
TERRITORY REVENUE MANAGEMENT

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Purpose of this circular

1. The purpose of this circular is to advise of the requirements for claiming the pay-roll tax exemption for wages paid to graduate trainee employees.
2. Revenue Circular RA 001, which sets out information on the revenue circular system, is incorporated into and is to be read as one with this circular.

Introduction

3. The *Pay-roll Tax Regulations* provide an exemption for wages if they are paid or payable to:
 - a) probationers and trainees within the meaning of the *Northern Territory Employment and Training Act*;
 - b) employees receiving wages funded under the Community Development Employment Program; or
 - c) graduates of approved tertiary institutions employed under trainee arrangements approved by the Commissioner.
4. This circular deals specifically with the exemption for wages paid to **graduate trainees** (category (c) above) as set out in Regulations 27S(c) and 27T.

Qualifying Conditions for the Graduate Trainee Exemption

5. To qualify for the exemption, an employee:
 - a) must be a graduate of an approved tertiary educational institution;
 - b) must be employed under an approved training arrangement; and
 - c) must not have been employed by the employer, in any capacity, or at any time prior to graduating.

Graduate of an Approved Tertiary Education Institution

6. For the purposes of the exemption, an employee must have fulfilled all requirements towards the granting of a diploma or higher level qualification from an approved tertiary educational institution.
7. The Commissioner will generally approve a tertiary educational institution where it is a Tertiary Institution for the purposes of the *Employment, Education and Training Act 1988* (of the Commonwealth). In addition, the Bond University is also an approved tertiary educational institution.

An Approved Training Arrangement

8. An approved training arrangement must be in the form of a written agreement between the graduate trainee and the employer.
9. The arrangement must have been entered into within 12 months of the graduate trainee being awarded the relevant tertiary qualification.

10. The arrangement must provide a structured program to enhance the graduate trainee's abilities and experience.
11. An acceptable training arrangement must:
 - a) be directly related to the vocation for which the trainee's qualification relates;
 - b) be under the direct guidance of one or more senior staff of the organisation;
 - c) provide for planned, ordered and regular development of the graduate trainee's training;
 - d) provide for relevant targets or goals that the graduate trainee should achieve during the training period; and
 - e) contain a structured synopsis of topics and/or skills acquired under the arrangement and an assessment of the graduate trainee's performance relating to each part of the synopsis.

Applying for the Exemption

12. An application for exemption is to be made in writing addressing the criteria described above and must be accompanied by the following information:
 - a) a certified copy of the graduate trainee's academic record or a copy of the qualification;
 - b) a copy of the graduate trainee's training arrangement including details of the training synopsis;
 - c) a copy of the graduate trainee's contract of employment or the name of award or employment arrangement that the graduate trainee is engaged under; and
 - d) a copy of the training agreement between the employer and the graduate trainee.

Standing Approval

13. Where an employer regularly employs graduate trainees, the employer may apply for a standing approval.
14. To receive a standing approval, the employer will need to submit an exemption application detailing:
 - a) the academic qualifications required for the graduate trainee arrangement and a list of the tertiary institutions that provide the required qualifications for the trainee scheme;
 - b) a pro-forma copy of the graduate trainee training arrangement;
 - c) a pro-forma copy of the contract of employment or the name of award or employment arrangement that graduate trainees will be engaged under; and
 - d) a pro-forma copy of the training agreement to be entered into between the employer and the graduate trainee.
15. The standing approval will not apply where a graduate trainee is engaged under an arrangement that varies from the arrangement that has been granted standing approval.
16. 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 employment of a graduate engaged under that arrangement:

- a) name of the graduate trainee; and
- b) a copy of the graduate trainee's academic qualifications.

Effect of Approval of an Application

- 17. Where a graduate trainee arrangement is approved, the Commissioner will issue a notice of approval.
- 18. The approval takes effect from the date specified in the notice. However, the date cannot be earlier than 3 years prior to the date of application for the approval.

Period of Exemption

- 19. The exemption applies for a maximum period of 6 months of the employment of the graduate trainee under the approved graduate trainee arrangement.

Annual Return

- 20. The employer must provide an annual return in writing indicating for each graduate trainee whose wages have been treated as exempt:
 - a) the names of the graduate trainees; and
 - b) the amount of wages paid to the graduate trainees.
- 21. The return is to be submitted as part of the pay-roll tax annual return (ie. by 21 July following the financial year in which the graduate trainee exemption is claimed).

Revocation of the Approval

- 22. The Commissioner may, by notice to the employer revoke the approval. This may occur, for instance, where the employer has not complied with the conditions of the approval. The date of revocation is the date specified on the notice.

Reference should be made to the *Pay-roll Tax Act* and the *Pay-roll Tax Regulations* for precise details. General information may be obtained from the Office of the Commissioner of Taxes on telephone (08) 8999 7949 or facsimile (08) 8999 5577.

COMMISSIONER OF TAXES