

Victorian Submission to the Australian Government's Regulation Taskforce

Key Points

- Reducing the burden of regulation on business is a priority and Victoria will continue to advocate the need for broad reform through COAG.
- Although alternatives to regulation should always be considered, regulation will remain an important tool in achieving policy objectives.
- National Competition Policy has improved the regulatory environment through the removal of many unwarranted regulatory restrictions on competition.
- In addition, the Victorian Government has sought to tackle the burden of regulation through: reducing regulation; reducing administrative costs; reducing compliance cost; and preventing unnecessary legislation.
- With the establishment of the Victorian Competition and Efficiency Commission, stricter gatekeeping arrangements have been introduced to ensure that the costs and benefits of all proposed new regulation are properly assessed
- However, more needs to be done to reduce the overall burden of red tape as the cumulative impact of regulation may affect business investment decisions.

Well functioning market economies are underpinned by efficient and effective regulatory regimes. These regimes are an important tool in achieving policy objectives. The Victorian Government recognises that unnecessary or ineffective regulation can frustrate the ability to achieve government objectives and hinder economic activity.

The Victorian Government also recognises that the cumulative impact of regulation may affect business investment decisions. Government and business alike also recognise that the burden of regulation disproportionately falls on small business. Reform which can reduce the burden without compromising policy objectives will not only be good for businesses, but the economy more broadly.

The dynamic and changing nature of domestic and international markets make it important to continually monitor and amend as appropriate the regulatory environment set by all levels of Government. The Victorian Government will continue to review the regulatory environment over which it has control as a priority, and urges all other jurisdictions to do likewise. This is reflected in Victoria's advocacy for a national reform agenda to progress this outcome.

National Competition Policy

The Victorian Government has made significant progress over the past decade in improving its regulatory environment through reforms such as National Competition Policy. Victoria has consistently performed well with respect to all aspects of this Policy, and in particular in terms of the required legislative reviews. To date, Victoria has received all competition payments from the Commonwealth Government.

Continued need for reform

In August 2005, the Victorian Premier released *A Third Wave of Reform, A New National Reform Initiative for COAG*. This Initiative advocated the need to improve

gatekeeping mechanisms for new regulation and that all jurisdictions agree to a targeted 25 per cent reduction in the administrative burden of regulation.

The Victorian Government recognises that regulatory burden is a priority and is continuing to advocate for broad regulatory reform through COAG.

Council of Australian Government's reform

On 3 June 2005, the Council of Australian Governments agreed to establish a number of working groups to progress a new reform agenda. The National Competition Policy Working Group (NCP WG) is discussing issues relating to: infrastructure regulation, energy, transport and best practice regulation.

In relation to best practice regulation, the working group is seeking to identify regulatory hotspots that might form an initial focus on any agreed national reform effort.

To the extent that the cooperation of all jurisdictions may be required to progress any agreed national regulatory reform agenda, Victoria believes the COAG process offers the best prospect of achieving such cooperation. Accordingly, Victoria's submission to the Taskforce Inquiry is limited to providing information about Victorian initiatives to reduce red tape.

Initiatives to reduce red tape

The Victorian Government has already implemented a number of initiatives to reduce unnecessary regulatory burden on businesses. The Government has sought to do this by tackling this burden through: reducing regulation; reducing administrative costs; reducing compliance cost; and preventing unnecessary legislation.

The Government has implemented several general regulatory reform initiatives, while also implementing initiatives to target a number of specific areas. The broad initiatives implemented include:

- establishing the Victorian Competition and Efficiency Commission (VCEC);
- establishing the Business Victoria website;
- Local Government initiatives to support home based businesses;
- establishing the Victorian Small Business Commissioner, one of whose roles is to reduce the burden of disputes involving small business;
- introducing State Revenue Office online services; and
- reducing a number of State taxes.

More industry specific initiatives include:

- implementing the 'Better Decisions Faster' strategy in the development approvals area;
- establishing an electronic land titles system;
- establishing the Consumer Affairs Victoria regulators forum; and
- developing more streamlined compliance strategies by the Environment Protection Authority

Each of these initiatives is discussed below.

Victorian Competition and Efficiency Commission

The VCEC was established on 1 July 2004. The VCEC's core functions are:

- undertaking inquiries into specific matters referred to it by the Government;
- reviewing Regulatory Impact Statements (RISs) and reviewing Business Impact Assessments (BIAs) for any new or amended primary legislation with a significant impact on business. The BIAs must include particular reference to their small business impact; and
- operating Victoria's Competitive Neutrality Unit which ensures government-owned businesses face the same costs and commercial pressures facing private sector competitors.

The first two functions are designed to reduce both the present and future regulatory burden on business.

VCEC's first function allows it to undertake inquiries at the request of Government into specified regulation-related matters and is an initiative designed to tackle the current regulatory burden which exists and recommend ways in which it could be reduced.

To date, the Commission has submitted two final inquiry reports to the Treasurer: *Regulation and regional Victoria: challenges and opportunities* and *Housing regulation in Victoria: Building better outcomes*. The VCEC's current inquiry is considering options to manage transport congestion.

These inquiries have, and will continue to identify unnecessary regulation and where appropriate recommend action to reduce the regulatory burden.

The VCEC has also produced a survey of Victorian regulators, *The Victorian Regulatory System*, the first consolidated list of regulators in Australia. The survey lists all business regulators, their functions and size excluding local councils and water authorities. The identification of all regulators is an important step in determining how to reduce regulatory overlap and in reducing the burden of regulation.

The VCEC's function in relation to RISs and BIAs is a broader function than previously undertaken by the former Victorian Office of Regulation Reform. While the VCEC now undertakes all independent assessments of RISs it also independently assesses all BIAs. This function is designed to ensure that new regulations and legislation do not place an unnecessary burden on businesses.

Business Victoria website

The Business Victoria website consolidates 27 previous Government business-related websites into one, making it easier for business to obtain available information including start up requirements, Government services available, export information, events, grants and other sorts of assistance and sector-specific information.

In its 2004 Economic Statement, *Victoria: Leading the Way*, the Government committed to establishing an enhanced on-line agenda portal giving access to government information and services for business. The Victorian Business Master Key (VBMK) facility will be integrated within the Business Victoria website and allow business, particularly start-up businesses, to manage all dealings with government agencies from a single point of entry.

Currently, the Business Victoria website provides information on what you need to know before you start a business, business licences and codes of practice, through to information on tax and superannuation obligations as a business owner and employer.

The benefits of the VBMK flow to both businesses and the government. For businesses the site will:

- reduce search time for finding required information;
- provide greater certainty and reduce compliance risks;
- make it easier to conduct licence transactions with reduce data entry time and reduced transaction costs; and
- improve the accessibility of government services.

This list is not exhaustive, but provides an indication of just some of the expected benefits to business of a centralised business requirements portal.

The benefits for government, and the relevant agencies, will be based on the current level of their online services and the nature of the integration with this portal. However, benefits will include:

- improved information distribution and education services;
- reduced transaction costs through increased online transactions; and
- improved data accuracy and integrity; and greater responsiveness and flexibility in customer service strategy.

The website will save businesses time and money on complying with regulation by providing joined-up and responsive services across all three levels of government.

The Department of Innovation, Industry and Regional Development estimates that the administrative compliance cost for Victorian Small Business is \$3.8 billion per annum. Analysis has indicated that, conservatively, this integrated site will reduce estimated costs by an estimated 3 per cent, and that by 2010, around 60 per cent of small businesses will be using the site. This amounts to savings of at least \$69 million per year annum for small business (confidence interval between \$38-\$123 million per annum).

Local Government Initiatives

The Victorian Government recognises the impact that local government regulation can have on home-based businesses, which now account for 65 per cent of all small businesses in Victoria. Analysis shows that Victoria is one of the least regulated states for home-based businesses. For instance, such businesses are allowed to operate in Victoria without a planning permit, provided they are within defined limits that set a maximum number of non-residing employees and a maximum floor area.

The Victorian Government also made an important contribution to development of the Federal Government's Regulation Reduction Incentive Fund (RRIF), through the Home Based Business (HBBs) and Local Government research project, which explored how local government regulation and policy measures impacted on the viability and growth of HBBs.

Commissioning this research enabled the identification of best practice and new initiatives being undertaken by Victorian councils in support of their local HBBs. The

report, which was shared across all states and territories, provided a wealth of data to local councils, especially those wishing to apply to the RRIF.

Victorian Small Business Commissioner

The Victorian Small Business Commissioner (VSBC) was established in 2003 under the *Small Business Commissioner Act 2003*. The VSBC has an extensive range of functions that support and encourage the development of small businesses. Some of these functions include to:

- facilitate and encourage the fair treatment of small businesses in their commercial dealings with other businesses in the marketplace;
- promote informed decision making by small businesses in order to minimise disputes with other businesses;
- receive and investigate complaints by small businesses regarding unfair market practices and mediation between the parties involved in the complaint;
- monitor and report to the Minister for Small Business on any emerging trends in market practices that have an adverse impact on business;
- encourage the development and implementation of small business service charters within government to ensure small businesses receive high quality service;
- as required by the Minister for Small Business, monitor and report to the Minister on the impact that legislation in Victoria, government procedures and administration have on small businesses; and
- as required by the Minister for Small Business, assist other branches and agencies of government to develop legislation, government procedure and administration that provide alternative ways in which small businesses can comply with the requirements of the legislation, procedures and administration.

Victoria was the first State in Australia to establish a Small Business Commissioner, in recognition of the vital contribution small businesses make to the Victorian economy.

One example of the success of the VSBC is outcomes in the area of dispute resolution. Mediators and staff managing the pre-mediation process were involved in 831 disputes in 2004-05 and achieved a 79 per cent success rate. (VSBC, 2005)

Disputes valued at more than \$80 million have been handled since the establishment of the VSBC resulting in savings to Victorian small business of millions of dollars in litigation fees and thousands of hours previously wasted in disputes. Previously, small businesses in dispute went directly to the more formal and costly Victorian Civil and Administrative Tribunal.

The VSBC expects these figures to grow as the business community becomes increasingly familiar with its presence, procedures and performance.

Small business in Victoria has appreciated that recourse through the VSBC is much less intimidating and considerably quicker than traditional court and tribunal processes.

State Revenue Office

The State Revenue Office has continued to reduce the cost of compliance with legislative requirements through extending the range of transactions that taxpayers can perform electronically. Online taxation transactions now include:

- Land tax clearing certificates;
- Land tax eObjections;
- Payroll tax eReturns;
- Payroll tax eAnnual Adjustment;
- Payroll tax eRecords; and
- Payroll tax eRegistration.

Further, the State Revenue Office has worked to create greater consistency within the legislative definitions between Payroll tax and WorkCover. Due to their different purposes, there will never be complete alignment but, as far as is practical, there are consistent definitions, for example:

- the meaning of wages/remuneration is now almost identical;
- for both Payroll tax and WorkCover, the meaning of employee/worker is derived from the common law however, this may be extended by contractor provisions. Payroll Tax and WorkCover have identical contractor provisions, but in order to achieve its different purpose, WorkCover also has additional provisions that deem certain contractors to be workers;
- Payroll tax and WorkCover have near identical employer grouping provisions; and
- Payroll tax employment agency legislation has been changed making employment agents liable and this produces a similar outcome to WorkCover.

Penalties applied to small business and first time Payroll tax payers have also been reviewed. In accordance with its Taxpayers' Charter, the State Revenue Office starts with the presumption that all taxpayers have dealt with their tax affairs openly and honestly and that consequently any error is due to ignorance or mistake rather than deliberate intent.

Where penalties are applied these match the degree of culpability so as to encourage taxpayers to voluntarily declare any tax liabilities as soon as they are known. Specifically, in certain circumstances the Commissioner for State Revenue has the discretion to remit part or all of any interest (on tax unpaid) or penalty tax.

Victoria has also reviewed additional current Payroll tax benefits, as such all employers are entitled to a small business concession - a tax-free threshold. Generally, Payroll tax is only imposed on the wages that businesses pay in excess of the \$550 000 pa tax-free threshold. (Pay-roll Tax Act , 1971)

This online service provides a timely and efficiency means of obtaining land title information for businesses and the community.

Reducing a number of taxes

Victoria has continued to reduce the burden of regulation not only through reducing the cost of administration and compliance but also by reducing a number of taxes.

Recent initiatives by the Government include:

- implementing caravan park land tax exemptions;
- implementing land tax exemptions for residential care facilities, supported residential services and rooming services;
- increasing land tax thresholds;
- abolishing mortgage duty;
- abolishing debits tax; and
- abolishing, from 1 January 2007, hire of goods duty.

Reducing the number of taxes and the threshold to when they apply all contribute to a reduction in the overall compliance burden.

Better Decisions Faster

In its 2004 Economic Statement, the Government committed to cutting the red tape involved in development approvals. The package includes initiatives to improve the efficiency and strength of the planning system. Through streamlined processes the cost to business, council and the community will be reduced.

The time savings to be achieved by these measures will significantly lower the costs of building with state-wide savings across the housing and construction sector of almost \$50 million per annum. (DPC, 2004)

In August 2005, legislative change became effective to help facilitate these initiatives.

Landata: Titles and Property Certificates

The Government has reduced the time and cost of obtaining title and property certificates through the introduction of Landata for delivering the Titles and Property Certificates (TPC) electronically for Victoria. TPC is an easy-to-use self service that combines online orders for state and local government property certificates and information statements for Victoria. It also includes online retrieval of information such as titles and plans where available.

This online process allows:

- people to check the status of their order, at any time during process;
- storage online of completed orders for 90 days; and
- people to return to a previously completed order and obtain a copy of a certificate if it has been misplaced or lost.

Consumer Affairs Victoria regulators forum

In 2004 Consumer Affairs Victoria established the annual regulators forum. This forum allows all Victoria regulation to share information in relation how they undertake their regulatory functions. This information sharing leads to a greater distribution of information and uptake of more efficient and effective regulation.

Improvements in the administration of regulation will lead to greater efficiencies for both businesses that interact with the regulation and also government through better resource management.

Environment Protection Authority

The Environment Protection Authority is often able to work with organisations which have large environmental obligations so to arrange less burdensome means of complying with the regulation. As such environmental regulation can be tailored to suit the particular circumstances.

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