

SUBMISSION TO TAX INQUIRY

PAYROLL TAX

Payroll tax is levied by States and Territories at varying rates.

In NSW it is 5.45% ; Victoria 4.75% ; Queensland 4.75% ; Western Australia 5.50%; South Australia 4.95%; Tasmania 6.10%; Northern Territory 5.50% and the ACT 6.85%.

Each State has varying threshold exemptions and some have extra deduction structures.

In NSW the first \$750,000 is exempt, but in Victoria it is only the first \$550,000 which means more businesses are caught in this tax trap.

Some also offer rebates for businesses taking on unemployed people.

The Full-Time Adult Average Weekly Total Earnings in November 2014 were \$1,539.40 (ABS figures) or an annual salary of close to \$80,000. Based on this a business need only have seven employees in Victoria to break the threshold.

State and territory governments collected approximately 15% of tax revenue largely through payroll taxes and property taxes in 2012-13. The tax discussion paper makes the point that "... *Australia relies more on payroll tax than other OECD countries...*".

Payroll tax is a tax on employment. It is a disincentive for businesses to employ people and help build the economy. At least one growing NSW business has told me it is now considering outsourcing its work to overseas because of the payroll tax it is forced to pay which adds significantly to its costs. While all governments trumpet good employment figures, the hidden factor is the financial burden placed on many businesses because they employ people.

I believe payroll tax is a blight on the Australian economy and needs to be addressed. Broadening the base of the Goods and Services Tax is one way this can be done.



BROADENING THE BASE OF THE GST

In general terms the GST is not imposed on most basic (fresh) food, education and health. In fact GST in this country is applied to only 47% of overall consumption. By comparison New Zealand's GST covers 96% of that country's consumption. This financial year the States will receive from the Commonwealth \$57.1 billion for the GST entitlement but by broadening the base of the GST across all spheres of the economy this figure would increase.

The cost of healthcare and education in particular are forever increasing and the Commonwealth and the States are often at loggerheads over who should bear the financial burden. Widening the GST is predicted to mean an annual increase of \$22 billion in Commonwealth revenue.

ABOLISH PAYROLL TAX

Payroll tax needs to be abolished for the reasons stated previously. This would obviously take away a major source of revenue for the States and territories, but they could be compensated by additional GST payments made possible by broadening its base. There should also be consideration of compensation for the sections of the community on lower incomes and pensions who will be impacted by the broadening of the GST.



Senator John Williams

Senator for NSW

