



Speech by

## Fiona Simpson

MEMBER FOR MAROOCHYDORE

Hansard Wednesday, 16 April 2008

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### PAY-ROLL TAX (HARMONISATION) AMENDMENT BILL

**Miss SIMPSON** (Maroochydore—NPA) (Deputy Leader of the Opposition) (12.18 pm): Under the Bligh government's tax on housing, homeownership will be less affordable. That is what we see before us. I am calling the government to back down on its proposed changes in this bill as they affect dependent contractors, because this will have a significant impact upon housing affordability and small businesses. The building industry is warning that these changes could put up the cost of a new home by nearly \$3,500.

In contrast, in the explanatory notes the government claims that these amendments are revenue neutral. Yet in another part of the explanatory notes the government admits that it did not consult. In fact, in regard to consultation the explanatory notes state—

To the extent that the Bill gives effect to State Budget announcements, public consultation was not necessary.

The explanatory notes go on to state—

Consultation on the other amendments contained in this Bill was considered either unnecessary or inappropriate.

It wants to tell us that it is a competent government. The building industry is furious because it was not consulted about this legislation before it hit the decks. It is saying, from its own independent research, that this will have a huge impact on its industry alone. Master Builders had independent research undertaken by Reed Construction Data which shows that these Pay-roll Tax Act amendments will have an impact of about \$88 million in new taxes on new homes and, I understand, even more impact with regard to other areas of the construction industry. There will be an amount of \$88 million in new payroll tax take out of the new home industry, but then there is the renovation industry as well, which is a billion-dollar industry, which would indicate that there would be more payroll tax implications for that industry. What about the general capital works budget of government and those people previously who were not captured by payroll tax who, under the redesigned definition of contractors, will be?

**Mr Rickuss:** It is a lazy government that doesn't understand.

**Miss SIMPSON:** It has not done its job. It has become so arrogant with its majority and with this Treasurer that it has not done its job. It actually boasts about not consulting. It is time that it did consult and understand the implications of legislation and get it right before it brings it into this place.

The Bligh government promised to improve housing affordability. It has come up with a wider tax net which will cost the building industry another \$100 million in payroll tax. This will hit the building industry and homebuyers hard. Industry is warning that some businesses will go bust if they have existing contracts but have a payroll implication from today. Their contracts have already been written. They cannot pass these charges on if their contracts are fixed. The proposed changes to the Pay-roll Tax Act redefined thousands of dependent contractors as employees, making them assessable under the act. Treasurer Andrew Fraser put this bill into the parliament claiming that it has been done in other states. It is all a bit of a fudge in terms of whether this is part of the COAG process, but when one actually drills down and checks it out one sees that it is not actually a COAG suggestion. This does not come out of COAG. This has come out of Treasury, which thought it was a good idea: 'Just tell people it is revenue neutral and do not consult and maybe they will not notice until they are hit with it.'

The building industry—and there are other industries—has risen up and said that this is going to have an impact and it has called for the government to reconsider this legislation. Queensland currently has no provision that imposes payroll tax on dependent contractors. Payroll tax is payable for employees only under the common law test, but tens of millions of dollars might now be payable, with huge cost implications for contractors. As I have mentioned, if they have existing contracts they will not be able to recoup these new costs. This will have an impact and could cause business collapse. Contractors who engage ABN labour-only subcontractors will get caught by this definition. I am advised that dependent contractors most affected will include carpenters, bricklayers, plasterers, painters, roofers, concreters and tilers.

I will quote some examples provided to me by the building industry because they are most telling. One example it has put forward is that five large commercial wall and ceiling partitioning contractors who had met with the Master Builders had among themselves 750 ABN labour-only self-employed workers. It was estimated just for these businesses that if these payments were included as payroll then \$3.5 million in tax was due and payable. In another example, Reed Construction Data, which was commissioned to examine the impact of the 4.75 per cent payroll tax on a 200 square metre, single-storey brick veneer home with a concrete tile roof, four bedrooms and ensuite, costed on the quarterly basis for four years, reported that the imposition of this tax equated to an additional \$3,391, taking the total cost from \$269,369 to \$272,760, or a 1.24 per cent cost increase, placing even more pressure on housing affordability. This is an issue that is so pertinent to Queenslanders, so pertinent to Australians, that for the government not to realise this is most concerning.

The government maintains that the building construction industry is a special case. I think we will find many other cases, too, when people become aware of this legislation. They were not consulted about this. The status of legal entities can change, with some people being employers, self-employed contractors and workers in the one financial year. As we know, it is not always the same entity that people operate under. This is a \$36 billion industry with more than 20,000 new homes being built each year. Around 40 per cent of their costs are labour costs with 400 contractors declaring payrolls in excess of \$1 million for WorkCover purposes. As members can see by this change in definition, there is the potential for quite a substantial increase in the number of people who are caught. At the end of the day it will be the homeowner who will really get caught as that is passed on.

The minister's second reading speech and explanatory notes refer to what other states do and whether they capture these types of contractors. We know that previously they were not captured in Queensland under this law and it certainly was not part of the COAG agreement that is coming up. We are calling on the Treasurer to eat some humble pie and go back and consult with the people who are affected. We would like to see amendments to this act so that these provisions are dropped. We would like to see the positive aspects of this bill brought forward in other areas, as my colleague the shadow Treasurer outlined.

This bill covers a range of payroll tax changes, some of which are okay and have nothing to do with the contractors that I have just outlined. We believe that this issue is so serious that we cannot support this bill in its current form. The impact of this legislation as a total taxation change will be negative when we consider the impact on just one industry alone. This is not harmonisation; this is a horror story. This is a horror story that should never have seen the light of day and come before this parliament.

We are calling for the government to back down and change these laws. We call on the government to get it right and to understand that bigger taxes on one industry, such as the housing industry, will have a bigger impact on the pockets of ordinary Queenslanders.