



**NORTHERN TERRITORY VIEWS ON
CGC POSITION PAPER 2008/05**

PAYROLL TAX

FEBRUARY 2009

**COMMONWEALTH GRANTS COMMISSION
GENERAL REVENUE GRANT RELATIVITIES
2010 REVIEW**

Key Points

- The Territory supports the retention of the 2004 Review Payroll Tax methodology.
- The Territory considers the agriculture, forestry and fishing adjustment should continue because it meets the \$3 per capita data materiality threshold.
- The Territory supports annual updating of the payroll tax threshold as this will improve contemporaneity and better reflect the actual payroll tax base.

This submission details the Territory's views on issues raised in the Commonwealth Grants Commission's (the Commission's) Position Paper, *Payroll Tax 2008/05*.

The Commission proposes:

- basing the Payroll Tax assessment on the 2004 Review methodology;
- discounting the adjustment for agriculture, forestry and fishing; and
- updating the tax free threshold to reflect average state policy.

2004 Review Methodology

The Territory supports the Commission's proposal to retain the 2004 Review methodology for Payroll Tax. The Territory considers this methodology robust, transparent and simple.

Agriculture, Forestry and Fishing Adjustment

The Commission propose discontinuing the agriculture, forestry and fishing adjustment on materiality grounds. However, the Territory considers the \$3 per capita data adjustment threshold should be used rather than the \$10 per capita materiality threshold. On this basis the adjustment should continue.

The Territory notes the Commission propose removing exempt vehicles from the motor taxes assessment on the basis that the adjustment meets the \$3 per capita data materiality threshold. The Territory considers the application of materiality thresholds should be consistent between assessments.

Tax Free Threshold

The Territory supports the Commission's proposal to annually update the payroll tax threshold as this will improve contemporaneity and better reflect the actual tax base.