

Payroll tax

Review outcomes

- No changes were made to the assessment.
- Payroll tax surcharges will continue to be assessed in the payroll tax category.
- The Commission considered the potential for using data from the ABS Business Longitudinal Analysis Data Environment datasets to improve the assessment. The data could not be reliably disaggregated by state, which means it is not fit for the Commission's purpose. The Commission also explored the feasibility of an assessment using data from the ABS Person Level Integrated Data Asset. Neither the Business Longitudinal Analysis Data Environment nor Person Level Integrated Data Asset datasets can support a timely and reliable assessment in their current form.
- The Commission will continue to monitor the potential for data from the Business Longitudinal Analysis Data Environment and the ABS Person Level Integrated Data Asset to be used in the payroll tax assessment but will not introduce any changes before the next review. It will also monitor developments in the ABS's use of Single Touch Payroll data.

Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission's [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
 - an overview of the issues considered throughout the review
 - the Commission's response and decision on each issue.
- 5 A description of the assessment method can be found in the payroll tax chapter of the *Commission's Assessment Methodology*.

Issues considered

Assessment of payroll tax surcharges

- 6 The Commission considered the treatment of payroll tax surcharges imposed by 2 states on businesses with large payrolls. Victoria introduced a mental health and wellbeing surcharge from 1 January 2022. It also introduced a COVID-19 temporary

debt payroll tax surcharge, which will apply for 10 years from 1 July 2023. Queensland introduced a mental health levy from 1 January 2023.

State views

- 7 All states supported assessing revenue from payroll tax surcharges on the same basis as payroll tax. Queensland said there is a relevant nexus between payroll tax surcharges and payroll tax, given those surcharges are levied on taxable wages paid by an employer.

Commission response

- 8 Payroll tax surcharges are raised under states' payroll tax legislation and are collected on the same basis as payroll tax. Liability is calculated using the same scope of taxable remuneration as payroll tax, but with higher thresholds. The Commission considers the surcharges to be sufficiently similar in nature to payroll tax for the revenue raised to be assessed using its measure of payroll tax capacity. Including revenue from the surcharges in the assessment increases the average tax rate that is applied to each state's revenue base. This is consistent with the treatment of foreign owner surcharges in the land tax and stamp duty on conveyances assessments.

Commission decision

- 9 The Commission will assess revenue from payroll tax surcharges on the same basis as payroll tax.¹

Retaining the 2020 Review methodology and data sources

- 10 The Commission considered the potential for using data from the ABS Business Longitudinal Analysis Data Environment to improve the payroll tax assessment. The Business Longitudinal Analysis Data Environment includes Australian Taxation Office data for all active businesses since 2001–02. These data are more comprehensive than the survey-based data used in the assessment.
- 11 The Commission engaged the ABS to examine the feasibility of replacing the data used in the assessment with data from the Business Longitudinal Analysis Data Environment. Specifically, the ABS advised on the scope and timeliness of various Business Longitudinal Analysis Data Environment datasets and whether they could be used to exclude remuneration below the average threshold and remuneration paid by the general government sector. Business Activity Statement data were the best candidate when considering both scope and timeliness. However, Business Activity Statement data for multi-state businesses could not be reliably disaggregated by state. The Commission concluded Business Longitudinal Analysis Data Environment data were not fit for purpose in their current form.

¹ Revenue from Victoria's mental health surcharge was assessed in the payroll tax assessment in the 2023 and 2024 Updates.

- 12 The Commission tested the feasibility of an assessment approach using the ABS Person Level Integrated Data Asset. It concluded that Person Level Integrated Data Asset data alone would not support a timely and reliable assessment. While an approach using Person Level Integrated Data Asset data may have potential in the future, particularly when linked with Business Longitudinal Analysis Data Environment data, this approach will require significant further research and consultation.
- 13 The Commission proposed retaining the 2020 Review payroll tax assessment method.

State views

- 14 All states supported retaining the 2020 Review assessment method. All states supported the Commission continuing to investigate the feasibility of an assessment using data from Business Longitudinal Analysis Data Environment and/or Person Level Integrated Data Asset datasets. Most states said any changes should not be implemented until the next review.

Commission response

- 15 The Commission considers the 2020 Review assessment method reliably captures states' relative capacities to raise payroll tax. The data used in the assessment are fit for purpose and the best available at this time.
- 16 The ABS will continue to develop the Business Longitudinal Analysis Data Environment and Person Level Integrated Data Asset datasets. The Commission will monitor those developments and their potential for improving the payroll tax assessment. If the datasets reach a level of maturity where they could support an improved assessment method, the Commission will consider commencing consultation with states ahead of the next review. However, it will not introduce new methods prior to the next review.
- 17 Separately, the Commission will monitor developments in the ABS's use of Single Touch Payroll data from the Australian Taxation Office. From 2022–23, the ABS moved to Single Touch Payroll as its method of collecting the public sector wages and salaries data used by the Commission. The ABS says it is actively pursuing opportunities to augment or replace direct collection from employers.

Commission decision

- 18 The Commission will retain the 2020 Review payroll tax assessment method.
- 19 The Commission will monitor the potential for Business Longitudinal Analysis Data Environment and Person Level Integrated Data Asset datasets to be used in the payroll tax assessment and will commence consultation with states if those data reach sufficient maturity. It will not implement any method changes before the next review. The Commission will also monitor the ABS's use of Single Touch Payroll data.

GST impacts of method changes

20 There are no method changes to this assessment.