

PAYROLE TAX BILL 2008

SECOND READING SPEECH

Mr President

This Bill implements the commitment given by the Government in March of last year to harmonise the legislation and administration of payroll tax arrangements in Tasmania with those that apply in New South Wales and Victoria.

Since that commitment was made, South Australia and Queensland have both committed to largely harmonise their payroll tax arrangements with the New South Wales/Victorian “standard”.

Almost 70 per cent of registered payroll taxpayers in Tasmania also operate in other Australian jurisdictions and the Government is keen to reduce the compliance and business costs faced by Tasmanian businesses, which is considered an integral part of supporting jobs and economic growth.

Therefore, the implementation of consistent payroll tax administration arrangements from 1 July 2008 will represent a significant benefit to those taxpayers as it will be easier for taxpayers and financial advisors operating across jurisdictions.

Mr President, this Bill also provides benefits to businesses operating solely in Tasmania.

Streamlining allows with Australian Tax Office rates, and the introduction of new exemptions, will reduce red tape and deliver savings to the business and not-for-profit sectors.

The Bill is a rewrite of Tasmania’s *Pay-roll Tax Act 1971* and has been drafted to achieve harmonization with the consistent payroll tax arrangements that were implemented in New South Wales and Victoria from 1 July 2007.

The bill does not alter Tasmania’s competitive rate and generous tax free threshold, with Tasmania retaining control of these aspects of the payroll tax regime, in line with the harmonized model.

Otherwise, the provisions of the body of the Bill are virtually identical to the New South Wales and Victorian Payroll Tax Acts, with only a small number of Tasmania-specific arrangements in Schedule 2.

The adoption of identical legislative provisions is vital if the benefits to taxpayers from harmonization are to be realized.

Mr President, in moving to the harmonized payroll tax model, there are a number of changes relative to the current payroll tax arrangements.

Some of the key changes include:

- The inclusion of employee share acquisition schemes in the payroll tax base to ensure consistent treatment of all forms of remuneration;
- Adopting consistent and increased exemption rates for motor vehicle and accommodation allowances, linked directly to rates set by the Australian Tax Office;
- The introduction of a definition of wages that is consistent with the definition applying in New South Wales and Victoria;
- Adopting consistent grouping provisions, including the introduction of tracing provisions to capture both direct and indirect controlling interests;
- Clarifying that the current grouping treatment of Agencies, Government Business Enterprises and State-owned Companies will continue into the future and, for doubt removal purposes, retrospectively confirming this treatment for the period that reassessments could be made under the *Taxation Administration Act 1997*.
- A lower gross-up factor for calculating the value of fringe benefits subject to payroll tax for all payroll tax payers;
- The introduction of new exemptions for payments made to employees on maternity leave and adoption leave;
- The introduction of new exemptions for wages paid to volunteer fire fighters; volunteer emergency workers; and to Aboriginal persons involved in a Community Development Employment Project; and
- Expanding current public benevolent and religious exemption arrangements to also cover not-for-profit organizations in relation to employees engaged in work for charitable, religious, philanthropic, benevolent, or patriotic purposes.

Mr President, the adoption of consistent grouping provisions with respect to controlling interests across businesses is an important anti-avoidance arrangement and having this consistent across jurisdictions will be a positive outcome for both businesses and community.

On the other hand, the widening of the current exemption arrangements will provide a significant benefit to a number of volunteer organizations and not-for-profit businesses operating in the State and will recognize the important contribution that these sectors make across the Tasmanian community.

For instance, these changes will mean that not-for-profit community-based child care centres that are currently paying payroll tax may be exempted from payroll tax from 1 July 2008 under the expanded not-for-profit exemption provisions, provided they meet certain organizational and operational requirements.

Alternatively, not-for-profit child care centres may also be exempted under the education and training exemption provisions if they meet certain staff and curriculum requirements.

The implementation of harmonized payroll tax arrangements will compliment previous strategies implemented by the Government to streamline taxation administration arrangements in Tasmania, such as the rewrite of stamp duty legislation and the implementation of Tasmanian Revenue Online.

Mr President, the Bill also includes the amendments recently tabled in both the New South Wales and Victorian Parliaments. These amendments include clarifying the exemption for charitable bodies and modifying the grouping provisions for employers.

The Government will continue to work with other harmonized jurisdictions to maintain legislative consistency and explore opportunities to further streamline administrative arrangements in the areas of systems, reporting and e-commerce solutions; this will further reduce compliance costs.

Mr President, the Government will also continue to engage the business community and other stakeholders to further reduce red tape and business costs.

I commend the Bill to the House.