

UNSW Accounting Procedure	
Linked UNSW Policy	Provisions and Employee Benefits
Responsible Officer	Director, Corporate Finance and Advisory Services and Shared Services
Contact Officer	Group Tax Manager, Corporate Finance and Advisory Services
Review	Every year
Effective Date	31 December 2013

1. Objective

This procedure sets out the accounting process for payroll tax payable to the Offices of State Revenue applicable to the engagement of contractors by the UNSW in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

2. Basis for recognition of payroll tax

Payroll tax is imposed on employers by all Australian States and Territories according to their own separate legislation. The requirements, liabilities and rates of tax vary with each State and Territory. Each State legislation provides for payroll tax to be levied on wages in cash or provided by an employer to their employees. The tax must be paid by the employer monthly or annually depending on the payroll tax amount. From 1 July 2012, the applicable rates of payroll tax are NSW 5.45%, ACT 6.85%, QLD 4.75%, NT 5.5%, S A 4.95%, TAS 6.10%, and WA 5.5%.

A payment to an independent contractor attributable to labour will be treated as wages for payroll tax purpose if the contract between the University and the contractor is a relevant contract and does not qualify for an exemption.

Contractors/ consultants are managed via accounts payable unless superannuation is payable to the contractor. Where superannuation is payable, HR is responsible for the management of payments to contractors. Superannuation is payable to sole trader contractors where the payment is principally for their labour and more than \$450 a month.

Payroll tax is also applicable on superannuation payments to a contractor.

Exemption from Payroll Tax

The University incurs a Payroll Tax liability in regards to payments to contractors unless it proves that an exemption exists. There are two main exemption categories, upfront exemptions and ongoing exemptions

Upfront Payroll Tax Exemptions: The University will assess all contractors and consultants using the VN1 Form to determine if they meet one of the following 'Upfront' Payroll Tax Exemptions:

- Two or more suitably qualified people, perform the work under the contract
- The contractor or consultant is being engaged via a recruitment agency
- The contract is primarily for the provision of goods and/or materials
- Whether the entity is registered for Payroll Tax purposes

Ongoing Payroll Tax Exemption: If a contractor or consultant does not meet any of the "Upfront exemptions" outlined above, then the University will look to apply the "Ongoing Exemption" which requires the contractor or consultant to work less than 90 days in a financial year (1 July to 30 June).

Other Payroll Tax Exemptions: Payroll Tax legislation may provide for some other exemptions not included above. Special circumstances are reviewed by the University to determine if these apply on a case by case basis. Regarding clarification on the engagement of sole trader contractors please contact HR. For companies, trusts and other structures contact Corporate Finance and Advisory Services.

Payroll Tax Accrual

If a contractor does not meet the upfront/ ongoing payroll tax exemptions then payroll tax is accrued for all payments attributable to the labour component.

At financial year end (30 June) a payroll tax annual reconciliation (return) is lodged with the States Revenue offices. Assessment of ongoing exemption is required to determine if a contractor or consultant has worked less than 90 days in a financial year, or if one of the other exemptions can be applied.

3.Accounting Procedure

Liability recognition for payroll tax

Prior to being engaged by the University all vendors who provide a service will need to complete a VN1 Form. The VN1 Form will automatically assess whether upfront or ongoing exemption can be applied to the contractor/consultant and also it assigns a vendor classification. Verifying, proofing and tracking of indirect taxes will be via this vendor classification which will be recorded in the vendor master file within NS Financials.

The control is at the vendor creation stage. This system of using a VN1 Form allows the capture and classification at time of engaging a contractor. The narrowing of vendor codes will make it easier to identify contractors.

In order to ensure the University meets its legal obligations with respect of Payroll Tax, restrictions will be placed on the GL Accounts available to use when paying a contractor or consultants invoice. It will also assist in providing more reliable and accurate Management Reporting.

The restrictions will be based on the vendor classification of the Contractor or Consultant as shown in the table below:

Vendor Classifications	GL Accounts Applicable	Description
Contractor ST-Contctr	6139	Contractors Academic P/Tax
	6190	Contractors Research P/Tax
	6138	Contractors IT P/Tax
	6192	Contractors General P/Tax
Refer HR	6139	Contractors Academic P/Tax
	6190	Contractors Research P/Tax
	6138	Contractors IT P/Tax
	6192	Contractors General P/Tax
	6103	Consultants P/Tax
Recruitmnt	6136	Contractors Academic
	6129	Contractors Research
	6130	Contractors IT
	6137	Contractors General
	6105	Consultants Fees No P/Tax
Consultant STConslnt	6103	Consultants Fees P/Tax Payable
MusicTutor	6137	Contractors General
Other Org ST-Exempt Super Fund Int'l UNSW Ent Govt Ent	All	No GL Restrictions Apply

The system generated accounting entries, processed either through HR or Accounts Payable, charges the business units through the following expense accounts, at Faculty/School/ Division level:

- 6139-Contractors Academic P/ Tax; 6190-Contractors Research P/ Tax; 6138-Contractors IT P/ Tax; 6192-Contractors General P/ Tax; 6103-Consultants P/ Tax; 6947-Super Gen Contract & Consult; 6948-Super Acad Contract &Consult; 6949-Super Res Contract & Consult; 6950-Super It Contract & Consult
- 8633-Payroll Tax Provision

Using a PR1 Form Corporate Finance and Advisory Services will raise a payment to State Office of Revenue (OSR) by the 5th day of the following month. Reconciliation of the provision account is done in the month following payment. When payment is processed by AP the following accounts are adjusted to clear the provision account 8633-Payroll Tax Provision:

- 4608 - Payroll tax Clearing Exp
- 2803 - Cash at Bank
- 4608 - Payroll tax Clearing Exp

(AP generated journals settling payroll liability)

Year end reconciliation of payroll tax liability

In July and following the annual reconciliation of payroll tax liability any required adjustment(s) will be made against the June liability and by the 21st of July. Corporate Finance and Advisory Services will instruct payment to OSR. Under and over provisions for payroll tax (unless material) will be charged at a 'Central' level.

There will also be an annual review of the 90 day exemption rule, and the other exemptions applicable to payroll tax as at the end of the financial year. This review will be conducted by Corporate Finance and Advisory Services as part of their overall monthly and annual reconciliation of Payroll provision. In order to ascertain the 90 day exemption rule HR and AP payment systems have a 'payroll tax days" field, which will be used to record the number of days worked during the financial year (1 July - 30 June). Corporate Finance and Advisory Services will monitor and coordinate the 90 day exemption rule for the current financial year and adjustments to Payroll tax will be remitted as required.

Any material adjustments are processed at a 'Central' level.

4.Operational aspects

Monthly payroll tax liabilities regarding employment of contractors where applicable will be automatically generated and charged to and at Faculty/ School/ Division level by the Payroll and Accounts payable systems.

Corporate Finance and Advisory Services will initiate monthly payment processes to OSRs at each State. It will also be responsible for year end coordination of the annual payroll tax reconciliation (return), annual adjustments to provision and for final payment settling annual payroll tax liability.