

Wages Subject to NT Payroll Tax

All states have the same rules for determining in which state payroll tax is to be paid ('the payroll tax nexus rules'). This ensures that employers do not become liable for payroll tax on the same wages in more than one jurisdiction.

With effect from 1 July 2009, all states agreed to change the payroll tax nexus rules that apply where an employee performs services in more than one state or in one or more states and overseas, in any given month.

It is important to note that these changes do not affect the payroll tax nexus rules that apply where an employee performs services wholly in one state in a month, as is the case for the majority of employees. In these circumstances, payroll tax continues to be payable to the state where those services are performed.

To determine whether wages are subject to payroll tax in a particular state, it is necessary to establish where the services of each employee were performed each month. If an employee has performed services wholly in one state in the month, payroll tax on the wages paid or payable to that employee are payable to that state. This applies even if it is not the state where the employee usually performs services (for example if the employee is assigned temporarily to a project in another state for a month or more).

Where an employee does not perform services wholly in one state in a month, a number of other factors need to be considered including the location of the employee's principal place of residence, the location of the employer's ABN registered address or principal place of business, where the wages are paid and where the services are mainly performed.

The following table provides a general summary of the circumstances when wages are subject to NT payroll tax pre and post 1 July 2009. A flowchart at [Appendix 2](#) provides a step by step diagram to assist employers determine where and if payroll tax is payable from 1 July 2009.

More detailed information on the nexus rules is contained in Revenue Circular [RC-PRT-004: Payroll tax nexus rules – new arrangements](#).

It is important to note that the nexus rules must be applied each month.

Nexus Rules pre 1 July 2009

Where services are performed by the employee in the month	When NT Payroll Tax is payable (Prior 1 July 2009)
Wholly in the NT	NT Payroll tax is payable
Partly in the NT and another state and/or partly outside all Australian states (i.e. in another country or offshore outside the territorial limits of any Australian state)	NT Payroll tax is payable if the wages were paid or payable in the NT.
Wholly outside all Australian states (i.e. in another country or offshore outside the territorial limits of any Australian state)	NT Payroll tax is payable if the wages were paid or payable in the NT. <i>Note: wages paid to an employee who performs services wholly in another country or countries for a continuous period of not less than six months are exempt from payroll tax (see below for more details)</i>

Nexus Rules from 1 July 2009

Where services are performed by the employee in the month	When NT Payroll Tax is payable (From 1 July 2009)
Wholly in the NT	NT Payroll tax is payable
Partly in the NT and another state and/or partly outside all Australian states (i.e. in another country or offshore outside the territorial limits of any Australian state)	NT Payroll tax is payable if: <ol style="list-style-type: none"> 1. the employee's principal place of residence (PPR) in the month is located in the NT; or 2. the employee does not have a PPR in an Australian state, if the employer's: <ol style="list-style-type: none"> (a) ABN registered address in the month is located in the NT; or (b) If they do not have an ABN registered address or have two or more ABN registered addresses in different states in the month, their principal place of business (PPB) in Australia in that month is in the NT; or 3. the employee and employer are not based in an Australian state, if the wages, or the highest proportion of wages paid in Australia, are paid in the NT; or 4. the employee and employer are not based in an Australian state and the wages are not paid in Australia; if the services were performed mainly (more than 50 per cent) in the NT.
Wholly outside all Australian states (i.e. in another country or offshore outside the territorial limits of any Australian state)	NT Payroll tax is payable if the wages or the highest proportion of wages paid in Australia, are paid in the NT. <i>Note: wages paid to an employee who performs services wholly in another country or countries for a continuous period of not less than six months are exempt from payroll tax (see below for more details).</i>

Note: If an employee or employer changes their PPR, ABN registered address or PPB during the month, it is the last address in that month.

In certain cases, corporations are deemed to be 'employees' for payroll tax purposes. In these cases, the corporation's PPR is determined by reference to the location of their ABN registered address or their PPB.

Exemption for employees performing services in another country or countries

If no services are performed by an employee in a particular month that wages are paid or payable, payroll tax is determined by reference to the most recent month that employee performed services for that employer or if there is no service history, where it reasonably expected the services will be provided.

In circumstances other than those described above, wages are not taxable in the NT, but may be taxable in another state.

Wages paid in the NT are exempt from payroll tax if the employee has performed services wholly in another country (or countries) for a continuous period of more than six months. From 1 July 2008, the exemption includes wages paid for the first six months service.

The six month period does not have to be within a financial year but must be a continuous period.

Providing an employee immediately returns to another country to continue the assignment, it will not be regarded as a break in continuity of service if they return to Australia in the following circumstances:

- for a holiday; or
- to perform services exclusively relating to that assignment for a period of less than one month.

If an employee returns to Australia in any other circumstances, the six month continuous service period starts again on the date that they recommence performing services in the other country.

The exemption does not apply if the services are performed for a period of less than six continuous months or if their services are offshore (not in another country but outside the territorial limits of all Australian states). The latter would typically apply to oil rig workers.

For more detailed information on the payroll tax implications on wages paid to employees that perform services wholly outside of the territorial limits of all Australian states, refer to Revenue Circular [RC-PRT-004: Payroll tax nexus rules – new arrangements](#).