



EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE

Members present:

Ms KE Richards MP—Chair
Mr JP Lister MP
Mr MA Boothman MP
Mr N Dametto MP
Mr BL O'Rourke MP
Mr JA Sullivan MP

Staff present:

Mr R Hansen—Committee Secretary
Dr S Dodsworth—Assistant Committee Secretary

PUBLIC BRIEFING—INQUIRY INTO THE BETTING TAX AND OTHER LEGISLATION AMENDMENT BILL 2022

TRANSCRIPT OF PROCEEDINGS

MONDAY, 24 OCTOBER 2022

Brisbane

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The committee met at 9.03 am.

CHAIR: Good morning. I declare open this public briefing. My name is Kim Richards. I am the member for Redlands and chair of the Education, Employment and Training Committee. I would like to acknowledge that we are meeting on custodial land of the world's oldest living civilisation. I pay my respects to the Turrbal people and the Jagera people and their elders past, present and emerging. We are very fortunate in this country to live with two of the world's oldest continuing living cultures in Aboriginal and Torres Strait Islander people. With me here today from the committee are: James Lister, the member for Southern Downs and deputy chair; Mark Boothman, the member for Theodore; Nick Dametto, the member for Hinchinbrook; Jimmy Sullivan, the member for Stafford; and Barry O'Rourke, the member for Rockhampton.

On 12 October 2022, the Hon. Cameron Dick MP, the Treasurer and Minister for Trade and Investment, introduced the Betting Tax and Other Legislation Amendment Bill 2022 into the Queensland parliament. The bill was declared urgent and referred to this committee for detailed consideration. The bill's primary objective is to provide for a more sustainable funding model for Queensland's racing industry by amending the Betting Tax Act 2018 and other related legislation. The bill also amends the Payroll Tax Act 1971 to give effect to administrative, machinery and transitional arrangements required to support the mental health levy which was recently established by the Revenue Legislation Amendment Act 2022.

This morning we made available on the committee's website the submissions received on the bill. They are available via the website or through our secretariat. Would any members like to declare any relevant conflicts of interest? Thank you, members.

The purpose of the briefing today is to hear from officers at the Queensland Treasury and other relevant government departments as part of the committee's inquiry into the bill. The committee's proceedings today are proceedings of the Queensland parliament and subject to the parliament's standing orders. The proceedings are being recorded by Hansard and broadcast live on the parliament's website. Witnesses will not be required to give evidence under oath, but I remind everyone that intentionally misleading the committee is a serious offence.

DUFF, Mr Michael, Acting Director, Office of Racing, Department of Education

ELLEM, Mr Drew, Head of Strategic Policy, Queensland Treasury

KROSS, Ms Melinda, Chief Revenue Counsel, Queensland Treasury

CHAIR: I welcome officers from Queensland Treasury and the Department of Education. Thank you for agreeing to brief us this morning on this legislation. I invite you to make some opening comments, after which the committee will have some questions for you.

Mr Ellem: I would like to also respectfully acknowledge the traditional owners and custodians of the land on which we meet and pay my respects to elders past, present and emerging. On behalf of my Treasury and Office of Racing colleagues, I would like to thank the committee for the opportunity to brief you in relation to the Betting Tax and Other Legislation Amendment Bill 2022.

The bill makes a number of amendments to give effect to the government's announcement on 6 June 2022 of changes to betting tax arrangements to provide for a more sustainable funding model for Queensland's racing industry. In particular, the bill amends the Betting Tax Act 2018 to: apply a five per cent racing levy, effectively raising the taxing rate from 15 per cent to 20 per cent; incorporate free bets into the calculation of betting tax; and provide for hypothecation of 80 per cent of annual betting tax revenue to Racing Queensland.

Associated amendments will also be made to the Racing Act 2002 and the Racing Regulation 2013. These amendments will: hypothecate funding to country thoroughbred racing; provide for the amount of hypothecated funding to be prescribed by regulation and indexed annually by a prescribed percentage; require Racing Queensland to publish a country thoroughbred racing Brisbane

program as part of its racing calendar; and require Racing Queensland to include information about the country thoroughbred racing program in its annual report. The changes to the Betting Tax Act 2018, the Racing Act 2002 and the Racing Regulation 2013 will commence on 1 December 2022.

The bill also amends the Payroll Tax Act 1971 to make amendments of an administrative, machinery and transitional nature to support the implementation and administration of the mental health levy. The mental health levy was announced in the 2022-23 state budget and will commence on 1 January 2023. The necessity for these amendments to the Payroll Tax Act 1971 was noted in the explanatory notes to the Revenue Legislation Amendment Bill 2022. We are happy to take questions from the committee.

CHAIR: Thank you. We will start with the deputy chair.

Mr LISTER: Good morning. I have a question regarding the mental health levy and the provisions not only in this bill but also in the budget where it was first put together. What consultation occurred between the department and stakeholders before and after regarding implications for additional payroll tax liability?

Ms Kross: As with many revenue initiatives, it is the case that no consultation was undertaken. It was decided to overlay the mental health levy as much as possible in relation to the existing administrative framework and collection framework of the Payroll Tax Act. Therefore, it was considered, in terms of administrative issues and things like that, that it is a tax that has been in place for a very long time. While it is not identical to the way the payroll tax is administered, it is overlaid as much as possible. No consultation was undertaken.

Mr BOOTHMAN: You see a lot of advertising on TV from betting agencies. Is there a different correlation between how many incentives we get in Queensland for people who bet on Queensland Racing with these major betting organisations? Do we get our fair share from those bigger organisations promoting Queensland Racing with those incentives? My question is in relation to how much incentives these bigger organisations give to bet on Queensland Racing. Are there any incentives there, or do they go to other jurisdictions like New South Wales or Victoria?

Mr Ellem: Michael Duff from the Office of Racing might have an answer for you. That is not something that Treasury has particular expertise in.

CHAIR: Do you have anything further to add, Mr Duff?

Mr Duff: Again, we would not have any specific expertise in that just from our monitoring. It would seem that they usually run their incentives during the big carnivals, as we have seen in Sydney and Melbourne. During the Queensland winter, they ran them on Queensland races as well. That is only anecdotal; we do not monitor their operations. Obviously they are based in the Northern Territory in the main.

Mr BOOTHMAN: The point of the question is whether we are getting our fair share of incentives from these bigger agencies. Is there a reason why they do not come to Queensland to promote our racing over New South Wales or Victoria?

Mr Duff: We do not have any specific knowledge of whether they are doing that or not. When Brendan Parnell is here later, he may be able to better answer that.

Mr DAMETTO: Thank you for joining us this morning. My question is a pure Treasury question. Have there been some crude estimates done around what the state seeks to raise via revenue from this change in tax in the coming five years?

Mr Ellem: Our analysis suggests that it will be approximately \$50 million per annum from the introduction of the racing levy. In relation to the incorporation of bonus bets into the betting tax calculation, our estimates are there will be \$30 million per annum additional. Therefore, the estimate is \$80 million per annum.

Mr DAMETTO: How much of that money will be reinvested straight back into racing?

Mr Ellem: The way the proposed approach is structured, 80 per cent of the total betting tax revenue per annum will go to Racing Queensland. Initially, we are estimating that in the first full year of this reform, which is 2023-24, that is approximately \$198 million.

Mr SULLIVAN: I think you said \$30 million is expected from expanding the base of the betting tax for free bets. Mr Ellem, can you talk in real terms about these free bets? Is this what we see as a \$50 or \$100 incentive for people to join up to a certain betting agency, or is it a windfall they get on certain bets? What is included in the free bets?

Mr Ellem: I will pass that to my colleague from the Queensland Revenue Office. There is a bit to that question.

Ms Kross: A free bet is essentially any bet that is made wholly or partly using an amount that is free and that is not redeemable for cash. That is how a free bet is defined in the betting tax legislation. An example is you might get a bonus amount for making a bet, so that bonus amount is classed as a free bet. An amount that you might receive as a bonus on a previous winning is also a free bet. Sometimes if you have been unsuccessful and you get the return of your stake, that is another bonus so that is also a free bet. It is basically anything that is free and not redeemable for cash.

Mr SULLIVAN: Is it taxed on the receipt of that amount or when that is used for a bet?

Ms Kross: When it is used.

Mr O'ROURKE: Did Treasury consider whether the racing levy is likely to have a greater impact on people in some regions of Queensland compared to others?

Mr Ellem: I do not know that we gave particular analysis on a region-by-region basis. In fact I am sure we did not. What I can say is that the government recognises the significant contribution of racing in regional areas. I think the Treasurer is on record talking about the 125 race clubs across Queensland and that in 85 of those race clubs the annual race meeting is the biggest or second biggest event in those regions. We recognise also that the racing industry is a significant employer out in regional Queensland. I am sure all of that would have been taken into account in the government decision-making. I am not sure whether Michael has anything to add.

Mr Duff: It will be taxable on every bet made so where you are regionally will not impact that. However, this will be able to fund the Country Racing Program going forward; it will guarantee it. The government's previous Country Racing Program was due to come to an end at the end of the next financial year. This will guarantee it going forward post that.

Mr O'ROURKE: That is a good outcome for regional Queensland.

CHAIR: In developing the bill, did Treasury consider whether the changes proposed were likely to advantage or disadvantage certain gambling operators compared to others?

Mr Ellem: In providing advice to government, we always look at the impacts on all stakeholders. As is normal in any policy consideration, we would provide government with advice about the impact on stakeholders, yes.

Mr LISTER: How much work was involved for the department in preparing the measures for the mental health levy? The explanatory notes state that there was some work needed following the introduction, for the budget, for this bill and for the machinery government changes that need to be done.

Ms Kross: A lot of the work that has been done—in relation to the work that went into the first round of amendments that happened in budget and then subsequent to the package of amendments that is before the committee now—has been analysis of looking at how the existing payroll tax framework and legislation would operate in the context of a mental health levy and in the context of the slight adjustments that are needed to be made. The mental health levy operates with an overall threshold, which is a bit different to the payroll tax threshold because it adds on so it does not completely drop you out, and then it is a sliding scale to the next threshold. That has necessitated some further revision of the legislation.

A lot of that has just been done in my team. We look after the policy and legislation. That has been done obviously in consultation with our business area who look after the practical administration and business processes. There has been a lot of intellectual work. I would not necessarily say there have been a lot of resources in terms of sheer number of FTE applied to it. A lot of it has been working through the detail. That is why you will see that a lot of the amendments that are proposed in this package are quite detailed, technical administrative amendments. Certainly it does not change any of the original policy that was announced; it is just to ensure that it will work as seamlessly as possible.

Mr BOOTHMAN: Going on from what Mr Lister asked, do you know how many businesses would be affected by the increase in the tax liability?

Ms Kross: I do not have that information to hand, unfortunately. It is definitely something that I can take on notice. I am not entirely sure that I have an answer to that. I certainly have the estimated revenue that the government was anticipating, but I will need to take that question on notice to see if I can give a response.

Mr BOOTHMAN: I appreciate that. Also, can you break it down by the type of business?

Ms Kross: We probably do not have that type of information. We would not necessarily have the breakdown into business type or necessarily by region.

Mr DAMETTO: Of the revenue raised from the new tax regime, how much of that 80 per cent that goes back into Racing Queensland is anticipated to go back into country racing?

Mr Ellem: I might refer that question to Michael.

Mr Duff: One of the amendments to the Racing Act and Racing Regulation is to put in a minimum funding package of \$20 million per annum for country racing, with a two per cent increase each year effective from 1 December.

Mr DAMETTO: Will that \$20 million fund be accessed by a grant program? Could you explain that a bit further?

Mr Duff: Racing Queensland will have to hypothecate each year \$20 million out of their funding that they get from the betting tax to fund country racing. There was about \$21 million last year to run country racing with Racing Queensland. As I said, the \$20 million is a minimum. Racing Queensland will then do their racing calendar, and they will have an infrastructure component as they do now with the Country Racing Program of about \$2½ million to \$3 million. Racing Queensland will work with their clubs, their stakeholders. They have a country racing panel that they use to develop their calendar and their infrastructure program.

Mr DAMETTO: With the new tax regime, how much is that going up from what country racing are currently receiving to what they can expect after the new tax scheme comes through?

Mr Duff: The current minimum is the \$17.6 million from the Country Racing Program. That will be going from \$17.6 million as a minimum to \$20 million as a minimum.

Mr SULLIVAN: This question is probably to Ms Kross. Could you explain one of the quirks in the legislation in relation to the Country Women's Association and why they have a specific exemption in terms of the payroll tax in terms of the mental health levy? What is the history in relation to that?

Ms Kross: I can honestly say that I do not know the origins of the original policy thinking or the rationale behind the exemption for Country Women's. It has been in the legislation for far longer than I have been with Queensland Treasury and I have never needed to try to find that information, even if it was available. In terms of the rationale for that exemption applying in relation to the mental health levy, as I said earlier, the intention was to overlay the mental health levy as much as possible over the existing payroll tax framework. That is obviously to reduce the administrative burden on businesses in having to deal with multiple tax regimes. All existing exemptions for payroll tax, not just the Country Women's, also apply to the mental health levy.

Mr SULLIVAN: So it is just to mirror the existing regime as close as possible?

Ms Kross: Yes.

Mr O'ROURKE: Mr Duff, in regards to that two per cent increase annually, do you think that will match the likely increases in operational costs for country thoroughbred racing due to inflation?

Mr Duff: This was part of the policy consideration that we did have. As I said, it is a minimum amount so Racing Queensland would likely to be budgeting above that anyway. This is just a regulated minimum amount they have to pay. As I said, previously it was \$17.6 million through the government's Country Racing Program. This takes it to \$20 million with an in-built increase.

The country racing sector is a very important part of the racing industry to Racing Queensland. Should the betting tax revenue be greater, there is opportunity for them to grow and reinvest that in country regional areas and there would be an expectation of them doing that. Obviously it is a balancing act. They have to balance against their commercial racing too so they are not taking from the commercial racing to the less commercial side of country racing. It is there for them to balance. That is part of the reason the government decided to put the actual minimum amounts in the regulation rather than the act so that it can be reconsidered more easily and quickly should betting tax revenue grow at greater rates than we expected.

Mr SULLIVAN: What is the definition of 'country racing'? Are we talking Brisbane, Gold Coast and Sunshine Coast, or are we talking Ipswich? I do not want to speak for my chamber mate the member for Nicklin, but there are some pretty rural areas in the hinterlands of the Sunshine Coast. Is there a set definition, or who sets that definition year to year in terms of where that line is drawn?

Mr Duff: Racing Queensland will have to put out a country racing calendar each year. The definition of 'country racing' had previously been around non-TAB racing, where racing was not offered off course, where there was no wagering, but technology has really started to make an impact on that.

Mr SULLIVAN: They have significantly increased that, haven't they?

Mr Duff: Yes. A place like Birdsville—which is quite clearly a country race meeting and is our most iconic country race meeting—is actually broadcast and it is on TV. At a lot of our non-TAB meetings, Racing Queensland have a broadcaster that broadcasts through Facebook so you can watch races at Bundaberg on a Saturday afternoon if that is what you want to do. I would imagine over time more and more of those meetings will get picked up by wagering operators. Racing Queensland envisage country racing as being that they are members of the country racing associations in their region. That would previously have been just the non-TAB clubs, but going forward it will be those clubs that are part of the country racing associations.

CHAIR: Mr Ellem, is Treasury aware of any betting operators in Queensland who would be liable to pay the racing levy and who trade as individuals rather than corporations?

Mr Ellem: I do not have an answer to that question. I do not know whether that is a technical question that QRO could answer.

Ms Kross: Given the confidentiality provisions that we are bound by, we are not allowed to disclose particular taxpayers in our base so it would be difficult for us to actually provide names. Unfortunately, it is not information that we would—

CHAIR: I do not necessarily need names. I am just wondering whether that has been looked at in terms of individuals rather than corporations. I am not asking for names.

Ms Kross: Okay. That is certainly information we can take on notice in terms of whether we have any individuals in the system.

CHAIR: That would be great. Thank you. That concludes our questions this morning. There were two questions taken on notice and they will be available via the transcript. We would be grateful if those answers could be returned to us by close of business on Thursday, 27 October 2022. A transcript of these proceedings will be available on the committee's inquiry webpage. I declare this public briefing closed.

The committee adjourned at 9.27 am.