



# **Response to Commission Position Paper 2008/05**

## **Payroll Tax**

**Department of Treasury and Finance**

**January 2009**

## **Proposed Assessment**

Tasmania supports the Commission's proposal to continue the approach adopted in the 2004 Review for the 2010 Payroll Tax assessment, which assesses capacity using taxable compensation of employee (CoE) data.

### **Agriculture, Forestry and Fishing**

For the 2010 Payroll Tax assessment, Tasmania does not consider that the Commission has appropriately justified its intention to discontinue the agriculture, forestry and fishing industry adjustment, on materiality grounds.

The 2004 Review method includes an adjustment for the agriculture, forestry and fishing industry, as the ABS does not include wages and salaries for this industry in its private sector wages and salaries data. The Commission has, in the past, separately assessed capacity for this industry and added it to taxable private sector CoE.

The agriculture, forestry and fishing adjustment is a data adjustment. It is not a separate disability as it would not be tested as such if it were included in the ABS private sector wages and salaries data. This is because it is not the Commission's position to test the materiality of each industry in the assessment.

The Commission has used a \$10 per capita materiality threshold to test the materiality of making the agriculture, forestry and fishing adjustment. Under the Commission's Assessment Guidelines, a \$10 materiality test applies to disabilities. As a data adjustment, rather than a disability, the appropriate materiality test is, in fact, \$3 per capita.

Table 1 of Commission Position Paper 2008/05 shows that an adjustment for the agriculture, forestry and fishing industry redistributes \$3.44 per capita for Tasmania – this is material. Tasmania argues that it is therefore appropriate to include an adjustment for the agriculture, forestry and fishing industry in the 2010 Payroll Tax assessment.

This is consistent with the approach proposed by the Commission in its 2010 Motor Taxes assessment (Commission Position Paper 2008/09). In that case, the Commission proposes to make an adjustment to remove diplomatic, consulate and Australian Government vehicles from both light vehicles and new vehicle sales (on materiality grounds using a \$3 per capita threshold).

### **The Tax Free Threshold**

Tasmania supports increasing the tax free threshold in the 2010 Review to reflect increases in state thresholds that have occurred since 2001-02. This requires an increase in the tax free threshold from \$650 000 to \$700 000 for CoE.

It is appropriate that the tax free threshold be updated annually, in line with changes in states' actual tax free thresholds.