



Speech by

Hon. Andrew Fraser

MEMBER FOR MOUNT COOT-THA

Hansard Wednesday, 27 February 2008

PAY-ROLL TAX (HARMONISATION) AMENDMENT BILL

Second Reading

Hon. AP FRASER (Mount Coot-tha—ALP) (Treasurer) (2.30 pm): I move—

That the bill be now read a second time.

The Pay-roll Tax (Harmonisation) Amendment Bill 2008 predominantly implements a package of measures to harmonise Queensland's payroll tax arrangements with those of other jurisdictions with effect from 1 July 2008. Differences in payroll tax arrangements that currently exist between states and territories have been raised regularly by business as increasing compliance costs, particularly for those businesses that employ in more than one jurisdiction.

Queensland has been working with all other states and territories on a payroll tax consistency project to improve payroll tax alignment. The 2007-08 state budget confirmed that Queensland would be adopting the areas identified by that project for alignment and also that Queensland would consider the broader harmonisation proposals introduced by New South Wales and Victoria in 2007, with the final package of measures to commence on 1 July 2008. With the release of the mid-year review in late 2007, I set out the government's policy to harmonise its payroll tax system in key areas with New South Wales and Victoria. The Pay-roll Tax (Harmonisation) Amendment Bill 2008 gives effect to the government's commitment to the interjurisdictional consistency project measures as well as making two additional changes.

I wish to make clear at the outset that the bill is not making any changes to the payroll tax rates or thresholds. The harmonisation package includes changes in the areas of taxable wages, exemptions, allowances and grouping of employers. The changes will significantly reduce compliance costs and red tape for more than 7,000 Queensland businesses operating in more than one state. The changes being implemented with the bill are expected to be revenue neutral overall. I seek leave for the remainder of my speech to be incorporated in *Hansard*.

Leave granted.

In particular, the Pay-roll Tax (Harmonisation) Amendment Bill 2008 includes increases to motor vehicle and accommodation allowances and aligns those allowances with selected Australian Tax Office rates. These changes will save employers significant compliance costs.

One of the more significant amendments in the Bill is the imposition of pay-roll tax on payments made by employers to certain types of contractors. The provisions are aimed at so-called "dependent contractors". Usual contract arrangements with genuine independent contractors will not fall within the provisions. The provisions are based on the New South Wales and Victorian provisions. They will result in consistent treatment of contractor arrangements across the three largest states. This promotes equity across industries because payments to these types of contractors will be treated in the same way for pay-roll tax as wages paid to employees, where those contractors stand in the place of genuine employment arrangements. This will not affect individual contractors.

Other changes being introduced by the Bill include alignment of the rules relating to the treatment of employee share schemes, grouping of employers and employment agents with New South Wales and Victoria.

A number of changes are being made to the grouping provisions for alignment. The grouping provisions ensure that pay-roll tax is not avoided by employers by splitting the pay-roll over several entities, each claiming the \$1,000,000 deduction/threshold. Employers are

grouped under a number of tests which are based on the relationship, control and connection between the businesses. The changes include the removal of grouping of employers where a head or parent business exercises managerial control over a branch, agency or subsidiary business; adopting tracing rules which take account of direct and indirect interests to address complex business structures which avoid grouping and including a general provision for joint and several liability of group members.

A significant change to the grouping provisions is the adoption of a common control test threshold of more than 50%. Raising the common control test threshold acknowledges that the existing 50% or more test captures arrangements where no single entity has control, requiring the parties to incur expense in seeking the exercise by the Commissioner of State Revenue of the discretion to remove an entity for a group. The changes to the grouping provisions are expected to provide a saving to pay-roll taxpayers.

Mr Speaker, the Bill also provides further benefits to business by introducing a number of new exemptions including wages paid during parental and adoption leave and wages paid to volunteer fire fighters and emergency services workers and wages paid to volunteer honorary ambulance officers. These new exemptions will help employers support family friendly workplace arrangements and volunteer emergency service and ambulance workers who provide such valuable assistance to the community.

Finally, the Bill also contains amendments in relation to fringe benefits, wages for work performed in another jurisdiction, superannuation contributions, termination payments to non-employee directors and specific provisions dealing with third party payments.

While New South Wales and Victoria adopted uniform legislation, for a number of reasons this approach has not been adopted in Queensland. One factor was that significant amendment was made to the Pay-roll Tax Act 1971 in 2005 to introduce new business processes and facilitate e-business. In addition, in some areas different drafting practices and standards apply. However, while uniform provisions may not be able to be adopted, the outcomes from applying the harmonised provisions will be consistent with New South Wales and Victoria.

While harmonisation is aimed mainly at businesses which employ in more than one jurisdiction, the measures introduced by the Bill will benefit all Queensland businesses and represent a significant reform for pay-roll tax in Queensland.

I commend the Bill to the House.