

PAY-ROLL TAX AMENDMENT BILL

SERIAL

SECOND READING SPEECH

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MISTER SPEAKER, I MOVE THAT THE BILL BE READ FOR A SECOND TIME.

THE BILL SEEKS TO PUT IN PLACE A NUMBER OF PAY-ROLL TAX MEASURES ANNOUNCED AS PART OF THE 1999 - 2000 BUDGET, AND A NUMBER OF OTHER MEASURES DESIGNED TO MAKE THE PAY-ROLL TAX SYSTEM FAIRER AND EASIER TO COMPLY WITH, AND TO PROTECT THE REVENUE BASE.

THE KEY PROPOSALS INVOLVE BROADENING THE PAY-ROLL TAX BASE AND PROVIDING A NEW RATE AND GENERAL EXEMPTION REGIME.

THESE MEASURES ARE PROPOSED TO APPLY IN RESPECT OF WAGES PAID OR PAYABLE FROM 1 JULY 1999.

FIRSTLY, THE DEFINITION OF WAGES FOR PAY-ROLL TAX PURPOSES IS TO INCLUDE EMPLOYER PROVIDED REMUNERATION IN THE FORM OF CONTRIBUTIONS TO A SUPERANNUATION FUND.

THIS WILL INCLUDE CONTRIBUTIONS MADE, OR IN THE CASE OF AN UNREGULATED FUND OR PUBLIC SECTOR FUND, REGARDED AS BEING MADE, BY THE EMPLOYER, OR A PERSON ON BEHALF OF THE EMPLOYER, TO THE FUND OF AN EMPLOYEE, OR ANOTHER FUND IN RELATION TO AN EMPLOYEE.

FOR THE PURPOSES OF THE LEGISLATION, SUPERANNUATION ACCUMULATION SCHEMES, DEFINED BENEFIT SUPERANNUATION SCHEMES AND RETIREMENT SAVINGS ACCOUNTS.

COMMONWEALTH'S SUPERANNUATION GUARANTEE CHARGE LEGISLATION WILL SIMILARLY BE INCLUDED IN THE BASE.

CONTRIBUTIONS IN THE PAY-ROLL TAX BASE WOULD REPRESENT A SUBSTANTIAL AND GROWING LEAKAGE.

DAMPENING EFFECT OF FUTURE INCREASES IN THE SUPERANNUATION GUARANTEE CHARGE DOES NOT FURTHER

IN THIS REGARD, THE SUPERANNUATION GUARANTEE CHARGE IS SCHEDULED TO INCREASE FROM ITS CURRENT 7% LEVEL TO 8% ON 2000, AND TO 9% ON 1 JULY 2002.

NOTABLY, ALL OTHER JURISDICTIONS EXCEPT QUEENSLAND TO INCLUDE SUPERANNUATION CONTRIBUTIONS.

THE SECOND PROPOSAL IS TO INCLUDE FRINGE BENEFITS AS COMMONWEALTH'S FRINGE BENEFITS TAX, IN THE DEFINITION OF WAGES FOR PAY-ROLL TAX PURPOSES.

INCLUDE FRINGE BENEFITS AS VALUED UNDER THE COMMONWEALTH LEGISLATION.

THE TERRITORY IS CHARACTERISED BY MANY EMPLOYERS OPERATING IN A NUMBER OF JURISDICTIONS AS SUCH, THIS MEASURE WILL HAVE SIGNIFICANT COMPLIANCE AND COLLECTION COST ADVANTAGES ARISING FROM THE STANDARDISED VALUATION MECHANISMS PROVIDED BY THE FBT LEGISLATION.

WHILE THE REFERENCE TO “OTHER BENEFITS” CURRENTLY IN THE PAY-ROLL TAX LEGISLATION WILL BE REMOVED, IT IS ALSO PROPOSED TO INCLUDE AN ABILITY TO PRESCRIBE BENEFITS, WHICH ARE EITHER NOT BENEFITS OR EXEMPT BENEFITS UNDER THE COMMONWEALTH LEGISLATION, INTO THE PAY-ROLL TAX BASE.

AT THIS STAGE IT IS ENVISAGED TO PRESCRIBE CONTRIBUTIONS BY AN EMPLOYER TO AN EMPLOYEE SHARE ACQUISITION SCHEME.

WHILE THESE BENEFITS ARE NOT FRINGE BENEFITS FOR THE PURPOSES OF THE COMMONWEALTH LEGISLATION, THIS PRESCRIPTION WILL RECOGNISE THAT SUCH BENEFITS REPRESENT REMUNERATION TO AN EMPLOYEE AND THEREFORE ARE A SUBSTITUTE FOR CASH WAGES.

THESE AMENDMENTS WILL REMOVE THE UNCERTAINTY IN THE CURRENT PAY-ROLL TAX REGIME ABOUT WHAT BENEFITS CONSTITUTE TAXABLE WAGES AND WHAT VALUE SHOULD BE ASCRIBED TO THEM FOR PAY-ROLL TAX PURPOSES.

THE LEGISLATION ALSO PROVIDES THE ABILITY TO EXCLUDE CERTAIN FRINGE BENEFITS FROM THE PAY-ROLL TAX BASE.

AT THIS STAGE NO PRESCRIPTIONS ARE ENVISAGED.

TO MINIMISE COMPLIANCE COSTS FOR EMPLOYERS AS FAR AS POSSIBLE, PROPOSED REGULATIONS WILL ALSO PROVIDE AN BENEFITS IN AN EMPLOYER'S PAY-ROLL TAX RETURN.

AS IS IN THE OTHER STATES AND THE AUSTRALIAN CAPITAL TAX ON FBT TYPE BENEFITS EITHER BASED ON THE ACTUAL VALUE OF THE BENEFITS PROVIDED TO EMPLOYEES, OR AN NORTHERN TERRITORY BENEFITS FOR THE PREVIOUS COMMONWEALTH FBT YEAR.

SUPERANNUATION IS ESTIMATED TO INCREASE THE PAY-ROLL TAX BASE BY BETWEEN 8 AND 9%.

THE IMPACT OF THE BROADENED BASE WILL BE OFFSET BY INCREASING THE TAX-FREE THRESHOLD FROM \$520,000

THIS LEADS ME TO THE THIRD PROPOSAL WHICH PROVIDES FOR A TO REPLACE THE CURRENT 3-TIER RATE SCALE AND REDUCING GENERAL EXEMPTION REGIME.

REMOVES:

- ADMINISTRATIVE COMPLEXITIES IN THE CALCULATION OF AN EMPLOYER'S PAY-ROLL TAX LIABILITY; AND
- INEQUITIES WHERE A MARGINAL INCREASE IN WAGES PUSHES WAGES INTO A HIGHER RATE TIER,

INHERENT IN THE EXISTING REGIME.

FOR INSTANCE, AN EMPLOYER WITH ANNUAL TAXABLE WAGES OF \$1.24 MILLION INCURS PAY-ROLL TAX OF \$60,000 UNDER THE EXISTING REGIME.

SHOULD THE EMPLOYER'S WAGES INCREASE BY \$30,000 BY EMPLOYING AN ADDITIONAL PERSON, THE WAGE INCREASE PUSHES THE EMPLOYER FROM THE 5% RATE TIER INTO THE 6% RATE TIER AND PAY-ROLL TAX OF \$75,000 WOULD NOW BE PAYABLE. THIS AMOUNTS TO A \$15,000 INCREASE IN PAY-ROLL TAX FOR A \$30,000 INCREASE IN WAGES. PUT ANOTHER WAY, THE EMPLOYER'S PAYROLL TAX INCREASED BY 25% FOR A 2.4% INCREASE IN WAGES.

THE PROPOSED SINGLE RATE OF 6.75% WILL REPLACE THE EXISTING 5% RATE APPLICABLE FOR WAGES UP TO \$1.25 MILLION, 6% RATE FOR WAGES BETWEEN \$1.25 MILLION AND \$10 MILLION AND THE 7% RATE APPLICABLE FOR WAGES GREATER THAN \$10 MILLION.

THE PROPOSED FLAT GENERAL EXEMPTION OF \$600,000 WILL REPLACE THE EXISTING \$520,000 REDUCING GENERAL EXEMPTION.

ONLY ONE GENERAL EXEMPTION WILL BE AVAILABLE TO GROUP MEMBERS, AND IN THE CASE OF INTERSTATE EMPLOYERS, THE DEDUCTION REDUCES IN PROPORTION TO THE TERRITORY COMPONENT OF THE EMPLOYER'S AUSTRALIA-WIDE WAGES.

PROPORTIONAL CHANGES TO THE MONTHLY PAY-ROLL TAX GENERAL EXEMPTION ARE ALSO PROVIDED FOR.

THE \$600,000 GENERAL EXEMPTION AMOUNT SHOULD ENSURE THAT SMALL EMPLOYERS ARE NOT PUSHED OVER THE ANNUAL

GENERAL EXEMPTION THRESHOLD BY THE BASE EXTENSIONS. IN FACT, IT MAY MEAN A SMALL NUMBER OF EMPLOYERS WILL FALL OUT OF THE PAY-ROLL TAX NET.

THE NEW RATE OF 6.75% AND GENERAL EXEMPTION OF \$600,000 ARE CALCULATED TO ENSURE THE NEW MEASURES ARE BROADLY REVENUE NEUTRAL.

WHILE THE MEASURES ARE BROADLY REVENUE NEUTRAL THERE WILL BE WINNERS AND LOSERS.

THE REFORM MEASURES WILL PARTICULARLY BENEFIT TERRITORY EMPLOYERS WITH WAGES OF LESS THAN \$3 MILLION. PAY-ROLL TAX REDUCTIONS ARE EXPECTED FOR 87% OF ALL TAXABLE EMPLOYERS OPERATING EXCLUSIVELY IN THE TERRITORY. EMPLOYERS IN THIS GROUP WILL SHARE IN TAX SAVINGS OF APPROXIMATELY \$1.7 MILLION, AND THE AVERAGE REDUCTION IN PAY-ROLL TAX FOR MANY OF THESE EMPLOYERS IS IN THE ORDER OF 15%.

THE ADDITIONAL BURDEN IS EXPECTED TO FALL UPON LARGE EMPLOYERS WITH THE MOST SIGNIFICANT IMPACT FOR EMPLOYERS WITH WAGES GREATER THAN \$10 MILLION.

THE REMAINING MEASURES ARE DESIGNED TO IMPROVE THE ADMINISTRATION OF THE ACT. THE FOURTH PROPOSAL ALLOWS THE COMMISSIONER TO DESIGNATE A GROUP EMPLOYER AND REMOVE SUCH A DESIGNATION.

WHERE EMPLOYERS ARE GROUPED, THE DESIGNATION OF A GROUP EMPLOYER IS NECESSARY AS THE RATE AND GENERAL EXEMPTION THRESHOLDS ARE CALCULATED ON THE AGGREGATED WAGES OF THE GROUP. WHERE NO DESIGNATION IS

MADE FOR A GROUP, THE GENERAL EXEMPTION CANNOT BE CLAIMED.

UNDER THE EXISTING LEGISLATION, AN EMPLOYER IS PERMITTED TO APPLY TO THE COMMISSIONER AS THE DESIGNATED GROUP EMPLOYER, HOWEVER, THE COMMISSIONER IS UNABLE TO ASSIGN OR REMOVE A DESIGNATION OF HIS OWN VOLITION. THIS HAS CAUSED DIFFICULTIES WHERE THE DESIGNATED EMPLOYER IS NO LONGER PART OF THE GROUP. FOR EXAMPLE, IT HAS BEEN SOLD OFF OR LIQUIDATED.

ACCORDINGLY, TO ASSIST IN THE ADMINISTRATION OF THE GENERAL EXEMPTION, THE AMENDMENTS PROPOSE THAT THE COMMISSIONER BE PERMITTED TO ASSIGN OR REMOVE A GROUP EMPLOYER DESIGNATION WHERE AN ELIGIBLE DESIGNATION DOES NOT EXIST.

THE FIFTH PROPOSAL ALLOWS THE COMMISSIONER TO MAKE A REFUND WITHOUT REQUIRING AN APPLICATION FROM A TAXPAYER, WHERE THE REFUND IS DETERMINED BY ANNUAL RECONCILIATION.

THE SIXTH PROPOSAL CLARIFIES THAT AN EMPLOYER IS LIABLE FOR PAY-ROLL TAX WHERE ITS EMPLOYEE IS REMUNERATED BY ANOTHER PERSON OR PERSONS IN RESPECT OF SERVICES PROVIDED BY THE EMPLOYEE.

THE SEVENTH PROPOSAL REPLACES THE EXISTING REBATE PAYABLE FOR WAGES PAID TO PERSONS EMPLOYED UNDER VARIOUS TRAINEE SCHEMES WITH A SELF-ASSESSED EXEMPTION.

THIS PROPOSAL WILL ELIMINATE UNNECESSARY COMPLIANCE AND ADMINISTRATIVE FUNCTIONS FOR BOTH THE EMPLOYER AND THE COMMISSIONER.

THE EIGHTH AND FINAL PROPOSAL INCREASES THE COURT IMPOSED PENALTY LIMITS FOR OFFENCES UNDER THE ACT TO REFLECT CURRENT DETERRENT VALUES.

THE MAXIMUM COURT IMPOSED PENALTY LIMITS FOR OFFENCES UNDER THE ACT ARE TO INCREASE BY THE INTRODUCTION OF A 3-TIERED REGIME COMPRISING OF:

- A GENERAL MAXIMUM PENALTY OF UP TO \$5,000;
- A SERIOUS MAXIMUM PENALTY OF UP TO \$10,000; AND
- A VERY SERIOUS MAXIMUM PENALTY OF UP TO 2 YEARS IMPRISONMENT.

THE NEW PENALTY AMOUNTS ARE REPRESENTED AS PENALTY UNITS PROVIDED UNDER THE RECENTLY ENACTED *PENALTY ACT*.

MEMBERS WILL RECALL THE PASSING OF THE PENALTY UNITS LEGISLATION IN FEBRUARY 1999.

MISTER SPEAKER, I COMMEND THE BILL TO HONOURABLE MEMBERS.