



2000-01 BUDGET

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## PAYROLL TAX CHANGES MEAN 230 BUSINESSES WON'T PAY TAX

Changes to the ACT's payroll tax arrangements will mean 230 existing businesses, over the next 3 years, will not pay payroll tax, and every other business which pays will benefit from substantial reductions, Treasurer, Gary Humphries, announced today.

Mr Humphries said the Government was announcing a program of changes over the next three years, which will maintain a rate of 6.85% but raise the threshold from a wage bill of \$800,000 to:

- \$900,000 on 1 January 2001; then
- \$1.25 million on 1 July 2001; then
- \$1.5 million on 1 July 2002

"These changes represent the biggest tax breaks given to ACT business, and will reduce the payroll tax liability for every business which currently pays the tax quite significantly in coming years.

"An ACT business with a wages bill of \$1.45 million, under Labor was paying \$63,000. Since the election of the Carnell Government, their tax bill has been cut by \$18,475 and, from 1 July 2002, they'll pay no payroll tax whatsoever.

"Indeed, 230 businesses currently paying the tax will no longer have any tax liability under this new initiative.

"Since being elected, the Carnell Government has been reforming the payroll tax regime to encourage business into the ACT, and encourage existing businesses to employ more Canberrans.

"In 1996, the tax rate was lowered from 7% to 6.85%. In 1998, the threshold was raised from \$700,000 to \$800,000.

"These changes will make the ACT even more competitive in the attraction of business and employment. The Government's hard work, over the past five years, to address Labor's operating loss, means we can now begin to relax the tax arrangements to encourage continuing employment and business growth in the private sector.

“Payroll tax is a tax on employment, and if we can lower that tax, we give business more opportunities to create jobs and invest in social capital.

“These initiatives will help to grow employment in the ACT, and are a direct result of the hard work put in by this Government to eliminate Labor’s operating loss,” Mr Humphries said.

Figure 1: History of Payroll Tax Changes under the Carnell Government:

<b>Date</b>	<b>Rate</b>	<b>Wages Bill Threshold</b>
Coming to office	7.00%	\$550,000
1 Jan 1996	7.00%	\$600,000
1 Jan 1997	6.85%	\$700,000
1 Jan 1998	6.85%	\$800,000
1 Jan 2001	6.85%	\$900,000
1 Jul 2001	6.85%	\$1,250,000
1 Jul 2002	6.85%	\$1,500,000

**Statement Ends**