

Thank you for the opportunity to comment on the Productivity Commission's study on the impacts of payroll tax harmonisation.

The Northern Territory completed the stage one harmonisation reforms with effect from 1 July 2008 (at an estimated cost of about \$1.7 million per year) and then further harmonised its payroll tax legislation from 1 July 2009 (at an estimated cost of about \$1.3 million per year; for a total cost of \$3 million per year). This was done by introducing a new Payroll Tax Act 2009 that is identical, as far as possible, with the payroll tax laws in New South Wales, Victoria, South Australia and Tasmania and largely consistent with Queensland, Western Australia and the ACT.

There was a strong case for the Northern Territory to harmonise because more than 80 per cent of its approximately 1900 registered payroll tax employers also employ interstate. Having payroll tax laws redrafted with simpler, modernised and consistent provisions has enabled taxpayers to better understand the rules and improved compliance in a more cost-efficient manner.

The most significant 1 July 2008 harmonisation changes for the Territory related to the treatment of motor vehicle allowances, accommodation allowances, employee share acquisition schemes, fringe benefits (specifically the treatment of living-away-from-home allowances), work performed in another country and the grouping of employers. More information on these changes can be found at <http://www.revenue.nt.gov.au/pdf/RC-PRT-001.pdf>

The most significant 1 July 2009 harmonisation changes for the Territory were:

- the introduction of relevant contract provisions (a set of practical tests that approximate the common law employer/employee test);
- the extension of the payroll tax exemption for wages paid by public benevolent institutions and religious institutions to include all non-profit organisations that have a sole or dominant charitable, benevolent, philanthropic or patriotic purpose;
- the introduction of payroll tax exemptions for wages paid to employees participating in voluntary work for bushfires and emergency relief and for wages paid as maternity, paternity and adoption leave for a maximum of 14 weeks; and
- not imposing payroll tax on wages paid by employment agents to temporary staff where the wages would be exempt if paid directly by the client (for example, where the client is a public hospital or charity).

More information on the 2009 changes can be found at <http://www.revenue.nt.gov.au/pdf/RC-PRT-002.pdf>

In terms of improvements, the Territory is continuing to work towards greater administrative harmonisation with other jurisdictions pursuant to a protocol between all state and territory Revenue Commissioners. This includes work on issuing further uniform payroll tax rulings, implementing processes to consider exemptions and taxpayer objections more consistently, information sharing and the joint audit of national employers, the delivery of multi-jurisdictional taxpayer education sessions and the development of common staff internal training material and website content.

As a minor point, in terms of Box 7.1 in your paper, we note that from 1 July 2011, similar to the approach adopted in Queensland, the Territory's threshold changed from a general exemption to a deduction from an employer's taxable wages. For employers with wages above the increased \$1.5 million threshold amount, the maximum amount to be deducted from the employer's wages starts at \$1.5 million and reduces by \$1 for every \$4 in wages paid by employers above the threshold amount.

Finally, you may be aware that COAG's Business Regulation and Competition Working Group (BRCWG) established a Payroll Tax Sub-committee to review the extent of payroll tax reforms. The outcome of this was a BRCWG report concluding that significant harmonisation had been achieved by all jurisdictions, subject to a small number of variations. The COAG Reform Council recently reported that, other than some relatively minor matters, the payroll tax reforms have been substantially achieved http://www.coagreformcouncil.gov.au/reports/docs/sne-feb-2012/Seamless_National_Economy_2011_Full_Report.pdf

Regards

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