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Deloitte Payroll Tax Update

AUGUST 2026

AGENDA

TOPIC
State and Territory Update
Cases Update
Responding to an Audit or Investigation Notice
Hot Topics
Grouping
Employee Share Schemes
Contractors
Deloitte Contractor Payroll Tax Tool Demo

Payroll Tax Webinar – Presenting Team

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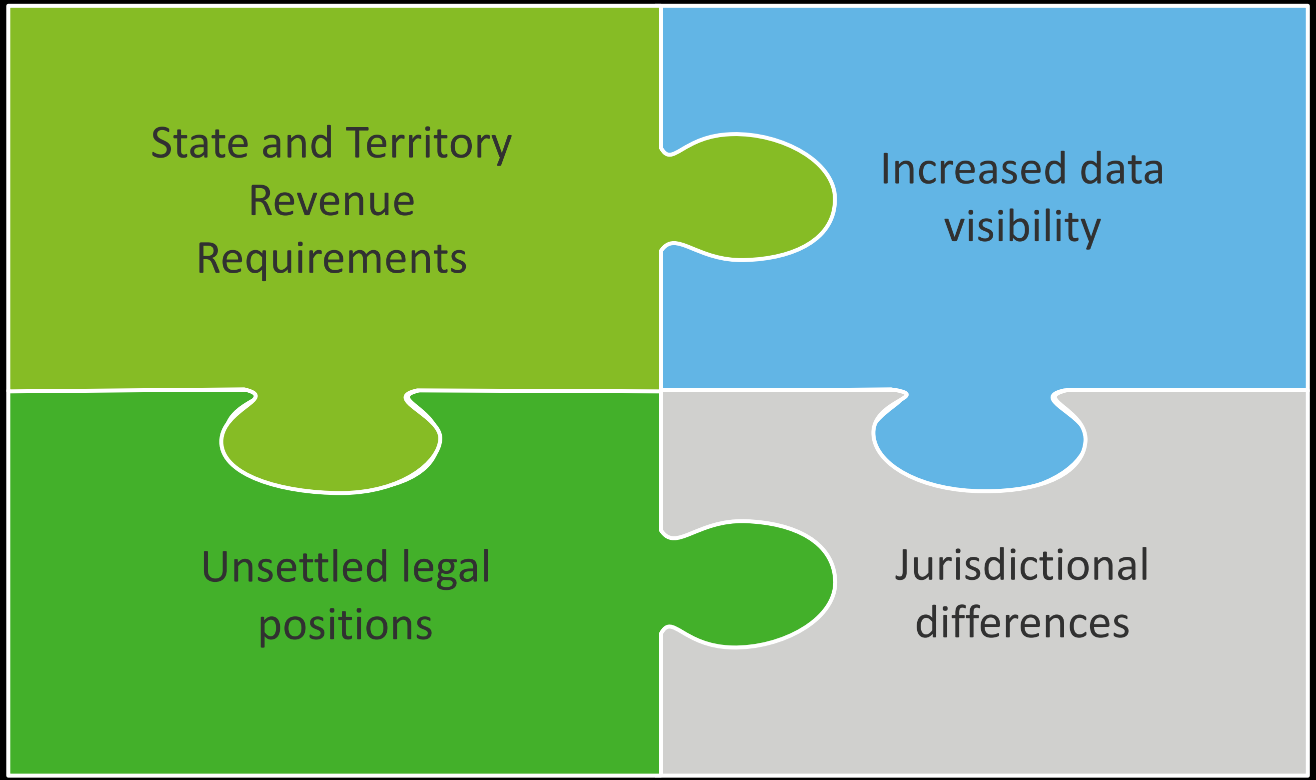
State and Territory Update – Key Observations

- A perfect storm driving audit activity and complexity for taxpayers
- Can be integral to the way taxpayers run businesses – e.g. aggregators, labour hire, platforms



New South Wales

- High audit and Investigation activity across a range of matters leveraging data matching
- Enhanced online administration for managing grouping information
- Clarification to PTA006 that employer fuel-cost contributions do not prevent access to owner driver exemptions
- Higher rates of penalty tax apply to Significant Global Entities (SGE).

Rate Range	5.45%
Threshold	$1.2m

Australian Capital Territory

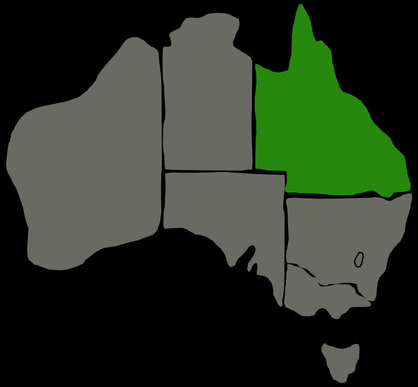
- Significant rate reform implemented.
- From 1 July 2026:
    - Decreased threshold from $2m to $1.75m
    - Rate reduced by 0.1% to 6.75%, but new 0.1% surcharge for $20-50m in taxable wages
- From 1 January 2026, rate of 8.75% applies for business with taxable wages above $150m
- Revised Grouping guidance
- Lisa Holmes commenced in November 2025 as Commissioner for ACT Revenue.

Rate Range	6.75 – 8.75%
Threshold	$1.75m

Queensland

- Regional employer discount of 1% up to 30 June 20230 – ensure Australian Business Record records are up to date
- Increased audit activity in relation to QLD Mental Health levy – applying to Designated Group Employer
- Expanded annual return questions including interstate employment, expected following year wages, grouping status and levy reconciliation.

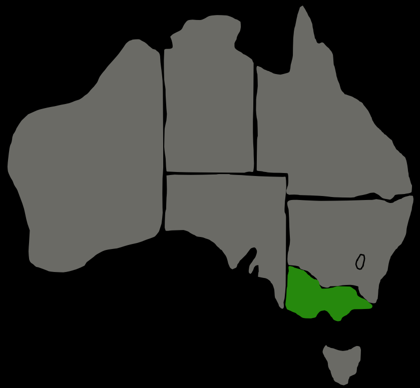
Rate Range	4.75 – 4.95%
Threshold	$1.3m



Victoria

- Published areas of focus on undisclosed wages including superannuation, fringe benefits, contractors, labour hire and employment agencies
- Redesigned website to PTX Express
- Mental health levy surcharges continue:
  - 1% for employers >$10m in wages
  - 2% for employers >$100m wages.

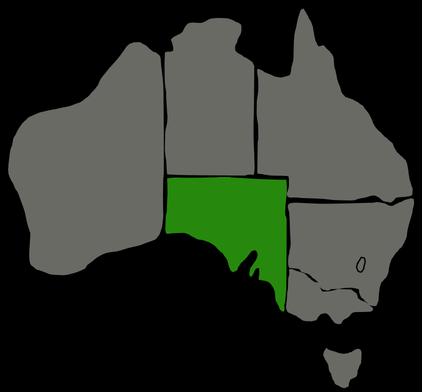
Rate Range	4.85%
Threshold	$1m



South Australia

- Information Circular IC109 – Payroll Tax and Labour Hire Services released on 7 October 2025.

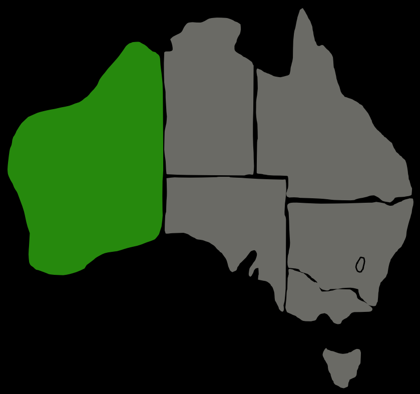
Rate Range	4.95%
Threshold	$1.5m



Western Australia

- Contractor treatment remains key difference with no relevant contractor provisions
- Direction of taxpayers towards RevenueWAConnect.

Rate Range	5.5%
Threshold	$1m



Northern Territory

- 2025-26 Budget announcement from 1 July 2025:
  - Wages paid to apprentices and trainees will now be exempt from payroll tax
  - Threshold increased from $1.5m to $2.5m.
  - Annual deductible amount will reduce at an increased rate of $1 for every $2 of Australian wages above the new threshold
  - 6.5% rate for employers with taxable wages above $100m from 1 July 2026.

Rate Range	5.5%
Threshold	$2.5m

Tasmania

- General Practitioners: During the 2024 election, both sides of Government announced that payroll tax would not apply to GPs. However, no legislation or rulings have been released.

Rate Range	4 – 6.1%
Threshold	$1.25m

State and Territory Update – Key Observations

- **Medical practices** shifted from litigation issue to a jurisdiction specific policy issue. Watch for audit activity following expiration of various amnesties.

- **Trend Setters:** Whether other jurisdictions will follow:
  - ACT/NT higher rates for much larger national payrolls
  - NSW SGE penalties and phoenixing provisions.

- **Contractors and Labour Hire:** Remains core compliance risk – watch for Revenue positions following current cases.

- **Data Sharing:** Revenue authorities are getting better information, and increasing sharing information, including director information and more frequent superannuation information from Payday Super. This is continuing to drive more audit activity.

Cases Update

Relevant Contractor Cases

Uber (NSW)

- 81.5m in NSW payroll tax over six years

- Uber was successful in the NSW Supreme Court

- April 2026 High Court hearing with decision expected soon

- Outcome will bind all States and Territories with harmonised provisions

- Whether amounts collected by Uber are wages under a relevant contract and whether any exclusion can apply

- A key question is the High Court's construction of "for or in relation to the performance of work". This is relevant to prior lower Court decisions.

Finsure Finance and Insurance (NSW)

- Whether Finsure's broker arrangements are 'relevant contracts' consistent with decision in Loan Market.

- Seeking to distinguish a wholesale mortgage aggregator business from that of a franchise model as was the case in Loan Market

- Court pending High Court judgement in Uber, following which parties will make further submissions.

Cases Update

Employment Agency, Grouping

SKG Cleaning; Ezko Property (NSW)

- Commercial Cleaning Groups assessed on payments to subcontractors on the basis that the contracts were employment agency contracts

- Employment agency provisions are where an agent procures the services of another “for a client”, deeming the payments wages

- Plaintiff argued the clients’ lack of control and ‘employer-like relationship’ mattered

- NSWCA sided with the Commissioner, holding that it was sufficient to be provided ‘in and for’ the business with control of the service rather than workers. Exception is ad hoc or specialised services not normally done in-house.

Winya Indigenous Officer Furniture (QLD)

Inventus Group ultimately owned 49% of Winya, with Inventus, being a subsidiary of Invetus, providing back-office shared services to Winya

Shared directors with Inventus Group.

QLD Revenue grouped the businesses.

Court found should not be grouped – no material control by Vibe or inventus Group and independent day to day operations

Grouping exclusion was only obtained after successful litigation.

Cases Update

Other

One Solar Power (QLD)

- One Solar designs and supplies solar energy across QLD, NSW and ACT – online advertising booking contractors for works.

- QLD Revenue sought assessment under relevant contractor provisions. Objection made on the basis of the door-to-door sales exemption.

- QCAT held that the exemption was not available as the contractors were precluded from making unsolicited physical approaches to customers.

- Relevant that only QLD, VIC, SA and NT have the door-to-door exemption – not a harmonised exemption.

Chamoun (NSW)

- E Group Security had been involved with significant payroll tax litigation with Revenue NSW over several years, with payroll tax assessments issued on the basis of grouping.

- Director Compliance Notice (DCN) issued to a director, making them personally liable.

- DCN disputed, among other things because the not a director when the liabilities arose. Sought proceedings in NSWSC and interlocutory relief restraining NSW Revenue from further steps to enforce DCN.

- Court held no series question showed to be tried and no evidence of hardship. Interlocutory relief dismissed. Further review may occur.

Audit Readiness

A practical guide to responding to an audit

Eight steps for a controlled response

From the first notice through to ongoing compliance

01 Establish roles, responsibilities and procedures

02 Understand the scope and timeframes

03 Engage early and constructively

04 Establish the facts and available evidence

05 Identify and assess any problems

06 Disputed facts and technical positions

07 Consider other jurisdictions

08 Updates to compliance and monitoring

01 Establish roles, responsibilities and procedures

- Establish audit response and responsibility protocols before an audit arises
- Keep contact details on Revenue portals up to date
- Establish a central line of communication with Revenue
- Involve tax, finance, payroll, HR, procurement and legal teams as required
- Establish internal project management or a steering group if required
- Create a central repository for information sharing
- Consider which advisers are required, including whether legal privilege is appropriate
- Use advisers to interpret requirements, understand risks and clarify Revenue Office powers

02 Understand the scope and timeframes

- Confirm the scope: self-review, audit, investigation, etc.
- Assess relevant financial years, entities and jurisdictions
- Identify any specific audit focus areas
- Confirm what information is being requested
- Confirm the response timeframe and avenues for contacting Revenue
- Consider what's changed over the period e.g. systems, business operations, positions etc.
- Consider proposals to reduce for which periods information is to be initially provided

03 Engage early and constructively

- Seek an extension if genuinely needed
- Engage professionally and proactively with Revenue
- If interviews or site visits are required, be prepared
- Use preliminary findings to confirm any further information or evidence required
- Ignoring Revenue correspondence can result in compulsory information notices, default assessments and increased penalties.

04 Establish the facts and available evidence

- Gather relevant data and evidence for any exemptions claimed
- Provide useful, structured information rather than an unstructured data dump
- Misleading, incomplete, unnecessary or excessive information provided to Revenue can have significant implications
- Plan for a broad range of potential information and data requests

POTENTIAL INFORMATION SOURCES

- Payroll data
- FBT returns
- Invoices
- STP/PAYG
- Share schemes
- General ledger data
- Employment contracts
- Organisation chart
- Returns & reconciliations
- Contractor payments
- Financial statements
- Director information

05 Identify and assess any problems

- Before responding, assess what Revenue is asking for and why – for example, whether payroll and FBT records reconcile with payroll tax returns or directors' remuneration matches financial statement disclosures
- Undertake your own "internal audit"
  - Desktop review of key issues in at-risk areas; or
  - Deep-dive reconciliation of key matters
- Before anything is submitted, reconcile figures and positions
- Responses should be filtered for clarity, but information should not be manipulated or omitted which may erode audit trust or create a misleading picture
- Identify whether a voluntary disclosure is needed. This is preferable when an error is found rather than waiting for Revenue to identify it

06 Disputed facts and technical positions

- Assess any disputed facts or legal positions and understand your review rights
- Disputed facts may include areas where you have not provided sufficient evidence, or where Revenue has not agreed with your fact pattern
- Technical positions may include the construction of common-law employees, relevant contractors, employment agency, grouping or other areas where the legal basis is frequently reviewed
- Obtain professional and/or legal advice where required

07 Consider other jurisdictions

- A payroll tax audit in one jurisdiction may have flow-on implications for other jurisdictions
- Consider any disclosures required in other jurisdictions based on the findings
- Be aware of differences between jurisdictions

08 Updates to compliance and monitoring

- Update payroll tax compliance procedures and positions for any matters addressed
- Establish processes to monitor changes in structure, fact patterns and the payroll tax profile, including:
  - **Grouping:** monitor changes to corporate structure, such as ownership, directors' roles and shared employees
  - **Contractors:** set up a process for analysing and substantiating the position for all contractors
  - **New wage types:** monitor changes in wage types and required payroll tax classification

Concluding tip

> ***Do not treat a payroll tax audit as a questionnaire – remain in control – review the full payroll tax position before Revenue does***

Hot Topics – Grouping

Related Corporations
- Holding and subsidiary companies
- Subsidiaries of the same holding company

Common Control / Interest
- Controls composition of the Board
- Cast or control casting of more than 50% of votes
- Holds more than 50% of issued share capital

Subsuming / Amalgamation
- Subsuming of groups with a common member (e.g. directors, shareholders etc)
- Subsuming of groups due to a combined interest

Tracing of Interests
- Controlling interest directly, indirectly or through an aggregated interest

Common Employees
- Employee(s) perform duties in connection with another business carried on by the employer
- Under direction and control of how services are performed

De-grouping
Businesses managed independently with no substantial connections and only causal, irregular or occasional interactions (though cannot be grouped as related corporations).

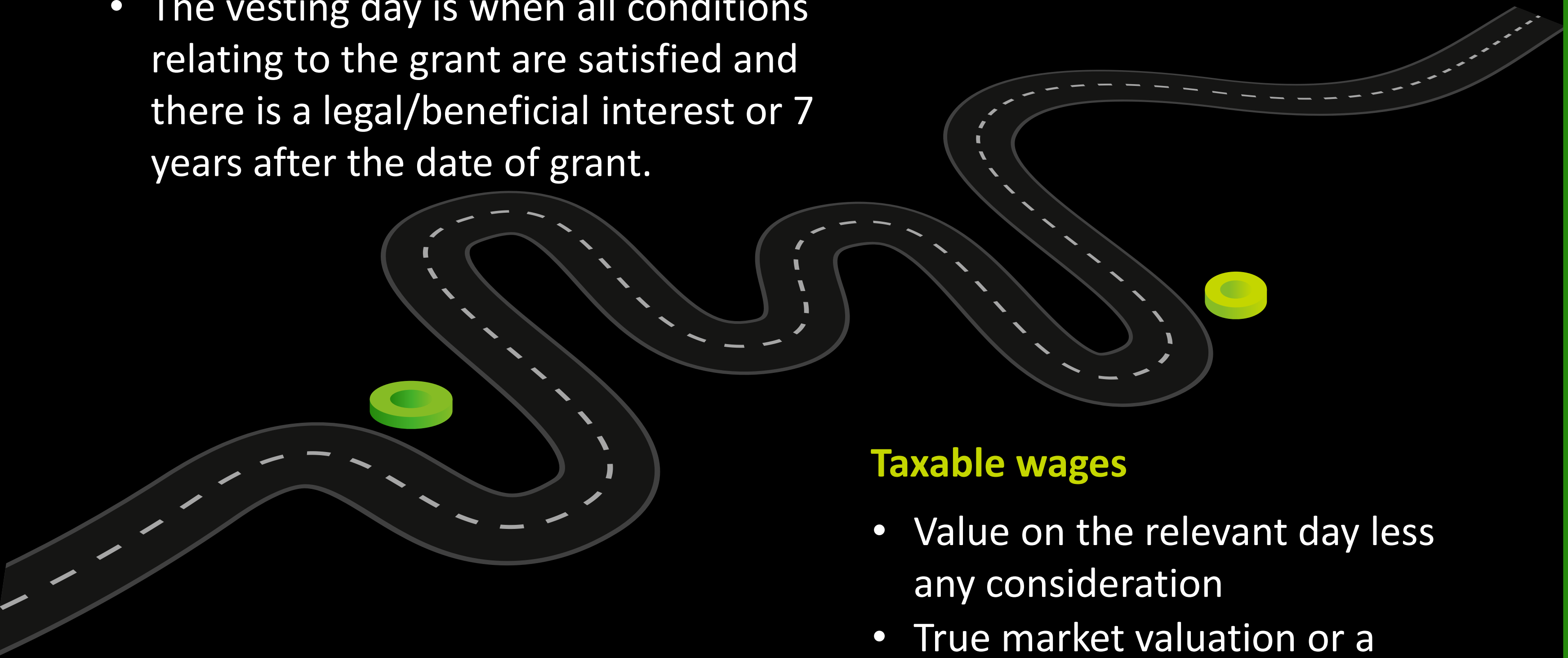
Common errors

- **Misapplying grouping rules** by focusing only on related body corporate test, direct shareholdings, or legal structure rather than considering the substance.
- **Capability gaps in compliance ownership**, with Payroll Tax obligations managed by teams lacking sufficient grouping expertise and support.
- **Poor visibility of ownership changes**, particularly where global or parent entity investments are not widely communicated.
- **Ineffective information-sharing processes**, leading to incomplete Australia-wide taxable wage reporting and lodgement anomalies.
- **Overlooking de-grouping opportunities and requirements,** with positions adopted without obtaining formal Commissioner approval.

Hot Topics – Employee Share Scheme Interests

Relevant day

- Elected by the employer
- Either the day a share or option is granted to an employee or the day of vest
- The vesting day is when all conditions relating to the grant are satisfied and there is a legal/beneficial interest or 7 years after the date of grant.



Taxable wages

- Value on the relevant day less any consideration
- True market valuation or a methodology prescribed by the Regulations

Common errors

- **Failure to identify ESS transactions**, resulting in underreported Payroll Tax liabilities.
- **Misalignment between Payroll Tax and income tax/ATO reporting**, with assumption that ATO treatment automatically applies.
- **Incorrect reliance on tax deferrals**, despite not commonly accepted by State Revenue Offices.
- **Misapplication of employee nexus rules**, leading to incorrect state allocations or overreporting for expats.
- **Data quality issues**, including incorrect share prices, exchange rates and taxing dates.
- **Overlooking / incorrectly applying specific concessions and adjustments**, such as the Commonwealth taxed upfront $1,000 reduction scheme
- **Failure to capture dividend equivalents**
- **Missed refund opportunities** for rescinded shares and options.

Hot Topics – Contractors

Includes:

- Common Law Employees
- Directors
- Payments for services under 'relevant contracts'

Does not include:

- Specifically exempt payments to contractors

Common errors:

- Comprehensive and documented annual analysis for relevant contract exemptions prior to lodgement of annual reconciliation is not completed
- Misinterpretation and misapplication of relevant contract exemptions
- Only considering sole traders
- Relying on the '80/20' rule
- Applying prior year exemptions without considering changes in circumstances
- No analysis for employee vs contractor classification
- Employment agency arrangements
- Data mismatches between contractor information reported on Taxable Payment Annual Reports to the ATO, as part of rateable remuneration to WorkCover authorities etc

6 Step Recommended Approach

1. **Strengthen onboarding controls**
   Capture and validate contractor information upfront to support proper engagement and downstream tax analysis.
2. **Identify the contractor population**
   Perform an annual review of all contractor payments across payroll and accounts payable data sources.
3. **Gather critical engagement data**
   Understand service arrangements that may have changed during the year, personnel involved, and payment components (labour, materials, expenses).
4. **Assess employee vs contractor status**
   Identify misclassified workers and remediate employment tax exposures promptly.
5. **Apply relevant contract exemptions**
   Determine exemption eligibility using available evidence and jurisdiction-specific rules.
6. **Maintain audit-ready documentation**
   Prepare robust workpapers and supporting evidence to substantiate positions and annual Payroll Tax disclosures.

Contractor Payroll Tax (CPT) Tool

Data-analytical tool on our proprietary technology platform, that applies rule sets and analytics:

- Applies configurable rule sets and analytics
- Enriched with data from government and business intelligence databases
- Processes raw data—vendor master lists and accounts payable transactions

Using ABR (Australian Business Register) and ASIC data - along with agreed parameters - the tool identifies applicable payroll tax *relevant contractor* exemptions. It generates an audit-ready report with a complete listing of vendors, identifying exempt vendors and the rationale for each exemption.

01 IMPORT DATA

Contractor information
+
Illion Data

→

02 VALIDATE DATA

Validate against ABR and Illion Data

→

03 GENERATE

Apply Automated logic & agreed parameters

→

04 AUDIT READY REPORTS

CPT Tool

Final Vendor List

- ✓ Vendor identification (name, ABN, entity type, state)
- ✓ Payments made during the year
- ✓ Exemption applied (if applicable)
- ✓ Prior-year exemption status (if applicable)
- ✓ Other information, including number of employees and invoices
- ✓ PRT taxable status

Contractor Payroll Tax (CPT) Tool – Parameters & Output

Parameter based rules	Potential exemption
Total Purchases are *(for example <$20,000)*	Less than 90 days
Total Purchases over *(for example >$600,000)*	Public generally
Vendors with *(for example 5 or more employees)*	2 or more employees
Vendors with *(for example >$5,000,000 in revenue)*	Public generally
Vendors with *(for example less than 5 invoices)*	Less than 90 days
Vendors with (*for example over 30 invoices)*	Public generally
Vendors with *(for example a single transaction over $60,000)*	2 or more employees

CPT Tool Report

Unique Vendors subject to analysis	**12,933**
Reason applied to exclude Vendor from CPT:	
Permanent Exclusions	
Vendors that are Public Companies, Strata-title Companies, Government Entities and Charities	570
Vendors with Marketing Phone Numbers (1800, 1300, 131)	2
Vendors based on Primary SIC descriptions	328
Vendors with Global Parent Entities	3,673
TOTAL Vendors remaining after Permanent Exclusions	8,360
Temporary Exclusions	
Vendors where total purchases are < $40,000 or > $600,000	6,109
Research Data Excluded Vendors >=5 Employees or >$5,000,000 Revenue	616
Transaction Data Excluded Vendors < 5 or >= 30 invoices	732
Transaction Data Excluded Vendors with largest transaction greater than $60,000	142
TOTAL Vendors for review	761
TOTAL Vendor Transactions subject to PRT	-

Final Vendor List

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Period	Company Code	Vendor Code	ABN	Vendor Name	Vendor State	No. of Invoices	Vendor Website	Total Revenue	No. of Employees	Payments to Vendor	Prior Year Treatment	Exclusion Applied	Subject to Payroll Tax
2	30-Jun-22	2000	10000001	12345678910	SAMPLE CO.	NSW	12	www.sampleco.com	10000000	5	27500	2 or more persons	2 or more persons	0
3														

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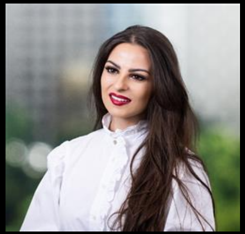

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