

Madam Speaker, I commend this bill to honourable members and table the explanatory statement to accompany the bill.

Debate adjourned.

**PAYROLL TAX BILL
(Serial 42)**

Continued from 6 May 2009.

Mr ELFERINK (Port Darwin): Madam Speaker, we will be doing nothing to stand in the way of the passage of this bill. Payroll tax is one of those taxes which everyone hates except the Treasurer. I understand the necessity of the payroll tax arrangements from a Treasury point of view, despite the fact that I am no great lover of payroll tax.

Payroll tax is an unusual tax because it is a tax on an employer for employing a person. In this jurisdiction, as in every other jurisdiction, the state government taxes people for employing other people. There are thresholds involved, and there are tax rates which are slightly different in each jurisdiction. Those thresholds cover the overall size of the payroll. I believe it is \$1.25m at the moment - someone nod. A \$1.25m threshold, is that right? If a company's payroll is \$1.25m or more, then it has to pay a payroll tax, which I believe is currently 6.7% or thereabouts, and the government or the state level government receives a little money from it. It is one of the major earners for many jurisdictions. In each jurisdiction, each state level instrument is different.

In the Northern Territory, many of the institutions which have a payroll larger than \$1.25m are organisations which operate not only in this jurisdiction, but also other jurisdictions. A little history is that once upon a time, even income tax in Australia was levied by the states; it was not levied by the Commonwealth.

I believe it was during World War II when the states started handing over the very lucrative income tax - which is a tax levied on a person for drawing an income - over to the Commonwealth. It would be a politically courageous government which would stand up today and argue or insist that the powers to levy income tax be returned to the states. It is so institutionalised now at the Commonwealth level that such an arrangement would not only be politically courageous but also would be administratively very difficult to unpick, in the 60 years since World War II.

Therefore, states turned to this rather surprising tax, as time passed. To tax an employer for employing people always struck me as an unusual tax. Knowing employers as I do - and many of them do have payrolls of greater than

the \$1.25m threshold - it is not a tax which is popular amongst employers. I am sure the government acknowledges that.

However, without entering into a long debate about the philosophical constructs of payroll tax and whether it should exist, this act is, basically, designed to reflect the acts in a universal way across all jurisdictions. The effect of this legislative instrument is that, if a person who is doing payroll in Western Australia for people who work in the Northern Territory or for South Australia, they do not have to pick up a different legislation; they can read their own legislation. Whilst the rates and the thresholds might be slightly different, the rest of the instrument will operate in very much the same fashion.

In accordance with making it a little easier for companies to pay tax, this is a commonsense approach. It is supported by the opposition and, whilst I am not a great lover of payroll tax for the reasons outlined, we understand that this small gesture towards business goes some way to making business a little easier.

Mr GUNNER (Fannie Bay): Madam Speaker, I support the legislation. The Payroll Tax Bill 2009 will enact new payroll tax legislation and repeal the existing *Pay-Roll Tax Act*. This bill will reduce costs to business and reduce red tape. It delivers on a national commitment to reduce payroll tax red tape and compliance costs.

The goal of the national harmonisation project is to see that the legislation and administration of payroll tax is as consistent as possible across all states and territories. All governments taking part in the project have agreed they retain autonomy to continue to set their own tax rates and thresholds. That is fundamental. This autonomy allows for a competitive tax environment for each state to set rates and thresholds at levels which allows it to raise appropriate revenue to fund the services it provides.

As the Treasurer explained in the second reading speech, the new act will be identical as far as possible to the New South Wales, Victorian and Tasmanian acts, and is consistent with the payroll tax legislation existent in Queensland.

This bill will see some significant policy changes for the Territory. It moves the question of the payment of payroll tax provisions for the labour services of contractors from a common law test to a clear set of relevant contract provisions within this legislation. I understand, through the Treasurer, that the Territory Construction Association and the Housing Industry Association are both supportive of the introduction of the relevant contract provisions.