QON No. 004

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 on notice

Asked by: Mr Thomas Emerson MLA

Addressed to: Canberra Business Chamber

Redirected to:

Reference: Treasury

Hearing: 3 July 2026
In relation to: ACT Tourism Strategy
Question received: 3/07/2026
Answer Due: 22/07/2026

(1) The budget papers show a $32 million reduction in payroll tax revenue in 2025-26 compared to what was forecast last Budget. Are local businesses adjusting their business models to avoid paying excess payroll tax?

(2) Does this bring into question the accuracy of the ACT Government's future projections for payroll tax revenue?

(3) The payroll tax threshold changed from $2 million to $1.75 million on 1 July 2026, and the Government has indicated that their revenue projections do not assume any behavioural change on the part of businesses. Do you expect businesses with payrolls of between $1.75 million to $2 million to reduce their expenditure on payroll in order to remain below the threshold and thereby avoid both the financial and administrative burden of paying payroll tax?

[Greg Harford]: The answer to the Member's question is as follows:

(1) Over time, most states have increased their payroll tax thresholds to better support smaller businesses and better employment outcomes. The ACT appears to be unique in *reducing* its threshold from 1 July 2026, thereby ensnaring more firms in the Payroll Tax net. Over time, we expect this sto have an impact on the number of people employed by firms in the ACT.

We believe that some businesses are adjusting their business models to reduce liability for payroll tax, or considering doing so. This is not typically taking the form of immediate change processes or redundancies - but rather, as businesses are seeking to grow or replace team members, some firms are actively considering whether those roles should be located in the ACT, or elsewhere.

(2) Yes.

(3) Yes, we would expect this to become true over time because there is a clear correlation between the level of the Payroll Tax threshold and employment in individual firms.

2024 research by the e61 Institute concluded, in relation to an increase in the South Australian Payroll Tax threshold that:

- A large number of firms bunched just below the new $1.5m threshold to avoid paying the higher marginal tax rate. The number of firms just below the threshold increased by 21%, while the number just above decreased by 18%.
- Many of the bunching firms were productive and growing firms that likely would have crossed the threshold, if not for the policy change. This suggests the policy change created a material barrier to firm growth.
- South Australian firms in aggregate may have decreased their use of labour because of the increased barriers to firm growth. Our estimates suggest that firms just above the threshold decreased their payrolls by $5.9m (3.3%), more than offsetting the $3.5m increase by smaller firms.

This report is available at https://e61.in/wp-content/uploads/2024/08/A_Counterproductive_Tax_Cut_.pdf

We would expect this to be broadly true in the ACT as well - and that a reduction in the threshold would likely see a similar bunching effect. However, we expect this to take some time to show up in the statistics, given the likely lead-times for delivering change.

Approved for circulation to the Select Committee on Estimates

Signature: Greg Harford Date: 21 July 2026

By the Chief Executive, Canberra Business Chamber