

COMMISSIONER'S GUIDELINE

CG-PRT-003:

Exemption for graduate trainee employees

Guideline History

Version	Issued	Dates of effect	
		From:	To:
1	01 November 2005	01 November 2005	31 December 2007
2	2 January 2008	1 January 2008	30 June 2009
3	1 July 2009	1 July 2009	Current

Purpose

This Guideline sets out the conditions and requirements for claiming the payroll tax exemption for graduate employees.

The graduate trainee exemption

The *Payroll Tax Act* (the Act) provides an exemption for wages paid by an employer to:

- 1) Apprentices employed in an 'approved apprenticeship' for the purposes of the *Northern Territory Employment and Training Act*.¹
- 2) Graduates of approved tertiary educational institutions employed under approved trainee arrangements.²

This Guideline provides further information on the exemption for graduates of approved tertiary educational institutions employed under approved trainee arrangements.

Conditions for the graduate trainee exemption

To qualify for the exemption, an employee must:

- 1) be a graduate of an **approved tertiary educational institution** (see definition below);
- 2) be employed under an **approved training arrangement** (see definition below); and
- 3) not have been employed by the employer in any capacity or at any time prior to graduating.³

¹ Clause 17(a) of Schedule 2 to the Act.

² Clause 17(b) of Schedule 2 to the Act.

³ Clause 17(b)(iii) of Schedule 2 to the Act.

Period of graduate trainee exemption

The exemption applies for a maximum period of six months of employment of the employee under the approved trainee arrangement.⁴

Approved tertiary education institutions

For the exemption to apply, the tertiary educational institution of which the employee is a graduate must be approved by the Commissioner of Territory Revenue by notice in writing.⁵ Generally, a tertiary educational institution will be approved where the employee has been awarded a diploma or higher level qualification from the institution and the institution is either:

- 1) a 'higher education provider' for the purposes of the *Higher Education Support Act 2003* (Cth); or
- 2) an institute conducted by or on behalf of a State, Territory or the Australian Government that provides technical or vocational education or training that is preparatory to, or relevant to a trade, technical or other skilled occupation.

Approved training arrangement

For the exemption to apply, the training arrangement under which the employee is engaged must be approved by the Commissioner by notice in writing.⁶ Generally a training arrangement will be approved where:

- 1) it is in the form of a written agreement between the employee and the employer;
- 2) the arrangement is entered into within 12 months of the employee being awarded the relevant tertiary qualification; and
- 3) the training arrangement:
 - a. provides a structured program to enhance the employee's abilities and experience;
 - b. is directly related to the vocation for which the employee's qualification relates;
 - c. is under the direct guidance of one or more senior staff of the organisation;
 - d. provides for planned, ordered and regular development of the employee's training;
 - e. provides relevant targets and goals that the employee is to achieve during the training period; and
 - f. contains a structured synopsis of topics and/or skills acquired under the arrangement and an assessment of the employee's performance relating to each part of the synopsis.

⁴ Clause 17(b)(ii) of schedule 2 to the Act.

⁵ Clause 18(1) of Schedule 2 to the Act.

⁶ Clause 18(1) of Schedule 2 to the Act.

Applying for the exemption

An application for exemption is to be made in writing addressing the criteria described above and must be accompanied by copies of:

- 1) the employee's academic record or a copy of the qualification;
- 2) the employee's training arrangement including details of the training synopsis;
- 3) the employee's contract of employment or the name of the award or employment arrangement that the graduate employee is engaged under; and
- 4) the training agreement between the employer and the employee.

Standing approval

Where an employer regularly employs graduate trainees, the employer may apply for a standing approval. To receive standing approval, the employer will need to submit an exemption application detailing:

- 1) the academic qualifications required for the graduate trainee arrangement and a list of tertiary institutions that provide the required qualifications for the trainee scheme;
- 2) a pro-forma copy of the graduate trainee arrangement;
- 3) a pro-forma copy of the contract of employment or the name of award or employment arrangement that the employees will be engaged under; and
- 4) a pro-forma copy of the training agreement to be entered into between the employer and the employee.

The standing approval will not apply where an employee is engaged under an arrangement that varies from the arrangement to be entered into between the employer and the employee.

An employer holding a standing approval for a graduate training arrangement is required to notify the Commissioner in writing of the following details within 14 days of the commencement of the employment of each graduate engaged under that arrangement:

- 1) the name of the employees; and
- 2) a copy of the employee's academic qualifications.

Effect of approval of an application

Where a graduate trainee arrangement is approved, the Commissioner will issue a notice of approval. The approval takes effect from the date specified in the notice, which cannot be earlier than three years prior to the date of application.

Annual return

The employer must provide a notice in writing each year that sets out, in relation to each employee whose wages have been treated as exempt:

- 1) the names of the employees; and
- 2) the amount of wages paid to the employees.

The return is to be submitted as part of the payroll tax annual return (that is, by 21 July following the financial year in which the graduate trainee exemption is claimed).

Revocation of an approval

The Commissioner may, by notice to the employer, revoke the approval of the training arrangement. This may occur, for instance, where the employer has not complied with the conditions of the approval. The date of revocation will be the date specified in the notice.

Commissioner's Guideline CG-GEN-001, which sets out information on the revenue publication system, is incorporated into and is to be read as one with this Guideline. All Circulars and Guidelines are available from TRO's website.

Date of effect

This version of the Guideline takes effect from 1 July 2009.



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