

EXPLANATORY MEMORANDUM

PAY-ROLL TAX ASSESSMENT AMENDMENT (THRESHOLDS) BILL 2019

This Bill seeks to amend the *Pay-roll Tax Assessment Act 2002* to increase the payroll tax threshold from \$850,000 to \$950,000 on 1 January 2020 and from \$950,000 to \$1 million on 1 January 2021.

Payroll tax is an annual tax that most registered employers, or groups of employers, pay on a monthly or quarterly basis throughout the financial year (assessment year). An employer or group's annual Australian taxable wages determines its tax liability, tax rate and tax-free deductible amount.

If an employer or group's Australian taxable wages are over the taxable threshold of \$850,000, payroll tax applies to the Western Australian (WA) taxable wages as follows:

- Australian taxable wages over \$850,000 and less than \$7.5 million (upper threshold) – tax applies to the difference between the WA taxable wages and the deductible amount. The deductible amount is a tax free amount that gradually decreases as the Australian taxable wages reach \$7.5 million.
- Australian taxable wages of \$7.5 million or more – tax applies to the total WA taxable wages.

During 2019-20 and 2020-21, payroll tax will be calculated separately for each six-month period in the assessment year using the following threshold amounts:

Period	Annual Threshold \$	Half-year Taxable Threshold \$	Half-year Upper Threshold \$
1 July – 31 December 2019	850,000	425,000	3,750,000
1 January – 30 June 2020	950,000	475,000	3,750,000
1 July – 31 December 2020	950,000	475,000	3,750,000
1 January – 30 June 2021	1,000,000	500,000	3,750,000

The annual liability will be the sum of the liability from each half-year.

Although each half-year will be treated as its own assessment year, an employer or group's annual taxable wages will still determine the tax rate and deductible amount. This means an employer with wages of \$7.5 million or more will not receive a deductible amount even if the wages paid in one half-year are below the upper threshold for that period.

The existing calculation provisions will be modified to calculate tax for these assessment years. Specific rules have been included to ensure employers are not disadvantaged by the mid-year threshold changes.

When the changes are fully implemented, an estimated 700 employers will no longer be liable for payroll tax due to the threshold increase to \$950,000, with a further 300 employers no longer being liable when it increases to \$1 million.

All employers with Australian taxable wages below \$7.5 million will pay less tax as a result of the threshold increases.

To allow the first threshold change to be administered from 1 January 2020, the Minister for Finance will use section 130 of the *Taxation Administration Act 2003* to determine that clauses 2 to 9 of the Bill are pre-enactment provisions. This means these provisions will be effective from the date the determination notice is published in the *Government Gazette* as if they had been passed without amendment and had come into operation.

Clause 1: Short title

This clause provides that the short title of this Act is the *Pay-roll Tax Assessment Amendment (Thresholds) Act 2019*.

Clause 2: Commencement

Sections 1 and 2 of the Act come into operation on the day on which the Act receives Royal Assent. The rest of the Act is deemed to have come into operation on 1 July 2019.

Although the threshold is increased on 1 January 2020, the amendments need to operate from 1 July 2019 because this change affects the annual liability for the 2019-20 assessment year. As noted above, clauses 2 to 9 will be effective from the date the pre-enactment determination notice is published in the *Government Gazette*.

Clause 3: Act amended

This clause provides that the amendments in this Act are to the *Pay-roll Tax Assessment Act 2002* (PTA Act).

Clause 4: Section 8 replaced

This clause inserts new section 7A and replaces section 8, which provides the threshold amounts and tapering value for each financial year.

The tapering value is the rate at which the deductible amount decreases as the employer's Australian taxable wages approach \$7.5 million.

7A. Tax thresholds and tapering value: half-years between 1 July 2019 and 30 June 2021

This section provides the threshold amounts and tapering value for each half-year between 1 July 2019 and 30 June 2021. This two-year period is defined as the "threshold transition period" by a new definition inserted into the Glossary by clause 8.

During the threshold transition period, the annual threshold is increased half way through each assessment year while the upper threshold remains the same. To produce the correct outcomes during this period, payroll tax will be calculated separately for each half-year period, with the annual liability being the sum of the liabilities for each period.

The relevant annual threshold is halved for each half-year in 2019-20 and 2020-21. This reflects that the threshold increases are not backdated to the start of the assessment year and will not apply in full until the following assessment year.

Although the upper threshold will also be halved when calculating tax for a half-year, a deductible amount will not apply if the employer's total annual wages are equal to or greater than the annual upper threshold of \$7.5 million. This reflects that the amendments do not change the upper threshold.

Section 7A defines the thresholds and tapering value for each half-year in the threshold transition period, instead of for each financial year as in section 8. This ensures payroll tax for each half-year in this period is assessed using the correct thresholds.

Subsection (1) provides the threshold amount for each half-year in the threshold transition period.

- Paragraph (a) provides a threshold of \$425,000 for the half-year from 1 July 2019.
- Paragraph (b) provides a threshold of \$475,000 for the half-years from 1 January 2020 and 1 July 2020.
- Paragraph (c) provides a \$500,000 threshold for the half-year from 1 January 2021.

Subsection (2) provides the monthly threshold amount for each half-year in the threshold transition period. The amounts in paragraphs (a) to (c) are equal to the half-year thresholds in subsection (1) apportioned for one month.

Subsection (3) provides the upper threshold amount for a half-year in the threshold transition period. The upper threshold of \$7.5 million is not amended by the Bill and is equally apportioned (halved) for each half-year in the threshold transition period.

Subsection (4) provides the formula for calculating the tapering value for a half-year in the threshold transition period. This formula is the same as the tapering value for a full financial year in section 8, with the annual variables replaced by half-year variables.

8. Tax thresholds and tapering value: financial years beginning on or after 1 July 2021

This provision replaces the previous section 8 and provides the threshold amounts and tapering values for financial years beginning on or after 1 July 2021.

Following the threshold transition period, payroll tax will be calculated each financial year with an annual threshold of \$1 million.

For a financial year beginning on or after 1 July 2021:

- Subsection (1) provides an annual threshold amount of \$1 million;
- subsection (2) provides a monthly threshold amount of \$83,333;
- subsection (3) provides an upper threshold amount of \$7.5 million; and
- subsection (4) provides the formula for calculating the tapering value.

Clause 5: Part 2 Division 6 inserted

This clause inserts Division 6 into the PTA Act.

**Division 6 – Special provisions for period from
1 July 2019 to 30 June 2021**

This Division sets out how payroll tax will be calculated for employers and groups of employers during the threshold transition period.

23D. Terms used

This section defines the terms “relevant whole year liability provisions”, “relevant part-year liability provisions” and “relevant return period liability provisions”.

The following provisions are ordinarily used to calculate an employer’s annual payroll tax liability:

- for local non-group employers – sections 10, 11A, 11 and 12;
- for interstate non-group employers – sections 13, 14 and 15; and
- for groups – sections 17, 18 and 19.

The calculation provisions that apply depend on whether the employer remains the same type for a full assessment year, change type within the year or only have a liability for part of the year. For part-year liabilities, the thresholds are apportioned based on the number of days in the year the employer has that liability.

The return period liability provisions in sections 11, 12, 15 and 19 calculate an employer’s liability for a progressive return period. This is the monthly, quarterly or annual period in which an employer pays payroll tax throughout the financial year.

Section 23D specifies which provisions will be modified by this Division to calculate payroll tax during the threshold transition period.

Subsection (1) sets out the *relevant whole year liability provisions*, subsection (2) sets out the *relevant part-year liability provisions*, and subsection (3) sets out the *relevant return period liability provisions*.

23E. Application of Division

This section provides that the payroll tax liability for all types of employers in the threshold transition period is calculated under Part 2 Division 6.

The liability provisions in Divisions 2 and 3 calculate payroll tax for an ordinary financial year. Most of Division 6 modifies Divisions 2 and 3 where relevant to calculate payroll tax for the 2019-20 and 2020-21 assessment years.

The provisions have been modified rather than replicated to avoid overcomplicating the PTA Act for the two-year threshold transition period. As State Revenue's online systems fully calculate payroll tax, any complexity caused by the modified provisions will not impact most taxpayers.

Subsection (1) specifies that payroll tax is to be calculated under Part 2 Division 6 during the threshold transition period.

Subsection (2) provides that Divisions 2 and 3 of the PTA Act apply to calculations under Division 6 only to the extent of, and with the modifications provided for in, the Division.

23F. Annual tax liability: whole assessment years in threshold transition period

This section applies to an employer or a member of a group who does not change employer type for a full financial year. For example, a local employer is an employer who only pays wages in Western Australia. If they only paid Western Australian wages during the financial year, their annual payroll tax liability is calculated using this provision.

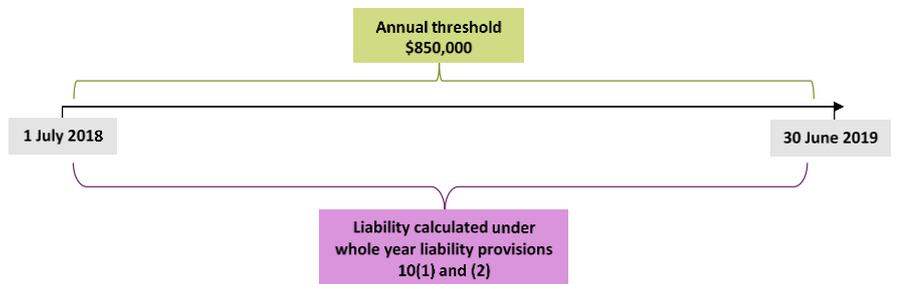
An employer's annual payroll tax liability during the threshold transition period is determined by separately calculating the liability for each half of the financial year and combining the two amounts.

Subsection (1) provides that this section applies if an employer or a group's liability would normally be calculated under the whole year liability provisions.

Subsection (2) provides that an employer or a group's liability for the financial year is equal to their liability for each half-year combined. The whole year liability provisions are used to calculate payroll tax for each half-year, but are modified by section 23K to apply for a half-year instead of a full financial year.

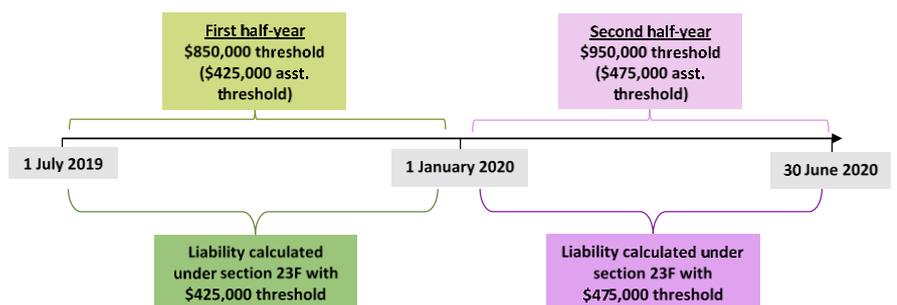
Example 1

A local employer pays \$1 million in WA taxable wages from 1 July 2018 to 30 June 2019. The employer's annual payroll tax liability is calculated by sections 10(1) and (2). One calculation is completed for the year and the liability is \$9,304.



Payroll tax is calculated under section 23F during the threshold transition period. Payroll tax is assessed separately for each half-year and is then combined. Sections 10(1) and (2), modified by section 23K, calculate the liability for each half-year.

The employer pays \$500,000 in WA taxable wages in each half year in 2019-20. Liability is \$4,652 for the first half-year and \$1,574 for the second half-year. The annual liability is \$6,226.



The upper threshold of \$7.5 million is not modified by this Bill. Although each half-year in the threshold transition period has an upper threshold of \$3.75 million, a deductible amount will not apply during a half-year if an employer's annual wages are \$7.5 million or more.

Subsection (3) overrides the half-year liability calculation in subsection (2) if an employer or group's wages are \$7.5 million or more in a financial year. This ensures that employers with annual wages of \$7.5 million or more do not receive a deductible amount if the wages are above the upper threshold in one half-year and below it in the other.

If this subsection applies, the payroll tax rate is applied to the employer or group's annual WA taxable wages with no deductible amount.

Example 2

An interstate non-group employer pays wages from 1 July 2019 to 30 June 2020. The employer pays \$1 million in Australian taxable wages in the first half of the financial year and \$8 million in the second half of the financial year.

Under section 23F(2), the employer's liability for the first half-year will be calculated using the deductible amount because the Australian taxable wages did not exceed the half-year upper threshold of \$3.75 million. As the Australian taxable wages for the second half-year exceeded \$3.75 million, the deductible amount will not be used to calculate the liability.

In this case, section 23F(3) will override section 23F(2) because the employer's Australian taxable wages for the year exceeded \$7.5 million. The employer's liability is calculated by applying the relevant rate to their total WA taxable wages without a deductible amount.

23G. Annual tax liability for non-group employers: part-years in threshold transition period

This section applies to a non-group employer who changes their employer type during the financial year. For example, a non-group employer becomes a member of a group part way through the financial year.

This section provides how an employer's liability is calculated for the part of the financial year before they changed employer type, and applies and apports the relevant half-year thresholds accordingly.

This provision also applies if an employer ceases operating during a financial year.

Subsection (1) provides that section 23G applies if an employer's liability would normally be calculated under a part-year liability provision.

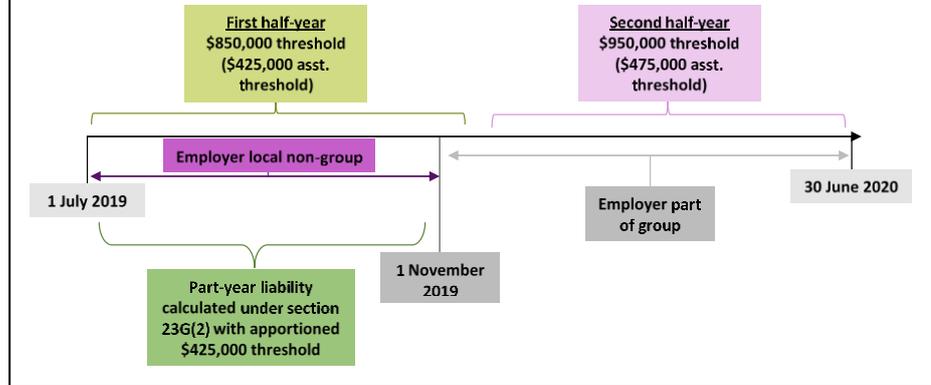
Subsection (2) sets out how the liability is to be calculated if the part-year is contained in a half-year. The provision ensures the correct half-year thresholds are used when calculating the employer's liability.

Paragraphs (a) and (b) ensure the correct liability provisions are applied depending on whether the employer was liable for all of the half-year or only a portion of the half-year.

Example 3

A non-group employer becomes part of a group on 1 November 2019.

The period before they changed employer type, that is 1 July 2019 to 31 October 2019, is contained within one half-year period. Payroll tax is calculated by section 23G(2) as follows:

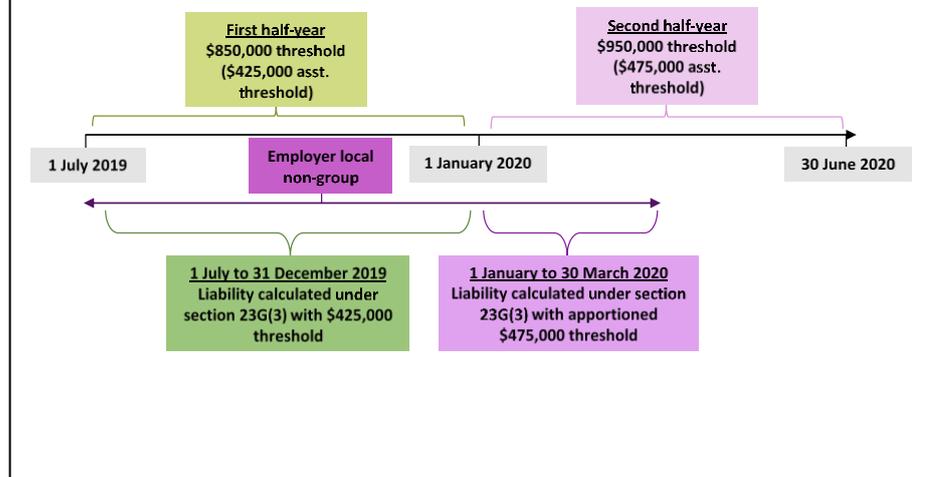


Subsection (3) sets out how the liability is to be calculated for a part-year that overlaps both half-years in an assessment year in the threshold transition period.

This subsection provides that the liability for each half-year is calculated separately using the modified liability provisions. The relevant thresholds are apportioned based on the number of days in each half-year the employer is liable as an employer of a certain type. The employer's liability is the sum of each half-year liability.

Example 4

A local non-group employer is liable from 1 July 2019 until 30 March 2020. This period spans both the half-year from 1 July 2019 and the half-year from 1 January 2020. Section 23G(3) provides that payroll tax will be calculated for this period as follows:



Subsection (4) overrides subsections (2) and (3) if an employer's wages in the part-year are equal to or greater than the upper threshold of \$7.5 million as apportioned based on the number of days in the part-year. This ensures these employers do not receive a deductible amount if the wages are greater than the apportioned upper threshold. If this subsection applies, the payroll tax rate is applied to the employer's part-year WA taxable wages with no deductible amount.

Subsection (5) apportions the \$7.5 million annual upper threshold for the purposes of subsection (4) based on the number of days in the year in which the employer was liable as a certain type.

23H. Annual tax liability for groups: part-years in threshold transition period

This section applies to employers that are liable as members of a group for part of a year in the threshold transition period. For example, the employers in a group may cease to operate as a group part way through an assessment year.

Subsection (1) provides that section 23H applies if a group's liability would normally be calculated under a part-year liability provision.

Subsection (2) sets out how the liability is to be calculated if the part-year is contained in a half-year. The provision ensures the correct half-year thresholds are used when calculating the group's liability.

Paragraphs (a) and (b) ensure the correct liability provisions are applied depending on whether the group was liable for all of the half-year or only a portion of the half-year.

Subsection (3) sets out how the liability is to be calculated for a part-year that overlaps both half-years in an assessment year in the threshold transition period.

The liabilities for each half-year are calculated separately and then added together to determine the group's liability for that period. This ensures the correct thresholds are used in the calculations. The relevant thresholds are apportioned based on the number of days in each half-year.

Subsection (4) overrides subsections (2) and (3) if the group's wages in the part-year are equal to or greater than the upper threshold of \$7.5 million as apportioned based on the number of days in the part-year. This ensures the group does not receive a deductible amount if the wages are greater than the apportioned upper threshold.

If this subsection applies, the payroll tax rate is applied to the group's part-year WA taxable wages with no deductible amount.

Subsection (5) apportions the \$7.5 million annual upper threshold for the purposes of subsection (4) based on the number of days in the year in which the group was liable for payroll tax.

23I. Tax payable with progressive returns in threshold transition period

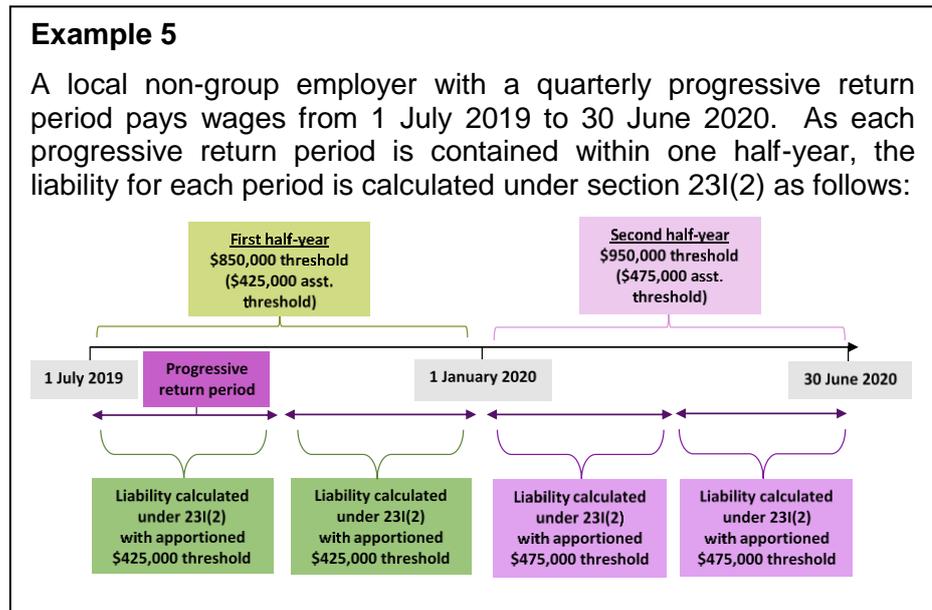
The payroll tax payable for a progressive return period in the threshold transition period is to be calculated under this section. A progressive return period is the monthly, quarterly or annual period in which an employer pays tax throughout a financial year.

This section also applies to a part of a progressive return period, which may occur where an employer changes their employer type or commences or ceases operating during a progressive return period.

Subsection (1) provides that a local non-group employer's liability for a progressive return period or part period is calculated by either subsection (2) or (3).

Subsection (2) sets out how payroll tax is to be calculated for a progressive return period or part period that is within one half-year in an assessment year.

The modified return period liability provisions calculate the liability for the progressive return period or part period by applying the relevant half-year thresholds and apportioning them based on the length of the period.



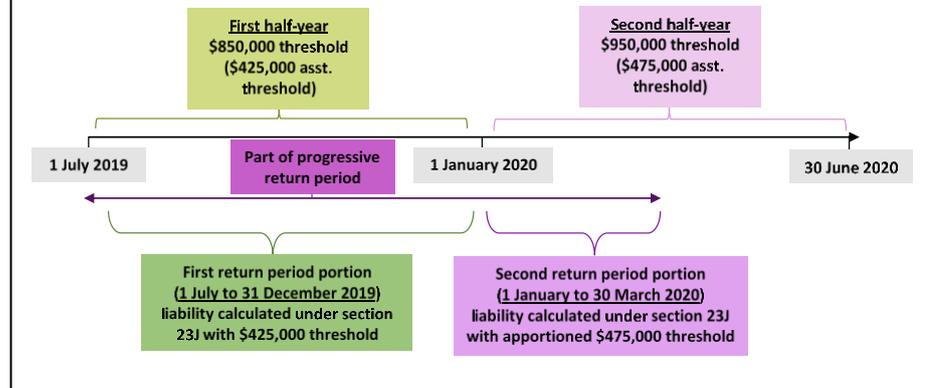
Subsection (3) sets out how the liability is calculated for a progressive return period or part period that overlaps both half-years in an assessment year. This will only occur for employers with annual return periods.

The liabilities for the portions in the first half-year and second half-year are calculated under section 23J. The payroll tax for the progressive return period is the sum of these two amounts.

Example 6

A local non-group employer has an annual progressive return period. The employer pays WA taxable wages from 1 July 2019 but ceases operating on 30 March 2020.

Section 23I(3) provides that the liability for this part-period is calculated under section 23J as follows:



Subsection (4) provides that the payroll tax liability for interstate non-group and group employers is calculated under sections 15 and 19 respectively, as modified by section 23K.

During the assessment year, these employers pay tax on the difference between their WA taxable wages and the nominated deductible amount (if any). The deductible amount is nominated by the Commissioner of State Revenue based on the total annual wages previously paid by the employer or group and the estimated wages that will be paid in the assessment year.

This process allows the employer to pay tax progressively through the year based on a nominated deductible amount. At the end of the assessment year, the tax paid by the employer throughout the year is reconciled with their annual liability based on actual wages. This may include an adjustment to the deductible amount. Any under or overpayments are adjusted accordingly.

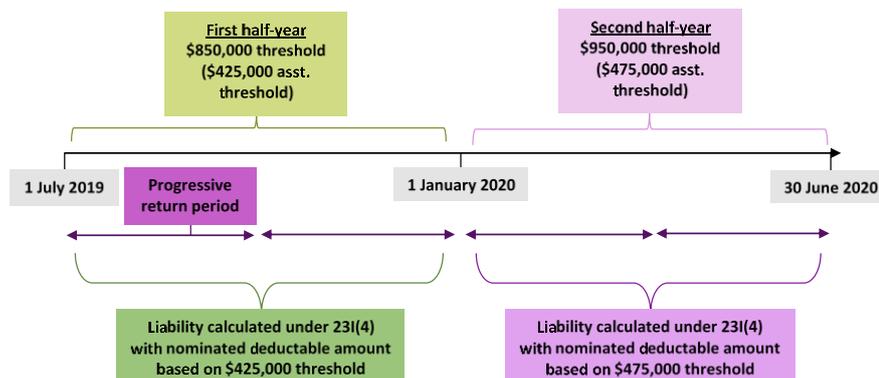
In an ordinary financial year the Commissioner nominates a single deductible amount for the year. During the threshold transition period, the modifications in section 23K allow the Commissioner to nominate a different amount for each half-year in the threshold transition period.

Note: only the designated group employer in a group receives a deductible amount. All other employers in the group pay tax on their full WA taxable wages in the period in accordance with section 19(1).

Example 7

An interstate non-group employer lodges quarterly returns and pays wages from 1 July 2019 to 30 June 2020. The Commissioner nominates a deductible amount for both the half-years based on the employer's 2018-19 wages and estimated wages for 2019-20.

In each progressive return period, the employer pays tax on the difference between their WA taxable wages and the nominated deductible amount for the half-year.



23J. Tax payable for return period portions: local non-group employers

This section sets out how the payroll tax payable by a local non-group employer is calculated for the part of a progressive return period that is within a half-year (defined as a return period portion).

Subsection (1) provides what the tax payable is for a return period portion. This subsection replicates section 11(1) but is adapted to only calculate payroll tax for the progressive return in a half-year.

Subsection (2) provides the formula for calculating the deductible amount for the return period portion. This replicates section 11(2) but modifies the tapering value for a half-year.

Subsection (3) provides the formula for calculating the apportioned threshold amount for the return period portion. This replicates the formula in section 12(1) but modifies the variables to only calculate a threshold for one half-year.

Subsection (4) provides the apportioned upper threshold amount for the return period portion. This replicates the formula in section 12(2) but modifies the variables to only calculate a threshold for one half-year.

23K. Modified application of relevant liability provisions

This section provides that the relevant liability provisions defined in section 23D are used, with the appropriate modifications, to calculate an employer or group's payroll tax during the threshold transition period.

Subsection (1) defines "relevant liability provisions" to mean the relevant whole year, part-year and return period liability provisions.

The table in subsection (2) sets out that references to periods or amounts in the whole year provisions are to be read as though they are references to the corresponding half-year periods and amounts.

Subsection (3) provides that, despite subsection (2), for the purposes of section 23I(2), the upper threshold amount is a reference to \$7.5 million and not a reference to the upper threshold amount for the half-year.

Section 23I(2) applies section 12(2), as modified, to apportion the upper threshold amount for the length of an employer's progressive return period or part-period. Under section 12(2), the upper threshold amount for the year is apportioned by dividing it by 12 and multiplying that number by the number of months in the return period or part-year. For example, the upper threshold amount for a quarterly return period is \$1,875,000 [(\$7.5 million/12) x 3].

The upper threshold would be incorrectly apportioned if the reference to "upper threshold amount for the year" were changed to the upper threshold for the half-year. This may result in employers with wages of \$7.5 million or more being entitled to a deductible amount.

Subsections (4) and (5) apply if an interstate non-group employer or group member has a progressive return period that overlaps both half-years of an assessment year.

This will only occur when an employer has an annual progressive return period. In this case, the Commissioner can nominate a single deductible amount for the return period instead of nominating an amount for each half-year.

23L. Adjustment for application of half-year thresholds

As explained previously, the relevant annual thresholds are halved for the half-years in 2019-20 and 2020-21 because the threshold changes on 1 January are not backdated to the start of the assessment year. The upper threshold is also halved when calculating tax in each half-year, but a deductible amount does not apply if an employer's annual taxable wages exceed the annual upper threshold.

Calculating tax for each half-year means taxpayers with fluctuating or seasonal wages may have a different tax outcome than if tax were calculated on the ordinary annual basis. This will only be the case where the employer pays wages that are above the taxable threshold or upper threshold in one half-year and below it in the other.

This provision ensures employers are not disadvantaged by the mid-year increases to the annual threshold. This involves comparing the annual liability in each year in the threshold transition period with what the liability would have been if the threshold amount at 1 July applied for the full year.

Subsection (1) provides that section 23L applies if an employer or a group's annual tax liability is greater than what they would pay if the annual thresholds were applied for a full assessment year.

Subsection (2) provides that if section 23L applies, the employer or group's liability is equal to what it would have been if the annual threshold was applied for a full year.

Subsection (3) states that section 22 does not apply in relation to an assessment year in the threshold transition period.

Example 8

A local non-group employer operates during the threshold transition period. From 1 July 2019 to 30 June 2020, the employer pays \$850,000 of WA taxable wages. In an ordinary financial year the employer would not pay payroll tax because its wages have not exceeded the annual threshold.

From 1 July to 31 December 2019, the employer pays \$800,000 in WA taxable wages. Payroll tax applies for this half-year because the employer exceeded the half-year threshold of \$425,000.

From 1 January to 30 June 2020, the employer pays \$50,000 in WA taxable wages. Payroll tax for this half-year is nil because the employer's wages are below the half-year threshold of \$475,000.

As a result of the threshold change, the employer is liable for payroll tax in 2019-20 because its wages were above the taxable threshold in one half-year and below it in the other.

At the end of the assessment year, section 23L applies so that the employer's liability is assessed for a full year as if the annual threshold had not been changed. The employer is not liable for payroll tax for 2019-20 and the tax paid is refunded.

23M. Annual reconciliation in threshold transition period

Section 23M sets out that payroll tax paid in an assessment year in the threshold transition period is to be compared with the employer or group's annual liability. The employer or group is entitled to a refund if they overpaid and is liable for the difference if they underpaid.

The amount of payroll tax paid is also compared with what would apply under section 23L using the annual threshold amount, if applicable.

Sections 16 and 20 compare payroll tax paid during the year with the employer or group's annual liability, and allow for any under or overpayments to be adjusted. Section 23M modifies these provisions to operate correctly for an assessment year in the threshold transition period.

Subsection (1) provides that section 16, with appropriate modifications, compares the tax paid by a non-group employer throughout an assessment year with their liability under the relevant whole-year, part-year or annual adjustment provision.

Subsection (2) provides that section 20, with appropriate modifications, compares the tax paid by a group throughout an assessment year with their liability under the relevant whole-year, part-year or annual adjustment provision.

Example 9

A local non-group employer pays annual wages of \$6,000,000 as follows:

- 1 July to 31 December 2019 – \$5,900,000
- 1 January to 31 May 2020 – nil
- 1 to 30 June 2020 – \$100,000

The employer has a monthly progressive return period. Their liability is calculated under section 23I(2) during the assessment year as follows:

- For July – December 2019, the total wages exceed the taxable threshold of \$425,000. Payroll tax applies for this period.
- For January – June 2020, the total wages are below the taxable threshold of \$475,000. There is no payroll tax liability for this period.

At annual reconciliation, the liability for 2019-20 is calculated as \$324,500. Section 23L provides that if the threshold had not changed on 1 January 2020, the liability would have been \$319,455.

As the annual liability is higher with the threshold change, the tax is reduced to the amount it would have been without the change. The difference is refunded to the employer.

Clause 6: Section 43 amended

This clause inserts the words "Part 2 Division 6" into section 43(10). This ensures that section 43, which sets out the obligations of agents and trustees, does not affect the operation of the new division.

Clause 7: Schedule 1 Division 8 inserted

This clause inserts Division 8 at the end of Schedule 1.

Division 8 – Provisions for *Pay-roll Tax Assessment Amendment (Thresholds) Act 2019*

This Division provides that the amendments made by the *Pay-roll Tax Assessment Amendment (Thresholds) Act 2019* apply in relation to financial years that begin on or after 1 July 2019.

Clause 8: Glossary amended

Subclause (1) deletes the definitions of “monthly threshold amount”, “tapering value” and “upper threshold amount”. New definitions of these terms are inserted in subclause (2).

Subclause (2) inserts in alphabetical order the definitions of “half-year”, “monthly threshold amount”, “tapering value”, “threshold amount”, “threshold transition period” and “upper threshold amount”.

The definition of “half-year” ensures that Part 2 Division 6 applies correctly to calculate the liability for each six-month period with a different threshold in the threshold transition period.

The definition of “threshold amount” is distinct from “annual threshold amount” in the new section 8. This ensures the correct half-year threshold amount is applied to calculations in the threshold transition period.

The new definitions of “monthly threshold amount”, “tapering value” and “upper threshold amount” include specific definitions for each half-year in the threshold transition period, and for financial years following the threshold transition period. This ensures the correct adjusted thresholds are applied.

The definition of “threshold transition period” means the period beginning on 1 July 2019 and ending on 30 June 2021.

Clause 9: Various references to “upper threshold amount” amended

This clause amends sections 10(1)(b), 11A(2), 12(2), 13(2)(b), 14(2), 17(2)(b) and 18(2) to change the references to “the upper threshold amount” to “the upper threshold amount for the year”. This ensures the correct upper threshold amount is used for calculations of half-year liability during the threshold transition period.