payment from the employer when verification of a business expense, incurred on behalf of an employer, is provided.

The purpose of this ruling is to explain the manner in which allowances and reimbursements are treated under the Act.

Ruling

This ruling has been superseded and is now replaced by PT.059.

As a general rule all allowances paid are taxable and reimbursements are not taxable.

Allowances

The **only** allowances that are not **wholly** taxable are the following.

Travelling allowances

To the extent that employees use their private vehicles for business use and an employer makes no contribution to the expense of using the vehicle, apart from the travelling allowance, only part of the allowance may need to be declared for payroll tax.

The employee is required to keep records of kilometres travelled for business use and the employer only needs to declare that portion of the allowance that exceeds the amount that would be payable using the prescribed kilometre rate (40 cents per kilometre as at 1 April 1993).

Example

An allowance of \$1000 is paid, and records show that the employee travelled 1000 km for business purposes.

Allowance paid	\$1000
Amount attributable to business travel (100 km x 40 cents)	\$ 400

Therefore \$600 must be declared as taxable wages.

Accommodation allowances

An accommodation allowance provided to an employee for **temporary accommodation costs** necessarily incurred as a consequence of employment will only be taxable to the extent that it exceeds the prescribed rate (\$100 per night as at 1 April 1993).

Temporary accommodation in this context means:

- **Accommodation of less than one consecutive month; or**
- **Accommodation of more than one consecutive month, where the employee continues to maintain a domestic dwelling for the purpose of accommodating the employee and his or her family.**

All allowances paid or payable for accommodation that is not of a temporary nature will be fully taxable.

CEASED 30 June 1993 CEASED 30 June 1993 CEASED 30 June 1993 CEASED 30 June 1993

Reimbursements

Reimbursements of expenses incurred by employees on behalf of an employer will not be taxable, provided that the reimbursement has the following characteristics.

- **At the time it is paid, an expense has already been incurred by the employee, or a payment in advance is made and a receipt relating to the expense is provided to the employer, with the employee refunding any excess payment; and**
- **The expenditure by the employee was incurred in the course of the firm's business; and**
- **The precise amount is reimbursed.**

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. All rulings must be read subject to Revenue Ruling GEN.01.

Denzil Griffiths
Commissioner of State Revenue
1 April 1993