



Speech by

Dr DAVID WATSON

MEMBER FOR MOGGILL

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REVENUE LAWS AMENDMENT BILL

Dr WATSON (Moggill—LP) (Leader of the Liberal Party) (4.54 p.m.): I rise to participate in the debate on the Revenue Laws Amendment Bill 1999, which has three objectives. The first objective is to amend the Land Tax Act 1915. These are minor amendments in respect of land owned and operated by port authorities. They exempt that part of land used for specified Government purposes or for airport purposes.

The second broad objective of this Bill is to amend the Stamp Act 1894. These amendments address some stamp duty avoidance issues to align the corporate reconstruction provisions with existing administrative arrangements and to provide, broadly, a marketable security duty exemption.

The Opposition supports both of those objectives in the Bill. However, there is a third objective, that is, to amend the Pay-roll Tax Act 1971. The purpose of that part of this Bill is to include employer superannuation contributions in the payroll tax base and to amend the rates. I foreshadow an amendment to a clause in this section of the Bill.

The Opposition will not oppose the second reading of the Bill, because of our general support for the first two objectives of this Bill. However, that support is conditional, of course, upon the acceptance of the proposed amendments at the Committee stage. If they fail, the Opposition will be opposing the third reading of the Bill.

Let me address the issue of the payroll tax changes. The payroll tax amendments, including superannuation in the payroll tax base, expand the base on which payroll tax is calculated. The reduction from 5% to 4.9% and then to 4.8%, while leaving the exemption level at \$850,000, increases the real payroll tax payable by small businesses. We saw in the Budget process that that change alone—simply increasing the payroll tax base by including superannuation—changes the amount that the Government is going to receive from payroll tax by a minimum of \$28m. I say "a minimum" because my suspicion is that that figure included in the Budget process is an underestimate.

This is clearly an anti-business and an anti-employment change. There is absolutely no question about that. It is a tax on employment, and it is a tax that employers have to pay. That is why business organisations, such as the QCCI, and individual businesses are reacting negatively to the change in the payroll tax provisions. Numerous employers have written to me about this. A couple of my colleagues on this side of the House, including the member for Warwick, the member for Hinchinbrook and others, have sent me copies of letters that they have received from constituents of theirs who are employers who are now receiving payroll tax accounts that show a substantial increase in the tax that they have to pay.

Payroll tax is going to increase for two reasons. Firstly, from 1 January 2000 to 30 June 2000, employers will have their payroll tax base expanded by the inclusion of superannuation, but the tax rate of 5% is going to remain constant. The Government is going to increase the base but leave the tax rate constant. From 1 July 2000, the tax rate will decrease by a mere 0.1%. The tax rate will be reduced from 5% to 4.9%, and later to 4.8%. That is not a revenue neutral change; it is still revenue positive. The increase in payroll tax by the inclusion of 7% for superannuation is not offset by the reduction from 5% to 4.9% in the taxation rate.

Superannuation is compulsory under the Commonwealth Act. By the time it reaches 9%, the reduction of the payroll tax rate to 4.8% will not compensate companies for the extra amount they are going to have to pay because of the increase in the payroll tax base.

Many companies are presently not paying payroll tax, but these companies will have to pay payroll tax in the future because of the inclusion of superannuation. The coalition Government moved the taxation threshold from \$800,000 to \$850,000. The inclusion of the 7% for superannuation in the payroll tax base essentially wipes out the coalition's action because 7% of \$800,000 is \$56,000, which is greater than the increase in the exemption level of the payroll tax threshold. In one fell swoop this Government has negated the work of the previous Treasurer who increased the payroll tax threshold tax from \$800,000 to \$850,000.

It is no wonder that business has lost confidence in this Government. I notice the member for Clayfield has just entered the Chamber. The issues that have been central to the honourable member's concerns in this place, namely workers compensation and industrial relations, are working against business in Queensland. It is no wonder that business people are upset. However, those same people have yet to suffer the havoc that this Bill will bring them.

The Yellow Pages Small Business Index indicates that business confidence has fallen. Over the past 12 months, the confidence of Queensland business in this Government has reached its lowest level since May 1998. It is reported that only 43% of Queensland businesses have confidence in their prospects over the next 12 months. Twice as many Queensland companies suggest that the policies of this Government work against them rather than for them. In other words, twice as many Queensland firms believe that the policies of the Beattie Government work against them. That is why business is not as willing to invest as much as we might think it should invest, given the fantastic economic conditions which have been provided by Federal Government policies.

Business investment has been growing elsewhere in Australia, with a consequent reduction in unemployment. One would expect that Queensland, which has been the growth State for a long period of time, ought to be doing better than the other States. However, we are not doing better in such areas as unemployment, simply because the policies of this Government are having a negative effect on the attitude of business towards investment. Business in Queensland has little confidence in the future and, as a consequence, is unwilling to invest in our State.

If one looks at the Yellow Pages index on the perception of business with regard to the economy, businesses in this State believe that the State's economy is going to worsen. More business people believe that this State's economy will be in a worse situation than it is now.

Mr Reeves: Are you talking about the GST?

Dr WATSON: This is about your Government's policies. Issues such as the ones the honourable member is talking about go right across the country. Business perceptions in Queensland are worse than those anywhere else in Australia. As I said, it is no wonder that business people in this State do not have confidence in the policies of this Government.

The Premier and the Treasurer indicated that they were not going to increase taxes, when in fact they are increasing taxes simply by broadening the base on which the calculation is made. That action has the same effect as increasing the taxation rate. The effect is exactly the same. When one includes superannuation in the base, the effective payroll tax rate as a percentage of the current base rises to 5.23%. By expanding the base to include superannuation, and taking into account the drop in the payroll tax rate, we will still have an effective rate of 5.23% on the current payroll tax base.

In the Committee stage the Opposition will move amendments which will make the changes revenue neutral, in the sense of lowering the rate at which the Government collects payroll tax. This will offset the expansion which will be brought about by the inclusion of superannuation in the base. If the Government wants to encourage business investment, and if the Government is really serious about having a taxation regime which is not increasing taxes on the productive side of our economy, it should support the coalition's amendments.

Recently, I was speaking with some people in the information technology area. These people drew to my attention the fact that the changes affect their industry more than any other industry. The reason for that is that the information technology industry is labour-intensive. This Government pretends that it wants to be the Smart State. It pretends that it wants to encourage investment in the information technology area. However, the reality is that because of the labour intensity of that particular industry, and because of the payments that are made to individuals who are creative—and it takes a lot of creativity to operate successfully in this area—this Government is going to tax these people at a higher rate. At the same time, of course, the Government is trying to tell us that it wants to encourage Queensland to be the Smart State.

It is not a very smart Government that is going to penalise the very industry and the very people whom they want to promote. This Government needs to decide whether or not it wants to be a competitive, tax-competitive State in Australia; whether it wants to encourage industries, particularly the

developing industries such as information technology; and whether it wants to encourage companies to grow, expand and to increase employment. If the Government really wants that to occur, then it ought to make sure that the changes that it is making in this Bill are at least revenue neutral, if not revenue negative. The change that I am going to suggest in the Committee stage will, in fact, achieve that result.

This change to payroll tax will hurt business, it will hurt job growth in this State, it will discourage people from expanding their businesses, and it will encourage some firms that are on the threshold, in order to stay under the threshold, to not employ that extra person or to let go somebody whom they have employed recently. Those are the kinds of behaviours that this change is going to encourage. I urge this Government to reconsider where it is going and to support the change that the Opposition is going to suggest in the Committee stage.

Under the coalition's changes to the threshold, thousands of businesses were benefiting. Those thousands of businesses are now going to be put back under the umbrella by the changes that this Treasurer and this Government are making. The Opposition will oppose this section of the Bill and suggest changes to the Parliament. The Opposition hopes that the Parliament decides that it wants to be pro-business, pro-investment and pro-jobs in Queensland.
