

Revenue

Payroll Tax Threshold Increasing to \$1 Million

The current \$600 000 tax free threshold will increase to \$800 000 on 1 July 2004 and increase again on 1 July 2005 to \$1 million (payroll tax is only paid on wages that exceed the threshold).

All businesses that pay payroll tax receive a benefit from an increase in the payroll tax threshold but smaller Territory-based businesses will receive the greatest benefit.

From 1 July 2005 onwards, businesses will save \$7.2 million per annum in payroll tax expenses and an estimated 127 Territory businesses will no longer be required to pay payroll tax.

The average saving for all Territory businesses that pay payroll tax will be \$20 500 per annum.

These benefits to business are in addition to the reductions in the payroll tax rate from 6.5 per cent to 6.2 per cent made since the since the Martin Government came to office, which have saved businesses a total of \$1.5 million a year.

HIH Levy Abolished

When HIH collapsed in August 2001, the liability for outstanding Territory worker's compensation claims was estimated at \$50 million. Following a \$9 million grant from the Government, and reinsurance recoveries of around \$11 million, the remaining \$30 million was to be paid through a 4 per cent levy on workers compensation premiums applied to Government and business which commenced on 1 July 2002.

As part of the 2004-05 Budget, the HIH levy on insurance premiums will cease on all workers compensation insurance policies written or renewed on or after 18 May 2004. The Territory Government will meet the remaining liability, estimated to be about \$22 million over the next eight years. Overall, assisted by reinsurance recoveries, Government will meet an estimated 90-95 per cent of the total outstanding workers compensation liability left by the HIH collapse.



Removal of the HIH levy is a saving of \$2.7 million per year for around 6 600 businesses.

Debits Tax to be Abolished

As part of national tax reform, the Territory will abolish debits tax in line with other jurisdictions from 1 July 2005, saving Territory businesses and households about \$6.2 million per year. The Territory has already reduced tax collections by \$20 million as part of national tax reform.

Initiatives

Administrative Appeals Tribunal for Taxpayers

A new taxation and mineral royalty administrative appeals tribunal is to be established in 2004-05, to provide an alternative and inexpensive option to appeal decisions of the Commissioner of Taxes.

In 2002-03, there were some 38 000 tax transactions, with 28 objections lodged with the Commissioner of Taxes.

Lodging an objection with the Commissioner of Taxes, in the first instance, allows the Commissioner to rectify mistakes quickly, identify areas of the law that result in unintended or adverse outcomes, and better inform taxpayers of the law.

Since July 2001, the Commissioner has determined an average of 34 per cent of taxpayers' objections in favour of the taxpayer, and the tax has then been refunded or the matter resolved outside the judicial process. A further 15 per cent have been withdrawn by the objector, following an explanation of the basis of the decision.

The Commissioner sometimes finds that inappropriate outcomes have resulted from applying the law, and over the past two years this has led to:

- four changes to the legislation to rectify inequities;
- seven waivers to correct anomalous tax liabilities; and
- a legislation change to address avoidance practices.

More than one-third (36 per cent) of objections to the Commissioner were prepared by taxpayers themselves without incurring the cost of representation by a tax professional.

While the current process has delivered good outcomes for taxpayers, an additional means to review the Commissioner's decisions will be implemented.

New Tribunal Process

The new administrative appeals tribunal (Magistrate of the Local Court) will provide an inexpensive and speedier avenue to appeal the Commissioner's decision.

The Supreme Court appeal option is still available, but the tribunal will provide an extra, optional step in the appeal process.

An appeal is to be considered "on the papers" (that is, on the basis of all previously considered material), however it will also allow further submissions or grounds for objections to be lodged and considered.

The first step in the review process will continue to be lodging an objection with the Commissioner of Taxes, as in all other states. This allows the Commissioner to quickly rectify mistakes, identify and act on areas where greater taxpayer awareness may be required, and recommend changes to the tax legislation where outcomes are unfair or anomalous.

These measures are also to apply to mineral royalty objection matters.

