

## Contractors - Services Ancillary to the Supply of Goods Revenue Ruling PT.054

CEASED 4 January 2006 CEASED 4 January 2006 CEASED 4 January 2006 CEASED 4 January 2006 CEASED 4 January 2006

### Preamble

Section 3C of the *Payroll Tax Act 1971* (the Act) provides for certain contractors (whether incorporated or not) to be deemed employees (under what are defined as 'relevant contracts') and for payments to those contractors to be defined as wages for the purposes of the Act.

Although most contracts for the provision of services are relevant contracts for the purposes of Section 3C of the Act and payment made in relation to such contracts are generally wages subject to payroll tax, there are seven possible exemptions that will exclude payments under such contracts from the definition of wages.

The purpose of this ruling is to explain the operation of the exemption under Section 3C(1)(d) of the Act concerning contracts where the provision of labour is ancillary to the provision of materials and/or equipment.

### Ruling

The Commissioner has ruled that the provision of labour under a contract will be considered to be ancillary to the provision of materials and/or equipment under that contract where the cost to the principal of the provision of the materials and/or equipment exceeds 65% of the contract amount, as evidenced on the contractor's invoice.

The amount attributable to materials and/or equipment on the invoice must be a reasonable figure, having regard to the type of services provided. In determining what is a reasonable figure due regard must be given to the current market rates or prices for such materials and equipment.

This exemption will not apply if the materials and/or equipment are purchased from the principal or any member of a group of employers (within the meaning of the Act), to which the principal belongs.

Where materials and/or equipment have been so purchased on an arms length basis, employers may make application; to the Commissioner for an individual ruling if they consider the exemption should apply.

The exemption will not apply where the amount on the invoice which represents the non-labour component is not a reasonable figure having regard to the type of services provided.

In cases where the 65% criterion is not satisfied and the employer considers this exemption should nevertheless apply, an application in writing should be submitted to the Commissioner for an individual ruling. 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**

**30 September 1993**