QTON No. 4

Legislative Assembly for the Australian Capital Territory

Select Committee on Estimates 2026–2027

Inquiry into Appropriation Bill 2026–2027 and Appropriation (Office of the Legislative Assembly) Bill 2026–2027

Answer to question taken on notice

Asked by: Ms Chiaka Barry MLA

Addressed to: Canberra Business Chamber

In relation to: Impact of payroll tax on businesses

Hearing: 3 July 2026
Uncorrected Proof Transcript pp 28–29
Transcript provided: 6 July 2026
Answer Due: 13 July 2026

Mr Harford took on notice the following question(s):

Mr Harford: Look, we need to be incentivising businesses to grow and we need to take away barriers to investment. So we need to be looking at what the best settings are for payroll tax around the country. We need to be looking at how we can move towards replicating those. We are great at the bottom end for start-ups, that is true. But you know, other jurisdictions have significantly lower rates, mostly in the sort of 4 and 5 per cent for most businesses, and that would be much more equitable and would level the playing field.

I think the reality is we operate in a very competitive environment. We are competing with other states, but we are also competing with offshoring. And you can save money by shifting your people around Australia, but if you offshore some of those roles to the Philippines, Vietnam, Singapore, New Zealand, there is no payroll tax at all, and that is actually the biggest strategic risk for Australia as a whole.

THE CHAIR: And how real is that risk? Because we hear it, right, where people are like, "Well, we have got really good industrial laws so businesses would stay." How real is that risk? How are we …(indistinct)… [10.24.08]

Mr Harford: That is a real and genuine risk and it is happening now. We surveyed our members earlier in the year about that. There are a number of firms here in the ACT that are putting people offshore—well, both; in other states, but also offshore as a result of the tax settings. It is much cheaper to employ people and you can drive productivity improvements in your business by shifting those roles elsewhere.

THE CHAIR: And have you got any data on that?

Mr Harford: I have got some data which I do not have at my fingertips, but I can certainly come back to you on what we know about that.

Canberra Business Chamber: The answer to the Member's question is as follows:

We surveyed our members in relation to the offshoring of work in early 2026. Around a quarter of those who responded indicated that they have employees or contractors based offshore. These were mostly services firms where back-office functions do not rely on a physical presence.

The major reason for locating roles offshore was cost. Simply, it is cheaper to engage people in other jurisdictions. This includes the high cost of wages here in the ACT, as well as Payroll Tax and other costs (e.g. insurance).

A small group of businesses indicated that the driver of they faced challenges finding people with the right skills locally - but cost was a much higher factor.

We do not have time-series data on this.

Approved for circulation to the Select Committee on Estimates

Signature: Date:

By the [Commissioner for/Official……], [name of Commissioner/Official]