



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY



STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), MICHAEL PETERSSON MLA (DEPUTY CHAIR), SUZANNE ORR MLA
MARK PARTON MLA

Inquiry into referred 2015–16 Annual and Financial Reports
ANSWER TO QUESTION TAKEN ON NOTICE 6
27 February 2017

Mr Parton MLA asked the Treasurer, upon notice, on 27 February 2017:

In relation to payroll tax differences between jurisdictions:

MR PARTON: You suggested earlier that the payroll tax regulations are broadly similar.

Mr Barr: Harmonised, yes. So a big national project to do that through COAG some time ago.

MR PARTON: So are they broadly similar, or are they completely similar? Are there differences? Are there differences? I mean, you—if there are differences between us and New South Wales, for argument's sake, working in the area that you do, you must be extremely aware of what the differences are between the payroll tax regime here and New South Wales. What is the difference?

Mr Salisbury: They are—I would say they are 99 per cent common. There is probably 1 per cent area of difference, and it may be—and it can often reflect certain circumstances in the jurisdiction. I am trying to think of a good example, but I may have to get back to you with a good example. For example—no, I am going to have to get back to you with a—

MR PARTON: Okay.

Mr Barr MLA - The answer to the Member's question is as follows:—

All States and Territories are harmonised in key areas of payroll tax administration. There are only minor differences between NSW and ACT legislation.

Difference in Rates of the Tax

- The rates and thresholds are different. In NSW, the first \$750,000 of taxable wages is exempt and the rate of payroll tax is 5.45 per cent.
 - In the ACT, the first \$2,000,000 is exempt and the rate is 6.85 per cent.

Differences in Base of the Tax

- NSW has exemptions for payments to contractors where services were rendered for less than 90 and 180 days – also known as the '90-day exemption' and the '180-day exemption'.

- The ACT does not have these exemptions given we do not have a significant seasonal component.
- NSW provides an exemption for employment agents who contract to exempt bodies such as the Commonwealth.
 - The ACT does not have these exemptions as its payroll tax base is smaller and the proportional influence of the Commonwealth in our economy.
- In 2015 the ACT excluded professional organisations and organisations that promote trade, industry or commerce from exempt charitable status. The purpose of exclusion was to prevent revenue leakage caused by the expanding definition of 'charity' to industry and professional peak bodies. Most of these bodies are headquartered in Canberra increasing the tax impact on the ACT as a small jurisdiction.
 - NSW has not passed similar provisions, and is relying on Common Law interpretations to protect the tax base.
- In NSW the charitable exemption only covers wages paid in connection with charitable activities.
 - In the ACT the exemption covers all wages paid by the charity.
- There are special provisions in NSW for State government departments and statutory bodies to pay payroll tax.
 - The ACT exempts Territory authorities funded solely by public money under an Act from payroll tax unless they are prescribed under the *Taxation (Government Business Enterprises) Act 2003*.
- NSW has a limited payroll tax exemption for local councils.
 - The ACT does not have separate local government.

Differences in Administration

- In NSW payroll tax debt can be recovered from:
 - a principal contractor whose subcontractor has an unpaid payroll tax liability;
 - agents and trustees; and
 - deceased estates.
 - The ACT has never adopted such provisions.
- The objection and appeal process is specific to each jurisdiction's court and tribunal system.

Approved for circulation to the Standing Committee on Economic Development and Tourism.

Signature:



Date: 8.3.17

Mr Andrew Barr MLA
Treasurer