



Legislative Assembly of New South Wales

# Legislative Assembly Committee on Investment, Industry and Regional Development

Report 2/56 – January 2018

## Inquiry into Zonal Taxation

Interim Report

REPORTS  
COMMITTEES

5

LEGISLATIVE  
ASSEMBLY

New South Wales Parliamentary Library cataloguing-in-publication data:

**New South Wales. Parliament. Legislative Assembly. Committee on Investment, Industry and Regional Development.**

Inquiry into zonal taxation / Legislative Assembly, Committee on Investment, Industry and Regional Development [Sydney, N.S.W.] : the Committee, 2017. 1 online resource (44 pages). (Report no. 2/56 Committee on Investment, Industry and Regional Development)

"January 2018".

Chair: Michael Johnsen, MP.

ISBN 9781921012549

1. Tax remission—New South Wales.
2. Tax planning—New South Wales.
3. Regional economies—New South Wales.
4. Economic development—New South Wales.
- I. Johnsen, Michael.
- II. Title.
- III. Series: New South Wales. Parliament. Legislative Assembly. Committee on Investment, Industry and Regional Development. Report ; no. 2/56

336.2 (DDC22)The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura nites". It is written in Latin and means "newly risen, how brightly you shine".

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# Membership

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# Terms of Reference

That the Committee inquire into and report on the possible benefits of zonal taxation for regional economies, infrastructure and services in New South Wales, with particular reference to:

- i. Exemptions from, or concessions in relation to, payroll tax, stamp duty, and land tax;
- ii. Concessions in relation to utility charges;
- iii. The impact of fuel levies on regional growth; and
- iv. Any other related matters.

## Chair's Foreword

This interim report is the second report of the Committee on Investment, Industry and Regional Development for the 56<sup>th</sup> Parliament.

After receiving a referral by the Hon. John Barilaro MP, the Committee launched an inquiry into zonal taxation to assess the impact that zonal taxation measures may have on residents and businesses in regional New South Wales.

The Committee received submissions from regional local councils, regional organisations, and other peak bodies in New South Wales. Some submission makers located in regional areas of the state were supportive of some form of zonal taxation, however other organisations were wary of the broader economic impact of such changes. This interim report identifies a number of issues for the Government's consideration and to contribute to the policy debate regarding support for regional areas.

During the inquiry, there were notable changes to the approach to taxation in regional Victoria, where payroll tax concessions are now provided to employers based in areas considered to be part of regional Victoria.

The submissions already received during the inquiry and the new regional payroll tax approach pursued in Victoria have prompted the Committee to further examine regional payroll tax options and the impact that concessions similar to the Victorian approach may have for regional New South Wales.

Possible concessions regarding the application of stamp duty on commercial properties in regional areas is also an area which the Committee will continue to investigate. We wish to reopen the inquiry for submissions on these issues and welcome further input from the public.

The Committee is particularly interested in hearing further from stakeholders about:

- Possible alternative approaches to payroll tax in regional NSW, including perspectives on the Victorian approach to regional payroll tax; and
- Perspectives on possible stamp duty concessions for regional commercial properties.

The Committee will comment on these matters in its final report later in 2018.

I am pleased to present this interim report and thank my fellow Committee members for their contribution and assistance.



**Michael Johnsen MP**  
Committee Chair

## Issues Summary

The Committee is seeking further submissions by 23 February 2018 specifically regarding the following issues identified from the evidence received to date.

Stakeholders who have already made a submission are welcome to update their contribution.

The Committee has identified the following five key issues for discussion and further inquiry:

**ISSUE 1** –The current \$750,000 payroll tax threshold may act to discourage regional businesses from expanding due to the payroll tax liability that would apply should a business exceed the threshold.

**ISSUE 2** – The recently implemented Victorian regional payroll tax rate (which, although applying after a lower threshold, at 3.65% is lower than for non-regional Victorian businesses at 4.85%, compared to 5.45% in New South Wales) represents a new approach to payroll tax in Australia.

This scheme should be closely reviewed by the Government, and if successful, consideration could be given to applying it in New South Wales regions. The Victorian scheme will require particular analysis to determine if it creates disparities for New South Wales communities on the Victorian border.

The Committee is seeking further evidence on possibilities for regional payroll tax approaches in New South Wales.

**ISSUE 3** – Providing a favourable payroll tax scheme to a specific geographic area may disadvantage neighbouring areas and unfairly provide assistance to only some businesses within the state. The viability of a more widespread model could be examined, such as the Victorian approach, that only distinguishes between ‘regional’ and ‘metro’ zones, rather than particular regions.

The Committee is looking at this in greater detail and invites submissions on this issue.

**ISSUE 4** – The application of different regional payroll tax thresholds and rates within the state could result in additional administrative complexity for businesses that operate across multiple regions.

**ISSUE 5** – Stamp duty concessions for the purchase of commercial property in regional areas could stimulate regional business investment.

The Committee is seeking further evidence on possibilities for (and implications of) such stamp duty concessions in regional New South Wales.

# Chapter One – Approaches to Zonal Taxation

1.1 On 17 February 2016, the Committee received a referral from the Minister for Regional Development, Skills and Small Business, the Hon. John Barilaro MP, for an inquiry into zonal taxation. On 23 March 2016, the Committee adopted the following terms of reference for the Inquiry:

That the Committee inquire into and report on the possible benefits of zonal taxation for regional economies, infrastructure and services in New South Wales, with particular reference to:

- (i) Exemptions from, or concessions in relation to, payroll tax, stamp duty, and land tax;
- (ii) Concessions in relation to utility charges;
- (iii) The impact of fuel levies on regional growth; and,
- (iv) Any other related matters.

1.2 This interim report will discuss matters raised by stakeholders regarding possible zonal taxation approaches in regional New South Wales, particularly relating to payroll tax, stamp duty, land tax, utility charges and fuel levies.

1.3 In 2012, the Legislative Assembly Committee on Economic Development conducted an inquiry into the Establishment of Special Economic Zones in New South Wales. That inquiry considered similar terms of reference to the current inquiry. This report will discuss the recommendations that arose from the Economic Development Committee's 2012 inquiry and policy progress made since the completion of that inquiry.

1.4 The Committee received 16 submissions during the inquiry but did not receive a submission from the Government. Given that the Legislative Assembly Economic Development Committee's 2012 report contained relevant recommendations that are still being implemented, we chose to focus on the outcomes of the Economic Development Committee's report and the matters raised in submissions received regarding zonal taxation options to compile this interim report. A number of Committee membership changes occurred during the course of the inquiry, including several changes in the position of Chair. This impacted on the timeline of the inquiry and delayed the finalisation of this interim report.

1.5 The Committee has noted five specific issues for further inquiry regarding the possible implementation of zonal taxation measures in New South Wales and invites stakeholders to make further submissions on these issues (listed on page v).

## What is Zonal Taxation?

1.6 'Zonal taxation' refers to the application of particular taxation policies and other incentives to specific geographic regions (or 'zones'). Policies may include tax



concessions, exemptions or offsetting measures. A central aim of zonal taxation is to combat economic and social disadvantage by providing incentives for businesses to set-up or expand in areas that typically experience high utility and business costs due to geographic location.

- 1.7 Zonal taxation has been pursued in some overseas jurisdictions, with examples including efforts in struggling zonal economies within the United Kingdom and China.
- 1.8 In the United Kingdom ‘enterprise zones’ have been used since the 1980s in an effort to attract and stimulate investment in particular regions. Enterprise zones in the United Kingdom offer tax concessions, simplified planning rules and other government support to businesses located within the zones. The enterprise zone scheme aims to be ‘the driving force of local economics as they [enterprise zones] unlock key development sites, consolidate infrastructure, attract business and create jobs.’<sup>1</sup>
- 1.9 In enterprise zones in the United Kingdom, a key incentive for businesses to establish or relocate to the zone is an ‘up to 100% business rate discount worth up to £275,000 per business over a 5-year period’.<sup>2</sup> In some specific zones, businesses can also access 100% enhanced capital allowances (tax relief) when they make large plant and machinery investments in those zones.
- 1.10 In China, zonal taxation in the form of ‘Special Economic Zones’ (SEZs) has been applied to transitioning economies to facilitate reform processes in specific geographic areas. SEZs are also used to trial new policies (such as new regulations, institutions, tax rates and systems) that could later be applied more widely, and are used to attract international investment.<sup>3</sup>
- 1.11 Zonal taxation has not been significantly utilised in New South Wales. Exemptions or concessions have been implemented for certain taxes and duties that affect regional areas and communities; however these measures are often ‘incidental’ and not specifically designed for regional locations alone. For instance, exemptions from land tax for land used for primary production have a substantial impact on regional areas due to the higher proportion of farming land in those areas.
- 1.12 In Australia, income tax rebates are available for residents of remote or isolated areas of the country (known as the ‘zone tax offset’). A list of the locations in New South Wales that qualify for the Commonwealth Government’s zone tax offset is available on the Australian Taxation Office website.<sup>4</sup>
- 1.13 The establishment of zonal taxation in the form of a SEZ scheme has also been previously proposed for the region of Northern Australia. This issue was

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<sup>1</sup> UK Government, *What are Enterprise Zones?*, <http://enterprisezones.communities.gov.uk/about-enterprise-zones/>, accessed 10 November 2017

<sup>2</sup> UK Government, *What are Enterprise Zones?*, <http://enterprisezones.communities.gov.uk/about-enterprise-zones/>, accessed 10 November 2017

<sup>3</sup> Submission 8, NSW Business Chamber, p. 3

<sup>4</sup> Australian Taxation Office, *Australian zone list – New South Wales*, <https://www.ato.gov.au/Calculators-and-tools/Australian-zone-list/?anchor=nsw#nsw>, accessed 14 November 2017

considered by the Commonwealth Parliament's Joint Select Committee on Northern Australia in its 2014 Inquiry into the Development of Northern Australia.<sup>5</sup>

- 1.14 That Committee heard evidence both in favour of and opposing the establishment of SEZs in Australia's northern regions. Arguments in favour of northern SEZs included the likelihood of increased economic growth, jobs, income tax revenues, and exports. Arguments against included possible problems associated with creating new taxation boundaries within an Australian jurisdiction, and the creation of distortion and inefficiencies in the allocation of resources across the broader economy.<sup>6</sup> That Committee recommended in its final report that the Commonwealth Government conduct a full investigation of the potential and practicality of SEZs in Northern Australia.<sup>7</sup>
- 1.15 The Commonwealth Government confirmed in its 'Our North, Our Future: White Paper on Developing Northern Australia' June 2015 report that it would not declare the north of Australia a special economic zone.<sup>8</sup> The report indicated that the creation of special zones should be considered carefully so that they attract new investment, given their ability to potentially lead to misallocation or distorted investment decisions.

#### 2012 Committee on Economic Development Inquiry

- 1.16 The Legislative Assembly Committee on Economic Development conducted an inquiry into the Establishment of Special Economic Zones in 2012. The Economic Development Committee had adopted the terms of reference for the inquiry following a request from the then Treasurer, the Hon. Mike Baird MP, to:

Inquire into and report on the establishment of special economic zones providing state tax and financial incentives to promote economic growth, employment and investment in regional and rural New South Wales; and any other related matters.<sup>9</sup>

- 1.17 At the conclusion of its inquiry, the Economic Development Committee did not recommend the establishment of special economic zones in New South Wales.
- 1.18 The Economic Development Committee made three recommendations to the Government and one finding:

#### Recommendation 1:

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<sup>5</sup> Parliament of Australia, *Inquiry into the Development of Northern Australia*, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Former\\_Committees/Northern\\_Australia/Inquiry\\_into\\_the\\_Development\\_of\\_Northern\\_Australia](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Former_Committees/Northern_Australia/Inquiry_into_the_Development_of_Northern_Australia), accessed 10 November 2017

<sup>6</sup> Joint Select Committee on Northern Australia, September 2014, *Pivot North: Inquiry into the Development of Northern Australia - Final Report*, pp.39-40

<sup>7</sup> Joint Select Committee on Northern Australia, September 2014, *Pivot North: Inquiry into the Development of Northern Australia - Final Report*, p.170

<sup>8</sup> Australian Government, 2015, *Our North, Our Future: White Paper on Developing Northern Australia*: <http://northernaustralia.gov.au/files/files/NAWP-FullReport.pdf>, p. 60, accessed 10 November 2017

<sup>9</sup> Legislative Assembly Committee on Economic Development, *Establishment of Special Economic Zones* <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2266>, p. iv, accessed 10 August 2017

That the NSW Government work towards a long term goal of setting state tax rates that are equal to or more competitive than other states.

Recommendation 2:

That the NSW Government consider the impact of the planning system on border economies, as part of the current review of the NSW planning system.

Recommendation 3:

That the following issues relating to border regions be further investigated by the Cross Border Commissioner:

- State taxes;
- Planning regulations;
- Licences and trade qualifications; and
- Transport regulations, including heavy vehicle regulations; taxi hire regulations; and public transport ticketing for services that cross state borders.

Finding 1:

The Committee encourages the NSW Government to work with industry, local government and other stakeholders to encourage economic development in regional New South Wales. However, on balance, the Committee finds that the establishment of special economic zones offering state tax and financial incentives is not justified in New South Wales.<sup>10</sup>

- 1.19 The Government provided a response to the Economic Development Committee's recommendations on 24 April 2013. The recommendations and the actions taken by the Government in response are discussed below.

*2012 Recommendation 1: That the NSW Government work towards a long term goal of setting state tax rates that are equal to or more competitive than other states.*

- 1.20 The Government supported this recommendation.<sup>11</sup>

- 1.21 As outlined in the Government response to the Economic Development Committee's recommendations, the Government enacted the *Fiscal Responsibility Act 2012*. This Act established responsible and sustainable spending, taxation and infrastructure investment as core fiscal principles, including aligning general government revenue and expense growth and stable and predictable taxation policies.

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<sup>10</sup> Legislative Assembly Committee on Economic Development, *Establishment of Special Economic Zones*, <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2266>, p. viii.

<sup>11</sup> Premier of New South Wales, *NSW Government Response to Report 1/55 of the Economic Development Committee – Establishment of Special Economic Zones* (24 April 2013) <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/GovernmentResponse/5812/GovernmentResponse%20-%20Premier%20NSW.PDF>, accessed 10 November 2017

- 1.22 The Government also outlined that it had acted to make New South Wales businesses more competitive by providing payroll tax rebates for firms that increase employment in metropolitan and regional areas. For new jobs starting between 1 July 2011 and 30 July 2016, the Jobs Action Plan Rebate Scheme awarded employers \$2,000 for every new full-time employee after the first year of employment. Between 1 July 2011 to 30 June 2013, employers received \$2,000 for the second year of employment, with this increasing to \$3,000 between 1 July 2013 and 30 July 2016.<sup>12</sup>
- 1.23 From 31 July 2016 onwards, the Jobs Action Plan Rebate increased to \$4,000 to be paid to an employer per every new full-time employee for their second year of employment. This increased the total rebate amount per new job to \$6,000. Recent changes have also meant that employers will only be eligible for the rebate if their full-time equivalent employee number prior to the new job hire is 50 or lower.<sup>13</sup>
- 1.24 The Jobs Action Plan (Fresh Start Support) Rebate is also eligible to certain employers (designated by the Minister) who employed new workers that had been made redundant by a designated employer.<sup>14</sup> A one-off amount of \$1,000 is awarded at the first anniversary of an eligible employee's employment start date.
- 1.25 Further examples of the Government's efforts to implement more competitive tax policy and support better services are also outlined in the NSW Treasury's Annual Reports. These measures have included efforts to reduce regulatory overlaps and overall regulatory burdens that particularly impact small businesses, the higher education, manufacturing and early childhood education sectors. Further efforts included work towards the mutual recognition of licences for electrical, plumber, drainer and gasfitter occupations to allow licence holders to work across borders within Australia and repealing licensing requirements for the refrigeration and air-conditioning occupations. Other improvements to competitiveness in New South Wales since the 2012 Committee inquiry have included work to reduce the regulatory burdens on industries, including the simplifying of licensing and regulation in the motor vehicle repairs industry.<sup>15</sup>
- 1.26 The NSW Treasury reported in its 2014-15 Annual Report that the Treasury's Fiscal and Economic Group, in conjunction with NSW Industrial Relations, had advised the Government on the legislative changes that would be needed to deregulate retail trading hours on Boxing Day across New South Wales.<sup>16</sup> The *Retail Trading Amendment (Boxing Day) Bill 2017* passed the Parliament in September 2017 and allowed shops and banks to open for trade on Boxing Day across New South Wales.

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<sup>12</sup> Revenue NSW, *Rebate Scheme – Jobs Action Plan*, <http://www.osr.nsw.gov.au/taxes/payroll/factsheet/jap>, accessed 10 November 2017

<sup>13</sup> Revenue NSW, *Rebate Scheme – Jobs Action Plan*, <http://www.osr.nsw.gov.au/taxes/payroll/factsheet/jap>, accessed 10 November 2017

<sup>14</sup> Revenue NSW, *Fresh Start Support*, <http://www.revenue.nsw.gov.au/taxes/payroll/jap/fss>, accessed 14 November 2017

<sup>15</sup> NSW Treasury, *Annual Report 2014-15*, p. 22, [https://www.treasury.nsw.gov.au/sites/default/files/pdf/2014-2015\\_NSW\\_Treasury\\_Annual\\_Report.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/2014-2015_NSW_Treasury_Annual_Report.pdf), accessed 20 December 2017

<sup>16</sup> NSW Treasury, *Annual Report 2014-15*, p. 22, [https://www.treasury.nsw.gov.au/sites/default/files/pdf/2014-2015\\_NSW\\_Treasury\\_Annual\\_Report.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/2014-2015_NSW_Treasury_Annual_Report.pdf), accessed 20 December 2017

- 1.27 Further competition policy outlined in the NSW Treasury 2015-16 Annual Report included the deregulation of gas prices as of 1 July 2017 to promote greater competition in the market, particularly in regional New South Wales.<sup>17</sup> The Government has advised that the removal of retail gas regulation will place downward pressure on gas costs and that from 1 July 2017 there will be more gas retailers and gas plans for consumers to choose from in regional New South Wales.<sup>18</sup>
- 1.28 Additional tax concessions for first home buyers were contained in the 2017-18 NSW Budget. These concessions included stamp duty exemptions, or stamp duty relief, for certain first home buyers and the abolishment of insurance duty on lenders' mortgage insurance. Other incentives also included a \$10,000 grant for certain builders and purchasers of new homes. These measures also imposed higher duties on foreign investors to create a more even playing field for Australian residents.<sup>19</sup> Stamp duty will be discussed further in Chapter Three.

*2012 Recommendation 2: That the NSW Government consider the impact of the planning system on border economies, as part of the current review of the New South Wales planning system.*

- 1.29 The Government supported this recommendation.<sup>20</sup> As outlined in the Government response to the Committee's recommendations, the 2012 Green Paper 'A New Planning System for New South Wales' emphasised the role of planning in facilitating and managing growth and economic development throughout New South Wales.<sup>21</sup>
- 1.30 The Government also advised in its response that the June 2012 report, 'The Way Ahead for Planning in NSW – Recommendations of the NSW Planning System Review: Volume 2 – Other Issues', recommended that the potential cross border implications of a development proposal be considered.<sup>22</sup>
- 1.31 The Government released the 'White Paper – A new planning system for NSW' on 16 April 2013. The White Paper outlined the Regional Growth Plan as a part of the Government's Strategic Planning Framework. The aim of the Regional Growth Plan was to set out a high level of vision for each region of the state, including

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<sup>17</sup> NSW Treasury, *Annual Report 2015-16*, p. 22, [https://www.treasury.nsw.gov.au/sites/default/files/2017-03/2015-2016%20NSW%20Treasury%20Annual\\_Report.pdf](https://www.treasury.nsw.gov.au/sites/default/files/2017-03/2015-2016%20NSW%20Treasury%20Annual_Report.pdf), accessed 17 December 2017

<sup>18</sup> NSW Government Resources and Energy, *Frequently asked questions about retail gas price deregulation*, <https://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/gas/frequently-asked-questions-about-retail-gas-price-deregulation>, accessed 10 November 2017

<sup>19</sup> NSW Government, *A fair go for first home buyers*, <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers>, accessed 10 November 2017

<sup>20</sup> Premier of New South Wales, *NSW Government Response to Report 1/55 of the Economic Development Committee – Establishment of Special Economic Zones* (24 April 2013), <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/GovernmentResponse/5812/Government%20Response%20-%20Premier%20NSW.PDF>, accessed 10 November 2017

<sup>21</sup> NSW Government, *A New Planning System for New South Wales Green Paper* (July 2012), <http://www.planning.nsw.gov.au/~media/Files/DPE/Reports/a-new-planning-system-for-nsw-green-paper-2012-07.ashx>, accessed 20 December 2017

<sup>22</sup> Premier of New South Wales, *NSW Government Response to Report 1/55 of the Economic Development Committee – Establishment of Special Economic Zones* (24 April 2013), <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/GovernmentResponse/5812/Government%20Response%20-%20Premier%20NSW.PDF>, accessed 10 November 2017

region-wide housing, employment, environmental and conservation objectives. Plans were released in 2016 for 10 New South Wales districts (including the Far West, Riverina-Murray, and the South East and Tablelands) and each plan caters for a 20 year period.<sup>23</sup>

- 1.32 We note that the *Environmental Planning and Assessment Amendment Bill 2017* was introduced by the Government in the Legislative Council on 18 October 2017.<sup>24</sup> The bill proposed a number of changes to the New South Wales planning system and passed the New South Wales Parliament on 15 November 2017.

*2012 Recommendation 3: That the following issues relating to border regions be further investigated by the Cross Border Commissioner:*

- *State taxes;*
- *Planning regulations;*
- *Licences and trade qualifications; and*
- *Transport regulations, including heavy vehicle regulations; taxi hire regulations; and public transport ticketing for services that cross state borders.*

- 1.33 The Government partially supported this recommendation.<sup>25</sup> The Government noted that the Office of the Cross Border Commissioner provides assistance and advocacy for residents and businesses experiencing border issues. In particular, in 2013 the Cross Border Commissioner focused on liaising with relevant New South Wales Ministers in relation to regulations for heavy vehicles, taxi hire and the feasibility of public transport ticketing cross state borders.

- 1.34 The Office of the Cross Border Commissioner outlined in its 2015-18 Business Plan that the Government had prioritised inter-governmental collaboration and optimising service delivery in cross-border areas.<sup>26</sup> In 2016, the Cross Border Commissioner enacted separate new cross-border Memoranda of Understanding (MoU) between the Government and the Queensland<sup>27</sup> and ACT<sup>28</sup> Governments to address key issues and build close collaboration between jurisdictions. The agreements cover policy areas including regional economic development,

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<sup>23</sup> NSW Government, *Planning and Environment, Regional plans: Planning for the future of regions across NSW*, <http://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans>, accessed 20 December 2017

<sup>24</sup> *Environmental Planning and Assessment Amendment Bill 2017*, <https://www.parliament.nsw.gov.au/bills/Pages/bill-details.aspx?pk=3456>, accessed 14 November 2017

<sup>25</sup> Premier of New South Wales, *NSW Government Response to Report 1/55 of the Economic Development Committee – Establishment of Special Economic Zones* (24 April 2013), <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/GovernmentResponse/5812/Government%20Response%20-%20Premier%20NSW.PDF>, accessed 20 December 2017

<sup>26</sup> NSW Cross Border Commissioner, *Business Plan 2015-18*, [http://www.dpc.nsw.gov.au/\\_data/assets/pdf\\_file/0011/189830/CBC\\_Business\\_Plan\\_2015-18\\_LOW\\_RES\\_for\\_web.pdf](http://www.dpc.nsw.gov.au/_data/assets/pdf_file/0011/189830/CBC_Business_Plan_2015-18_LOW_RES_for_web.pdf), pp.4, 6, accessed 10 November 2017

<sup>27</sup> NSW Cross Border Commissioner, *MOU: Queensland and New South Wales – Statement of Principles and Priorities for Cross-border Collaboration 2016-19*, [http://www.dpc.nsw.gov.au/programs\\_and\\_services/office\\_of\\_the\\_nsw\\_cross\\_border\\_commissioner/queensland\\_and\\_new\\_south\\_wales](http://www.dpc.nsw.gov.au/programs_and_services/office_of_the_nsw_cross_border_commissioner/queensland_and_new_south_wales), accessed 10 November 2017

<sup>28</sup> NSW Cross Border Commissioner, *MOU: Australian Capital Territory and New South Wales 2016-19*, [https://www.dpc.nsw.gov.au/programs\\_and\\_services/office\\_of\\_the\\_nsw\\_cross\\_border\\_commissioner/act\\_nsw\\_cross-border\\_agreement](https://www.dpc.nsw.gov.au/programs_and_services/office_of_the_nsw_cross_border_commissioner/act_nsw_cross-border_agreement), accessed 11 December 2017

alignment of services and sharing of information, local transport, and other issues of national significance.

- 1.35 In the Government's response, it was noted that issues relating to state taxes, planning, licensing and trade qualifications were issues that affected all New South Wales. The Government noted that these issues are also within the jurisdiction of the Council of Australian Governments (COAG) reform process, and would consider any reforms within that context.
- 1.36 We note that COAG has previously aimed to move towards greater harmonisation through the National Partnership Agreement to Deliver a Seamless National Economy. During the current inquiry, we received comments from the NSW Business Chamber (the 'Business Chamber') that the national approach to tax harmonisation and reform has lost momentum and 'significant reform is unlikely in the foreseeable future' at a COAG level.<sup>29</sup>
- 1.37 We received a number of submissions which cited concerns about continuing disadvantages faced by border economies, and which indicate that issues of competitiveness for border economies have remained since 2012.
- 1.38 Albury City Council expressed concern that business conditions are more attractive in Victoria, particularly for expenses such as regulatory compliance costs, payroll taxes, business incentives, grant funding, vehicle registration, utility infrastructure costs and other government fees and charges.<sup>30</sup> To address this, the Council suggested adopting a more aggressive regional economic growth strategy, and that the Government offer support such as 'taxation credits' for new or expanding businesses. The Council also recommended that the Government consider matching or beating state based fees and charges in Victoria and Queensland.<sup>31</sup>
- 1.39 Albury City Council argued certain existing Government schemes are unfavourable for border economies, such as the discounting of cost benefits on state boundaries.<sup>32</sup> The Council asserted that the NSW Treasury's cost-benefit assessment unfairly discounts proposed infrastructure investment in regional areas. The Council stated that the process was discriminatory, reduced the competitiveness of border communities, and reduced the amount of potential project funding available to the regions. The Council suggested that the Government use a more equitable measure of assessment for potential project funding in regional cities.
- 1.40 The Business Chamber acknowledged difficulties faced by New South Wales businesses which compete with businesses located in a neighbouring state with some more favourable business arrangements. The Business Chamber noted that Albury has a significant competitive disadvantage compared to Wodonga in relation to payroll tax, land tax, transport regulation and trade training.<sup>33</sup>

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<sup>29</sup> Submission 8, NSW Business Chamber, p. 4

<sup>30</sup> Submission 7, Albury City Council, p. 1

<sup>31</sup> Submission 7, Albury City Council, p. 2

<sup>32</sup> Submission 7, Albury City Council, p. 3

<sup>33</sup> Submission 8, NSW Business Chamber, p. 4

1.41 The Business Chamber reiterated that policies addressing disadvantages experienced by border economies should be sufficiently broad so that all businesses in the state can benefit. This was argued to be more beneficial than applying preferential settings for specific regions, which may risk ‘shifting the problems from one New South Wales region to the next rather than acting as a stepping stone to broader harmonisation’.<sup>34</sup> The Business Chamber stated:

If a negative impact associated with more favourable policy settings in a neighbouring jurisdiction is concentrated in a particular geographic location then, at the first instance, consideration should be given as to whether relief or incentive schemes can be targeted based on criteria other than geography...<sup>35</sup>

1.42 We note that despite progress since the Economic Development Committee’s 2012 inquiry, concerns remain about support for residents and businesses in regional New South Wales, particularly in border regions. Moves towards a cross-jurisdiction approach to broader tax reform at the COAG level appear to have also lost momentum. We note that the Cross Border Commissioner has a crucial role as an advocate for affected regional communities.

*2012 Finding: The Committee encourages the NSW Government to work with industry, local government and other stakeholders to encourage economic development in regional New South Wales. However, on balance, the Committee finds that the establishment of special economic zones offering state tax and financial incentives is not justified in New South Wales.*

1.43 The Economic Development Committee’s finding reiterated the importance of the Government continuing to work with industry, local government and other stakeholders to pursue economic development in regional areas of the state.

1.44 Since 2012 the Government has launched several funds and initiatives to target economic growth in regional New South Wales, including the:

- Regional Growth Fund and Regional Development Framework;<sup>36</sup>
- Far West Initiative;<sup>37</sup>
- Economic Development Strategy for Regional New South Wales;<sup>38</sup>
- Regional Growth – Environment and Tourism Fund;<sup>39</sup> and
- Regional Growth – Marketing and Promotion Fund.<sup>40</sup>

<sup>34</sup> Submission 8, NSW Business Chamber, p. 4

<sup>35</sup> Submission 8, NSW Business Chamber, p. 4

<sup>36</sup> NSW Government, *Regional Growth Fund*, <https://www.nsw.gov.au/improving-nsw/regional-nsw/regional-growth-fund/> and *Regional Development Framework*, <https://www.industry.nsw.gov.au/invest-in-nsw/regional-opportunities/regional-development-framework>, accessed 10 November 2017

<sup>37</sup> NSW Government, *Far West Initiative*, <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/far-west-initiative/>, accessed 10 November 2017

<sup>38</sup> Department of Industry, *New Economic Development Strategy for Regional NSW*, <https://www.industry.nsw.gov.au/invest-in-nsw/invest-news/news/new-economic-development-strategy-for-regional-nsw>, accessed 10 November 2017

<sup>39</sup> Department of Industry, *Regional Growth – Environment and Tourism Fund*, <https://www.industry.nsw.gov.au/invest-in-nsw/regional-opportunities/regional-growth-environment-and-tourism-fund>, accessed 10 November 2017



- 1.45 Many of these initiatives work to support residents and businesses in regional New South Wales within the current state tax structure. In particular, these initiatives invest in regional New South Wales with the aim of improving access to services, driving competitiveness and economic growth and attracting further investment to businesses and tourism.

#### Perspectives on zonal taxation in New South Wales

- 1.46 Although the 2012 inquiry found that there was insufficient evidence to support the pursuit of special economic zones in New South Wales, concerns about the costs of living and of doing business in regional New South Wales are still being raised by residents and businesses. Submissions to the current inquiry have highlighted these issues and have discussed options for zonal taxation in regional areas.

- 1.47 Submissions received by this Committee show that there is mixed support for taxation measures based on geographic location in New South Wales. However, a number of submission makers indicated that some additional Government assistance to increase employment and economic growth in regional New South Wales would be beneficial.

- 1.48 In its submission, Port Macquarie-Hastings Council argued that zonal taxation measures could potentially boost jobs and Gross Regional Product by encouraging new or expanded business activity in sectors that are significant importers of goods and services. However, the Council also noted that while zonal taxation is a practical tax reform, it unlikely to be sustainable in the long term.<sup>41</sup>

- 1.49 The Business Chamber also raised the possibility that zonal taxation arrangements may be useful temporarily during a period of rapid structural adjustment in a region, for example in response to large scale changes for a major local employer or industry:

In the event of the collapse of a major employer firm or industry, governments must balance the costs of short term assistance to facilitate a smooth process of structural adjustment and the costs of inaction which may include significant regional unemployment and stagnation.

...[A]ny relief should be temporary; should only be provided if an industry or firm will be viable over the longer term; and is sufficiently targeted that it does not significantly disadvantage other businesses (including as taxpayers).<sup>42</sup>

- 1.50 Central NSW Councils acknowledged that the Government has 'limited levers' to pull to transform regional economies. The organisation also stated that cheaper electricity, fuel, payroll tax, stamp duty and land tax would have some impact towards assisting regional economies. Central NSW Councils also argued that location-based zonal taxation measures that incorporated 'federal taxation

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<sup>40</sup> Department of Industry, *Regional Growth – Marketing and Promotion Fund*, <https://www.industry.nsw.gov.au/invest-in-nsw/regional-opportunities/regional-growth-marketing-and-promotion-fund>, accessed 10 November 2017

<sup>41</sup> Submission 12, Port Macquarie-Hastings Council, p. 2

<sup>42</sup> Submission 8, NSW Business Chamber, p. 5

levers' would provide more effective and decentralised results. It stated its support for any measures to reduce the burden of costs for regional businesses to assist in overcoming the disadvantages of regional locations.<sup>43</sup>

- 1.51 The Economic Development Committee found that the creation of special economic zones in regions within New South Wales could shift economic issues from within a zone to areas outside the newly designated boundaries. The Business Chamber also stated that zonal taxation efforts risk pushing economic difficulties to neighbouring regions outside of any designated regional taxation zones.<sup>44</sup> It is clear that concerns remain about the broader consequences on other parts of the state should the Government specifically advantage particular regions through zonal taxation and other measures.

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<sup>43</sup> Submission 14, Central NSW Councils, p. 3-4

<sup>44</sup> Submission 8, NSW Business Chamber, p. 4

## Chapter Two – Payroll tax in regional New South Wales

- 2.1 Payroll tax is a state tax applied to the wages of a business once they have exceeded a payroll tax threshold. Currently, the payroll tax rate in New South Wales is 5.45%, with a threshold for the 2017-18 financial year of \$750,000.<sup>45</sup>
- 2.2 If a New South Wales business pays wages in another state or territory, the New South Wales payroll threshold is calculated as a proportion equal to the ratio of New South Wales wages to total Australian wages. This means that if 80% of a company's wages were paid in New South Wales the company is entitled to 80% of the threshold.<sup>46</sup>
- 2.3 When businesses are grouped with other businesses a single threshold deduction applies to the group and each member of the group is liable for outstanding payroll tax of the other group members. If a business does not employ staff in New South Wales for a full financial year, the business receives a proportion of the threshold equivalent to the ratio of the number of days staff were employed to the number of days in the year.
- 2.4 Payroll tax is calculated on the amount of wages a company pays per month, with monthly thresholds calculated per number of days:

**Table 1: 2017-18 Payroll tax monthly thresholds<sup>47</sup>**

Days in the month	Threshold
28 days	\$57,534
30 days	\$61,644
31 days	\$63,699

- 2.5 Currently, there are no specific payroll tax measures aimed at regional New South Wales. There are a number of general state-wide payroll tax measures that impact businesses across New South Wales (as indicated in Chapter One):
- The Jobs Action Plan payroll tax rebate is payable to employers for new jobs if the employers full time equivalent number of staff is at or below 50.
  - The Jobs Action Plan – Fresh Start Support rebate is available to eligible employers who employed a new employee who had been made redundant by a designated employer between 1 January 2014 and 30 June 2015 (or for the

<sup>45</sup> Revenue NSW, *Payroll tax*, <http://www.revenue.nsw.gov.au/taxes/payroll>, accessed 10 November 2017

<sup>46</sup> Revenue NSW, *Payroll tax*, <http://www.revenue.nsw.gov.au/taxes/payroll>, accessed 10 November 2017

<sup>47</sup> Revenue NSW, *Payroll tax*, <http://www.revenue.nsw.gov.au/taxes/payroll>, accessed 10 November 2017

designated employer of Electrolux Pty Ltd (Orange factory), an employee who had been made redundant between 1 January 2014 and 30 June 2017).

- The Small Business Grant may be claimed by businesses that have an active ABN and do not have a payroll tax liability. The grant is a one off payment per new position and is paid when a claim is made on the 12 month anniversary of when the position was created. The grant is \$2,000 for full time employees, or a pro-rata amount.<sup>48</sup>
- Exemptions from payroll tax also exist in other circumstances, including for not-for-profit organisations, private schools, some health care providers, local and county councils, some contractors, parental leave, emergency service volunteers, not-for-profit apprenticeships and traineeships, defence personnel, charities and public benevolent institutions.

- 2.6 We note that in 2017-18 payroll tax is expected to contribute 27.4% of New South Wales taxation revenue.<sup>49</sup> The 2017-18 Budget Papers indicate that payroll tax revenue for 2017-18 is budgeted to be \$8,635 million.<sup>50</sup>
- 2.7 A number of submissions suggested that the introduction of payroll tax exemptions or concessions for regional NSW would lead to regional economic growth. Possible approaches involving an increase in the regional payroll tax threshold or a decrease in the regional payroll tax rate were discussed. Regional Development Australia Far West (RDA Far West) argued that payroll tax exemptions for the Far West region of New South Wales would attract investors to relocate to the region and could encourage local industry to diversify and grow.<sup>51</sup>
- 2.8 NSW Farmers stated that their organisation is opposed to payroll tax, arguing that it is a tax on productivity and growth which creates an immediate disincentive to the creation of new regional jobs.<sup>52</sup> Central NSW Councils argued that payroll tax is seen by many small to medium size enterprises as an unfair tax on employment, and that firms will deliberately limit their potential growth to avoid this liability.<sup>53</sup>

### Payroll tax threshold and payroll tax rates

- 2.9 The current payroll tax threshold of \$750,000 was an issue for a number of submission makers. A frequent argument made was that the threshold is a disincentive for employers that are approaching or just above this threshold from pursuing further growth due to increased tax and the cost of compliance.<sup>54</sup> Examples of regional businesses that would currently reach the \$750,000

<sup>48</sup> Revenue NSW, *Small Business Grant*, <http://www.revenue.nsw.gov.au/grants/sbg>, accessed 29 November 2017

<sup>49</sup> *NSW Budget Statement 2017-18*, p. 5-8, Chart 5.3, <https://www.budget.nsw.gov.au/sites/default/files/budget-2017-06/5.%20Revenue.pdf>, accessed 20 December 2017

<sup>50</sup> *NSW Budget Statement 2017-18*, p. 5-7, <https://www.budget.nsw.gov.au/sites/default/files/budget-2017-06/5.%20Revenue.pdf>, accessed 20 December 2017

<sup>51</sup> Submission 11, RDA Far West, p. 2

<sup>52</sup> Submission 15, NSW Farmers, pp. 2, 4

<sup>53</sup> Submission 14, Central NSW Councils, p. 2

<sup>54</sup> Submission 15 NSW Farmers, p. 4

threshold include hotels and motels, trade businesses, real estate agencies, legal and accounting firms, transport operators and car dealerships.<sup>55</sup>

- 2.10 Some submission makers argued for an increased threshold for the entire state, such as the Business Chamber. The Chamber argued that an increased state wide threshold and the indexation of the payroll tax threshold into the future would avoid growing competitive disadvantages faced by New South Wales businesses.<sup>56</sup>
- 2.11 Walgett Shire Council proposed that an increase in the payroll tax threshold from \$750,000 to \$900,000 would lead to an increase in job creation and enable local businesses to employ more local people, rather than rely on contractors.<sup>57</sup>
- 2.12 We heard that some regional businesses currently choose to use contractors in an effort to avoid incurring additional payroll tax liability.<sup>58</sup> Regional Development Orana (RDA Orana) argued that this can result in local residents being overlooked for local employment in preference for contractors from outside of the region. RDA Orana argued that an increased regional threshold would encourage local employment and decrease reliance on contractors.
- 2.13 We note that some contract arrangements between employers and contractors are not liable for payroll tax, for example 'contracts under which the basic purpose is to supply goods, and the labour or services provided under the contract is only incidental to this.'<sup>59</sup> Further information on contractor exemptions is available on the Revenue NSW website.
- 2.14 The Orana Regional Organisation of Councils (OROC) argued that an increase in the payroll tax threshold for regional businesses would act as a catalyst to re-industrialise rural New South Wales and provide job opportunities for regional areas:
- Any proposed economic zone could include the following: an increase in the payroll tax threshold for rural based businesses, to encourage relocation of larger business from the Sydney Basin to the bush.<sup>60</sup>
- 2.15 The Western Divisions Councils of NSW (WDC) put to the Committee that a reduction in payroll tax for regional areas would assist to offset costs of transport in regional areas. WDC argued that an increase in the threshold would encourage more established regional businesses to expand their local workforces.<sup>61</sup>
- 2.16 Albury City Council highlighted the difference between the payroll tax rate in New South Wales of 5.45% and the rate in Victoria of 4.85% (at the time the submission was received). The Council argued that the Government should match

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<sup>55</sup> Submission 16, RDA Orana, p. 1

<sup>56</sup> Submission 8, NSW Business Chamber, p. 8

<sup>57</sup> Submission 10, Walgett Shire Council, p. 1

<sup>58</sup> Submission 16, RDA Orana, p. 2

<sup>59</sup> Revenue NSW, *Contractors*, <http://www.revenue.nsw.gov.au/taxes/payroll/contractors>, accessed 10 November 2017

<sup>60</sup> Submission 4, Orana Regional Organisation of Councils, p. 3

<sup>61</sup> Submission 6, Western Divisions Councils of NSW, p. 1

or better the Victorian rate of payroll tax, if not for the entire state then at least for specific regional border areas. The Council stated that for large business investors the variation in rates could be the difference between establishing in New South Wales or in another state.<sup>62</sup>

- 2.17 We note that the approach to payroll tax in Victoria and the rate of payroll tax applied to regional areas in that state changed in mid-2017. The Victorian approach is discussed later in this report.

### Payroll tax administration

- 2.18 The administration processes and paperwork required by businesses to organise their payroll tax obligations was raised as a cause of concern. NSW Farmers argued that time spent processing payroll tax is a drain on businesses, particularly for smaller scale farming businesses where ‘the bookkeeping work is typically done by the partner.’ NSW Farmers stated that as certain contractors (including shearing contractors) are liable for payroll tax and with levels of contracting growing in the agricultural sector, red tape costs will increasingly be passed on to farmers.<sup>63</sup>

- 2.19 The complexity of dealing with different payroll tax schemes when employers operate in multiple states was another aspect of payroll tax administration difficulty for businesses raised by NSW Farmers:

Administration of payroll tax obligations is particularly complex for employers operating in multiple states. Different rules apply in certain jurisdictions in relation to the grouping of related businesses, the determination of which State the employment relates to, the definition of wages in each State, and what activities are eligible for an exemption. This complexity creates considerable compliance risk and administration cost to affected businesses.<sup>64</sup>

- 2.20 NSW Farmers put to the Committee that monthly calculation of payroll tax is also unfair for employers of seasonal workers, particularly regional agricultural businesses. The organisation argued that as horticulturalists require large seasonal workforces they are effectively penalised by having to pay payroll tax in seasonal months.<sup>65</sup>

- 2.21 We also heard from WDC that the current Payroll Tax Rebate scheme (which attempts to encourage businesses to take on new employees through a financial incentive) is complicated and requires a substantial amount of paperwork for a relatively small financial return.<sup>66</sup>

### Arguments against change

- 2.22 The Business Chamber argued that the payroll tax scheme in New South Wales already provides exemptions and progressive arrangements that impact urban

<sup>62</sup> Submission 7, Albury City Council, p. 1

<sup>63</sup> Submission 15, NSW Farmers, p. 4

<sup>64</sup> Submission 15, NSW Farmers, p. 4

<sup>65</sup> Submission 15, NSW Farmers, p. 4

<sup>66</sup> Submission 6, Western Division Councils of NSW, p. 1

and regional communities differently.<sup>67</sup> In this regard the payroll threshold could already be considered an effective exemption scheme as it does not apply to smaller scale businesses with lower payroll commitments. The Chamber also cited the provision of payroll tax exempt status for not-for-profit entities and rebates associated with the Jobs Action Plan as examples of exemptions which already impact regional businesses.<sup>68</sup>

- 2.23 The Business Chamber also commented that assigning tax relief by geographic region may exclude access for many businesses outside that region for which relief could be equally justifiable. The Business Chamber indicated that the international experience suggests the use of special arrangements to favour businesses in specific geographic areas is rarely successful.<sup>69</sup>
- 2.24 According to the Business Chamber, a focus on broader improvements in all state taxes would be a better course of action. This could include consideration of a broader based land tax and a reduction of the role of transfer duty in state finances.
- 2.25 Chartered Accountants Australia and New Zealand (CA ANZ) argued that the existing New South Wales payroll tax base is very narrow, and that the narrow nature of the tax base makes it difficult to provide further exemptions. CA ANZ also argued that payroll tax (along with stamp duty and land tax) is such a significant contributor to the New South Wales Budget that it is difficult to assess where replacement revenue could be obtained if further exemptions are pursued.<sup>70</sup> CA ANZ noted that the current \$750,000 threshold practically limits the application of payroll tax to a minority of businesses.<sup>71</sup>
- 2.26 The Business Chamber's concerns about zonal taxation possibly excluding comparable businesses within the same jurisdiction from tax concessions are similar to concerns expressed during the Economic Development Committee's 2012 inquiry. It can be difficult to differentiate between businesses 'worthy' of tax assistance within the same jurisdiction on the basis of their geographic location. To do so can run the risk of creating more unequal zones and establishing 'tax borders' which may create confusion, increased administration and further difficulties for businesses which have the misfortune of being outside the newly created zone.

#### Payroll tax in regional Victoria

- 2.27 There have been recent developments in Victoria regarding the approach to payroll tax in that state, particularly in regional areas.
- 2.28 The Victorian 2017/18 State Budget included measures to increase Victoria's payroll tax-free threshold to \$625,000 as at 1 July 2017 and to \$650,000 as at 1 July 2018. The Victorian Government also announced that from 1 July 2017 the

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<sup>67</sup> Submission 8, NSW Business Chamber, p. 8

<sup>68</sup> Submission 8, NSW Business Chamber, p. 8

<sup>69</sup> Submission 8, NSW Business Chamber, pp. 8-9

<sup>70</sup> Submission 9, Chartered Accountants Australia and New Zealand, pp. 1-2

<sup>71</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 2

payroll tax rate would be reduced from 4.85% to 3.65% for all businesses based in regional Victoria.<sup>72</sup>

- 2.29 The Victorian Treasurer Mr Tim Pallas MP explained the new approach in the 2017-18 Victorian Budget Speech:

We're reducing the payroll tax rate by 25 per cent for all businesses operating substantially in regional Victoria – an Australian first that directly reduces costs for around 4,000 businesses. It will mean Victoria's regional employers will have the lowest payroll tax rate in the nation. This will support employers to grow their businesses, encourage job creation, and ensure our regional communities share the benefits of economic growth.<sup>73</sup>

- 2.30 Under the Victorian scheme employers are designated a 'regional employer' if they are based in regional Victoria and pay at least 85% of Victorian taxable wages to regional employees. Regional employees are defined as workers who perform their services more than 50% of the time in regional Victoria. State Revenue Office Victoria provides a list on its website of the regional council areas which are considered to be 'regional Victoria' for payroll tax purposes.<sup>74</sup>

- 2.31 Stakeholders in Victoria appear to have welcomed the Victorian Government's changes, with the Victorian Farmers Federation stating in a press release that the regional payroll tax cut would 'ensure many small businesses remain sustainable.'<sup>75</sup> The Australian Small Business and Family Enterprise Ombudsman also commented that the Victorian cut to regional payroll tax would assist jobs and growth, and 'is a big step in the right direction'.<sup>76</sup>

## Issues review

**ISSUE 1** –The current \$750,000 payroll tax threshold may act to discourage regional businesses from expanding due to the payroll tax liability that would apply should a business exceed the threshold.

**ISSUE 2** – The recently implemented Victorian regional payroll tax rate (which, although applying after a lower threshold, at 3.65% is lower than for non-regional Victorian businesses at 4.85%, compared to 5.45% in New South Wales) represents a new approach to payroll tax in Australia.

<sup>72</sup> Mr Tim Pallas MP, *More tax cuts to help Victorian business create jobs*, 2 May 2017, <https://www.premier.vic.gov.au/wp-content/uploads/2017/05/12-Pallas-More-tax-cuts-to-help-Victorian-business-create-jobs.pdf>, accessed 10 November 2017

<sup>73</sup> Mr. Tim Pallas MP, *Victorian Government 2017-18 Budget Speech* (Delivered 2 May 2017) [https://s3-ap-southeast-2.amazonaws.com/budgetfiles201718.budget.vic.gov.au/BP1\\_2017-18\\_Speech.pdf](https://s3-ap-southeast-2.amazonaws.com/budgetfiles201718.budget.vic.gov.au/BP1_2017-18_Speech.pdf), accessed 10 November 2017

<sup>74</sup> State Revenue Office Victoria, *Payroll tax and regional employers*, <http://www.sro.vic.gov.au/regionalemployers>, accessed 10 November 2017.

<sup>75</sup> Victorian Farmers Federation, *Rural Victoria wins tax cuts in State Budget*, 2 May 2017, [http://vff.org.au/vff/Media\\_Centre/Latest\\_News/Media2017/Rural\\_Victoria\\_wins\\_tax\\_cuts\\_in\\_State\\_Budget.aspx](http://vff.org.au/vff/Media_Centre/Latest_News/Media2017/Rural_Victoria_wins_tax_cuts_in_State_Budget.aspx), accessed 10 November 2017

<sup>76</sup> Australian Small Business and Family Enterprise Ombudsman, *Payroll tax cuts in Victoria a boost for small businesses*, 6 May 2017, <http://www.asbfeo.gov.au/News/Payroll-tax-cuts-in-Victoria-a-boost-for-small-businesses>, accessed 10 November 2017



This scheme should be closely reviewed by the Government, and if successful, consideration could be given to applying it in New South Wales regions. The Victorian scheme will require particular analysis to determine if it creates disparities for New South Wales communities on the Victorian border.

The Committee is seeking further evidence on possibilities for regional payroll tax approaches in New South Wales.

**ISSUE 3** – Providing a favourable payroll tax scheme to a specific geographic area may disadvantage neighbouring areas and unfairly provide assistance to only some businesses within the state. The viability of a more widespread model could be examined, such as the Victorian approach, that only distinguishes between ‘regional’ and ‘metro’ zones, rather than particular regions.

The Committee is looking at this in greater detail and invites submissions on this issue.

**ISSUE 4** – The application of different regional payroll tax thresholds and rates within the state could result in additional administrative complexity for businesses that operate across multiple regions.

- 2.32 We note calls by some submission makers for payroll tax concessions or exemptions in regional areas in New South Wales. We note that the current \$750,000 threshold does act to protect smaller businesses from paying payroll tax.
- 2.33 We also note that while the Government’s Jobs Action Plan Rebate scheme is not specifically focused on businesses based on geographic location, it does provide an incentive for small businesses located in regional New South Wales to pursue business growth.
- 2.34 We are of the view that further investigation into the possibilities for regional payroll tax reform is warranted, particularly in the context of recent changes across the Victorian border. A further review is needed particularly should the Victorian approach foster business growth in regional areas or exacerbate discrepancies between communities on the New South Wales-Victorian border.
- 2.35 The new Victorian approach to regional payroll tax rates should be closely monitored by the Government. The Victorian scheme is still in its infancy and the Government should consider assessing the challenges and benefits that the scheme provides to regional areas as it is implemented in the 2017/18 financial year.
- 2.36 Stakeholders have called for New South Wales to match or better the Victorian approach to payroll tax, even if only for the southern border region of New South Wales. Analysis of the Victorian scheme will be useful considering concerns raised about perceived competitive advantages that can influence companies deciding whether to base themselves in New South Wales or Victoria. For this reason, the Committee will redirect its focus to examine these issues more closely and renew a call for submissions on this topic. We note that while the Victorian payroll tax

rate is lower than in New South Wales, the New South Wales threshold (\$750,000) remains higher than the Victorian threshold (\$625,000) even after recent Victorian reforms.

- 2.37 Previous concerns raised by the Economic Development Committee about the creation of intra-state borders for the purpose of taxation zones appear to still be an issue in the Victorian case. There may be challenges for companies operating in the border areas of what the Victorian Government determines to be 'regional Victoria' and 'metropolitan Victoria'. There are concerns that regions outside any geographic area that is provided with a favourable payroll tax scheme may suffer adverse effects as businesses are drawn to the new tax zone.
- 2.38 We note that there may be increased administration requirements for businesses applying for regional Victorian payroll tax rates. Any increase in administrative load as a result of the Victorian scheme should be closely reviewed (possibly by the NSW Cross Border Commissioner). These concerns would also apply if New South Wales pursued an alternate taxation scheme for particular geographic zones within the state. We also note that any move to regional application of different payroll tax thresholds and rates could create further administrative difficulties for businesses which operate across these zones.
- 2.39 Differences between payroll tax rates and thresholds between New South Wales and its neighbouring states and territories may continue to impact the competitiveness of New South Wales businesses. Businesses in border regions could be particularly affected as payroll tax incentives are pursued interstate. We support the Economic Development Committee's 2012 recommendation that the Government work towards 'a long term goal of setting tax rates that are equal to or more competitive than other states in order to maintain the competitiveness of New South Wales businesses and attract enterprise to the state'.
- 2.40 For this reason, we support a further review of the regional payroll tax arrangements in Victoria in order to assess the impact on New South Wales and analyse the scheme's advantages and challenges. This is particularly important as some submission makers indicated that businesses consider payroll tax costs when deciding against expanding in regional areas. As the Victorian regional payroll tax approach distinguishes only between 'regional' and 'metro' areas of the state, it is worth examining whether this method avoids many of the concerns previously expressed about zonal taxation efforts and the drawing of intra-state tax borders.

## Chapter Three – Stamp duty and land tax

3.1 We received a number of submissions in relation to the impact of stamp duty and land tax on residents and businesses in regional New South Wales. For the purposes of this inquiry, and considering the content of the submissions received, we have only considered factors in relation to stamp duty applied to land or business transfers.

### Stamp duty

3.2 Stamp duty is a state tax that is imposed on the purchaser of certain acquisitions of dutiable property, including;

- the sale or transfer of land and improvements;
- a surrender of an interest in land in New South Wales; a vesting of land by statute law;
- a foreclosure of a mortgage;
- or a vesting of dutiable land by or as a consequence of a court order.<sup>77</sup>

3.3 Stamp duty is calculated by applying the rate of duty to either the price of the property purchased or the current market value – whichever is higher.<sup>78</sup> The varying thresholds and dutiable rates for stamp duty are outlined in the table below.

**Table 2: Stamp duty thresholds in New South Wales<sup>79</sup>**

Dutiable value	Rate of duty
\$14,000 or less	\$1.25 for every \$100, or part, of the dutiable value
More than \$14,000 but not more than \$30,000	\$175 plus \$1.50 for every \$100, or part, by which the dutiable value exceeds \$14,000
More than \$30,000 but not more than \$80,000	\$415 plus \$1.75 for every \$100, or part, by which the dutiable value exceeds \$30,000
More than \$80,000 but not more than	\$1,290 plus \$3.50 for every \$100, or

<sup>77</sup> NSW Revenue, *NSW Duties Rates: Transfer of dutiable property*, <http://www.revenue.nsw.gov.au/info/factsheet/duties/general/rates>, accessed 10 November 2017; *Duties Act 1997* (NSW) s 11.

<sup>78</sup> NSW Revenue, *NSW Duties Rates: Transfer of dutiable property*, <http://www.revenue.nsw.gov.au/info/factsheet/duties/general/rates>, accessed 10 November 2017

<sup>79</sup> NSW Revenue, *NSW Duties Rates: Transfer of dutiable property*, <http://www.revenue.nsw.gov.au/info/factsheet/duties/general/rates>, accessed 10 November 2017

\$300,000	part, by which the dutiable value exceeds \$80,000
More than \$300,000 but not more than \$1 million	\$8,990 plus \$4.50 for every \$100, or part, by which the dutiable value exceeds \$300,000
More than \$1 million	\$40,490 plus \$5.50 for every \$100, or part, by which the dutiable value exceeds \$1 million

- 3.4 Premium property duty applies to dutiable transactions of residential land that has a dutiable value exceeding \$3 million. Premium property duty is calculated at ‘\$150,490, plus \$7 for every \$100, or part, by which the dutiable value of the land exceeds \$3 million’.<sup>80</sup>
- 3.5 Currently in New South Wales, there are no stamp duty concessions based solely on geographic location. However, broad exemptions and concessions do exist, including for the transfer of land between married couples and de facto partners; at the end of such relationships; and the transfer of deceased estates from a legal personal representative to a beneficiary.<sup>81</sup> Exemptions from stamp duty also exist for intergenerational rural transfers of farming properties to younger generations. This exemption is intended to reduce barriers to entering the farming industry for younger family members.<sup>82</sup>
- 3.6 Further exemptions to property stamp duty were contained in the 2017-18 Budget. The Budget outlined that from 1 July 2017 first home buyers would be exempt from stamp duty on homes valued up to \$650,000. Stamp duty concessions also apply to first home buyers for homes up to \$800,000 throughout New South Wales. The 2017-18 Budget also abolished insurance duty on lenders’ mortgage insurance.<sup>83</sup> First home buyers are also exempt from paying duty on vacant land valued up to \$350,000 purchased to build their home, with concessions on duty applying to vacant land valued at up to \$450,000.<sup>84</sup>

## Land tax

- 3.7 Land tax is an annual state tax imposed on owners of land in New South Wales. Land tax applies to land including residential land; vacant land; investment

<sup>80</sup> NSW Revenue, *NSW Duties Rates*, <http://www.revenue.nsw.gov.au/info/factsheet/duties/general/rates> and *Premium property duty*, <http://www.revenue.nsw.gov.au/info/factsheet/duties/premium/overview>, accessed 10 November 2017

<sup>81</sup> NSW Revenue, *Exemptions and concessions*, <http://www.revenue.nsw.gov.au/taxes/transfer-land/exemptions>, accessed 10 November 2017

<sup>82</sup> *Duties Act 1997 (NSW) s 274*; NSW Revenue, *Revenue Ruling No. DUT 034 Exemption from Duty – Intergenerational Rural Transfers and Leases*, <http://www.revenue.nsw.gov.au/info/legislation/rulings/duties/dut024>, accessed 21 November 2017

<sup>83</sup> NSW Government, *A fair go for first home buyers*, <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers>, accessed 21 November 2017

<sup>84</sup> NSW Revenue, *First Home Buyers Assistance scheme*, <http://www.revenue.nsw.gov.au/grants/fhba>, accessed 14 November 2017

properties; company title units; residential, commercial or industrial units, including car spaces; commercial properties; and land leased from state or local government. Land tax is based on the value of the land as at 1 July of the previous tax year, which is supplied by the Valuer General of New South Wales.<sup>85</sup> 2017 land tax rates are listed in the table below.

**Table 3: Land tax thresholds for the 2017 tax year<sup>86</sup>**

Threshold	Rate
\$549,000	\$100 plus 1.6% up to the value of the premium threshold
\$3,357,000 and over (Premium threshold)	\$45,028 for the first \$3,357,000 then 2% of the value over the premium threshold

- 3.8 Land tax concessions exist in certain circumstances, including where the land is used as a person’s principal place of residence; where a person is changing their principal place of residence; where the land is used for an incidental business; if a person is absent from their former residence; deceased estates; permitted occupancies; and mixed-use properties.<sup>87</sup>
- 3.9 In regards to regional zones, a notable exemption exists for land used for primary production. This exemption particularly affects people living in regional areas involved in primary industries such as the cultivation of crops and livestock.

#### Proposals for change

- 3.10 A number of submission makers advocated for a reduction of stamp duty specifically in regional areas and suggested that stamp duty placed a disproportionate burden on residents buying or transferring property in regional New South Wales.
- 3.11 Central NSW Councils identified stamp duty as an additional cost burden that is factored into ‘the overall cost of doing business in the regions’. The organisation argued that reductions in taxes could improve the business environment and overcome the real and perceived disadvantages of regional locations.<sup>88</sup>
- 3.12 Walgett Shire Council argued that allowances or discounts for stamp duty and land tax could encourage investment in both residential and rural properties within the region.<sup>89</sup> RDA Far West also noted that exemptions and concessions to these taxes have been successfully used internationally in order to create jobs and prosperity in depressed regional areas and provide economic growth

<sup>85</sup> NSW Revenue, *Land tax*, <http://www.revenue.nsw.gov.au/taxes/land>, accessed 20 June 2017

<sup>86</sup> NSW Revenue, *Land tax*, <http://www.revenue.nsw.gov.au/taxes/land>, accessed 20 June 2017

<sup>87</sup> NSW Office of State Revenue, *Exemptions and concessions*, <http://www.revenue.nsw.gov.au/taxes/land/exemptions>, accessed 18 April 2017

<sup>88</sup> Submission 14, Central NSW Councils, p. 2

<sup>89</sup> Submission 10, Walgett Shire Council, p. 1

opportunities.<sup>90</sup> Regional Development Australia Hunter noted that identifying zones within the regions that attract lower land tax and stamp duty concessions could assist in levelling out competition for the regions.<sup>91</sup>

### Stamp duty on commercial properties

- 3.13 Broken Hill City Council suggested that changes could be made to stamp duty on the sale of high street commercial properties and that conveyances could be conditioned upon the property being 'fully occupied' for a minimum time period. This could result in more businesses taking up commercial leases/premises, or choosing to remain in regional town centres that are experiencing slower growth.<sup>92</sup>
- 3.14 RDA Orana argued that exemptions or concessions for stamp duty and land tax could assist to reduce red tape and may stimulate economic activity through the purchase of land and property by both businesses and residents.<sup>93</sup> RDA Orana suggested that 'zonal stamp duty and payroll tax concessions could lead to an increase in start-ups, and that a reduction in stamp duty could facilitate first home buyers' entry into the market'. RDA Orana indicated that such concessions could also assist young people to purchase farms.

### Stamp duty efficiency

- 3.15 Broken Hill City Council noted that the 'Australia's future tax system' 2010 report to the Commonwealth Government (known as the 'Henry Review') found that stamp duties on the transfer of commercial and residential land are inconsistent with the needs of a modern tax system.<sup>94</sup> The Review suggested that stamp duty affects people who move more frequently, rather than being focussed on their income or wealth.<sup>95</sup> This may in turn affect housing affordability, and particularly affect regions in New South Wales where average incomes can be lower than metropolitan areas.
- 3.16 The Henry Review also argued that land tax could be more efficient if the current land tax structure changed to apply land tax equally to all land regardless of usage and aggregate holdings. The report indicated that this would provide an alternative and more stable source of revenue for the state.<sup>96</sup>
- 3.17 CA ANZ discussed the possibility of replacing stamp duty with land tax in New South Wales, and indicated that such a move could lead to more efficient tax outcomes and positive economic impacts.<sup>97</sup> In particular, CA ANZ referred to a 2016 McKell Institute report, 'A plan to end stamp duty: Making property

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<sup>90</sup> Submission 11, Regional Development Australia Far West NSW, p. 2

<sup>91</sup> Submission 13, Regional Development Australia Hunter, p. 2

<sup>92</sup> Submission 5, Broken Hill City Council, pp. 2-3

<sup>93</sup> Submission 16, Regional Development Australia Orana, p. 1

<sup>94</sup> Submission 5, Broken Hill City Council, p. 2

<sup>95</sup> Australia's Future Tax System, *Final Report*, Paragraph 6.2, [https://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](https://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm), accessed 20 November 2017

<sup>96</sup> Australia's Future Tax System, *Final Report*, Paragraph 6.2, [https://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](https://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm), accessed 20 November 2017

<sup>97</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 3

taxation fairer in NSW'. The McKell Institute report suggested that land tax could be more effectively administered on a 'per square metre basis on a progressive scale' starting from zero (rather than the current threshold), which would likely result in little tax being paid on the majority of primary production land in regional New South Wales.<sup>98</sup>

- 3.18 NSW Farmers noted that the Henry Review had identified stamp duty as an inefficient tax, and that there had been suggestions that stamp duty would be better replaced by a 'broad-based land tax'. However, NSW Farmers stated that any alternative land-based tax would increase the tax burden upon farmers. Any extension of land tax was argued to be a particular issue for farmers as income from farming is 'seasonal and volatile', can be easily disrupted by natural disasters, and the ability of farmers to pass on extra costs to consumers is limited.<sup>99</sup> The organisation acknowledged that currently there is an exemption for property that is used for the purposes of primary production and strongly advised that this exemption be retained.<sup>100</sup>
- 3.19 NSW Farmers stated that their organisation is opposed to stamp duty in general, as it does not contribute to the value of land or assets, and may result in land owners 'retaining assets that would otherwise have been sold merely to try and recover their original investment and potentially distorting the market'.<sup>101</sup> NSW Farmers also noted that stamp duty acted as a considerable impediment to young farmers trying to start new farms.
- 3.20 NSW Farmers also acknowledged that there are current exceptions from stamp duty for intergenerational transfers between family members, and that it is critical that this exemption be retained. However, NSW Farmers strongly suggested that the Government 'consider an exemption for all young farmers purchasing their first farming enterprise' and urged the Government to initiate meaningful taxation reform.<sup>102</sup>

### Proposals for broader reform

- 3.21 The Business Chamber argued that the New South Wales tax system is becoming increasingly inefficient, Government is becoming increasingly reliant on inefficient taxes (such as transfer duty), and that New South Wales is under-utilising efficient taxes such as broad-based land taxes.<sup>103</sup> The Business Chamber cited their 2016 report 'Taking on Tax: Reforming NSW Property Taxes', which recommended that New South Wales consider a broad-based land tax.
- 3.22 The Business Chamber noted that the concept of zonal taxation, or special economic zones, has received positive attention from its successful application to reforming transition economies in other jurisdictions such as China. The Business Chamber stated that 'SEZs have not generally been regarded as successful where they have been established to create favourable tax or policy environments with

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<sup>98</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 4

<sup>99</sup> Submission 15, NSW Farmers, p. 5

<sup>100</sup> Submission 15, NSW Farmers, pp. 5-6

<sup>101</sup> Submission 15, NSW Farmers, p. 5

<sup>102</sup> Submission 15, NSW Farmers, pp. 2,5

<sup>103</sup> Submission 8, NSW Business Chamber, p. 7

the intention of boosting economic activity in that location.’<sup>104</sup> The Business Chamber emphasised that it supported good policy, which should be applied state-wide rather than to specific areas based on geographic location or other factors.

- 3.23 CA ANZ also noted several arguments against the removal of stamp duty and land tax. CA ANZ argued that the existing land tax base is already very narrow which limits scope for further meaningful exemptions without eliminating land tax entirely. These taxes also provide significant contributions to the Budget and it is unclear where the lost revenue would be regained if further exemptions or concessions were granted.<sup>105</sup> Additionally, CA ANZ noted that numerous tax reviews and policy bodies have advocated for the replacement of stamp duty with a comprehensive land tax. CA ANZ argued that any further exemptions to land tax may complicate any transition to such a model.
- 3.24 CA ANZ also highlighted that a number of provisions aimed at reducing the scope of land tax (which are particularly relevant to regional New South Wales) already exist. CA ANZ stated that land tax generally applies only to a very limited range land types including commercial and investor-owned residential, and noted existing exemptions including regarding agricultural holdings or a person’s principal place of residence.<sup>106</sup>
- 3.25 CA ANZ encouraged the Government to improve the efficiency and reliability of its taxation revenue stream where possible. The organisation acknowledged that there are arguments in favour of restructuring the tax system to remove stamp duty and replace it with an expanded land tax scheme. However, it stated that if this were to occur then the provision of further exemptions to land tax (including for regional areas) would not assist this transition.<sup>107</sup>

## Issues review

**ISSUE 5** – Stamp duty concessions for the purchase of commercial property in regional areas could stimulate regional business investment.

The Committee is seeking further evidence on possibilities for (and implications of) such stamp duty concessions in regional New South Wales.

- 3.26 We note that several submissions identified stamp duty as an inefficient tax. We note Broken Hill City Council’s reference to the Henry Review and the suggestion that stamp duty should be removed and replaced with an overarching land tax applied equally to all aggregate land holdings. However, there are questions over how this would impact businesses in regional New South Wales.
- 3.27 We acknowledge that issues were raised during the inquiry regarding a restructure of the land tax scheme in the state. Consideration of such a scheme

<sup>104</sup> Submission 8, NSW Business Chamber, p. 3

<sup>105</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 1

<sup>106</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 2

<sup>107</sup> Submission 9, Chartered Accountants Australia and New Zealand, p. 4



would require further examination of the broader economic impacts, particularly any calls to remove the land tax threshold and exemptions. As reiterated by NSW Farmers, the exemption for land used for primary production is important in order to maintain agricultural businesses, particularly as they are susceptible to seasonal and natural disruptions. We note the importance of existing exemptions that apply to typically regional agricultural businesses and that any restructure of the scheme would need to incorporate assistance to primary production industries.

- 3.28 We acknowledge that while concerns about the efficiency of the broader New South Wales land tax and stamp duty system have been raised in some submissions, this is a wider issue outside the scope of the current inquiry.
- 3.29 We understand that issues regarding stamp duty and land tax directly impact on the affordability of land and the costs of running businesses in regional areas. However, as highlighted by the Business Chamber and CA ANZ, we note that stamp duty and land tax contribute a significant amount to the New South Wales Budget.
- 3.30 We also acknowledge concerns that stamp duty can act as a barrier for young people being able to purchase farms or establish businesses in regional New South Wales. It is particularly important to maintain primary production industries in regional areas. The Committee identified this as an issue that has implications for agricultural regions across New South Wales.
- 3.31 We note the problematic nature of applying different stamp duty and land tax schemes within New South Wales to specific individual geographic zones. Questions have arisen over whether such an approach would lead to the creation of intra-state borders, with additional layers of administration and difficulties for communities situated on these new 'tax borders', or whether such problems can be overcome.
- 3.32 A number of submissions indicated that stamp duty can act as a barrier to business in the regions. As identified by regional councils, attracting and retaining businesses and employers is challenging for many areas in regional New South Wales and fostering business and a growing workforce is important to growing and maintaining a strong regional economy.
- 3.33 We would like to hear more on this issue to determine the effects of concessions on stamp duty, particularly the potential benefits and implications of stamp duty concessions for commercial properties in regional New South Wales.

## Chapter Four – Utility charges and fuel levies in regional New South Wales

- 4.1 Utility charges are costs charged for services such as electricity, water and gas. We recognise that electricity and other utilities are essential services and it is important that these markets are affordable and accessible to all residents of New South Wales, including throughout regional areas.
- 4.2 There are no specific regional concessions for utility charges in New South Wales, however there are a number of state-wide initiatives:
- The Family Energy Rebate is available to family households with dependent children with an electricity account and who are eligible for and received the Family Tax Benefit in the previous financial year. The rebate provides a \$180 credit on an energy bill, or \$20 if the household also qualifies for the Low Income Household Rebate.<sup>108</sup>
  - The NSW Gas Rebate provides between \$110-121 to eligible customers to assist with gas bills.<sup>109</sup>
  - The Low Income Household Rebate provides \$285-\$314 a year to eligible customers, including holders of a pensioner concession card.<sup>110</sup>
  - The Life Support Rebate is available to households that use approved energy-intensive equipment medical equipment at home. A daily rate is payable per approved machine.<sup>111</sup>
  - The Medical Energy Rebate is available for customers who have an inability to self-regulate body temperature (for example customers with Parkinson's disease or Multiple Sclerosis). This rebate is between \$285 and \$314 for eligible customers.<sup>112</sup>
  - Energy blackout compensation of \$80 is payable in metropolitan areas if a household suffers more than four, 4-hour outages in a year or any outage of longer than 12 hours. An amount of \$80 is payable to non-metropolitan

<sup>108</sup> NSW Government Resources and Energy, *Family Energy Rebate*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/family-energy-rebate>, accessed 10 November 2017

<sup>109</sup> NSW Government Resources and Energy, *Gas Rebate*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/nsw-gas-rebate>, accessed 10 November 2017

<sup>110</sup> NSW Government Resources and Energy, *Low Income Household Rebate*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/low-income-household-rebate>, accessed 10 November 2017

<sup>111</sup> NSW Government Resources and Energy, *Life Support Rebates*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/life-support-rebates>, accessed 10 November 2017

<sup>112</sup> NSW Government Resources and Energy, *Medical Energy Rebate*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/medical-energy-rebate>, accessed 10 November 2017

customers for four, 5-hour outages or any one outage of 18 hours. The rebates are capped at \$320 a year.<sup>113</sup>

- The Energy Accounts Payment Assistance Scheme helps people experiencing a short term financial crisis or emergency to pay their electricity or gas bill. Affected individuals may apply to a community welfare organisation for a \$50 voucher. The voucher is not available on an ongoing basis.<sup>114</sup>
- Some water suppliers in New South Wales, including Sydney Water, provide pensioner rebates on water and sewerage charges. Conditions vary per water supplier.<sup>115</sup>

4.3 The Commonwealth Government also provides a Utilities Allowance for eligible customers, including customers who receive the Disability Support Pension and are under 21 years of age with no dependent children. Payments are paid quarterly and are \$155.20 for singles and \$77.60 for each member of a couple.<sup>116</sup>

4.4 NSW Farmers advised the Committee that there are also loans available for farmers for efforts to reduce energy use.<sup>117</sup> For example, the NSW Rural Assistance Authority provides a Farm Innovation Fund, which is available to primary producers for measures to improve farm infrastructure and ensure long-term productivity, such as upgrading irrigation systems.<sup>118</sup>

4.5 As mentioned in Chapter One, the Government deregulated retail gas prices in New South Wales on 1 July 2017. From 1 July 2017 the Independent Pricing and Regulatory Tribunal (IPART) does not agree a regulated gas price with retailers; IPART now monitors the performance and competitiveness of the retail market annually.<sup>119</sup> The Government has indicated that as a result of deregulation regional gas customers will have more retailers to choose from and gas pricing can be more competitive in regional areas. Gas retailers can now set prices and customers can choose between retailers to obtain the gas plan that best suits their requirements.

4.6 In September 2017, the NSW Auditor-General reported to Parliament on 'Energy Rebates for Low Income Households'. The Auditor-General reviewed the

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<sup>113</sup> NSW Government Resources and Energy, *Energy Blackouts Compensation*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/energy-blackouts-compensation>, accessed 10 November 2017

<sup>114</sup> NSW Government Resources and Energy, *Energy Accounts Payment Assistance (EAPA) Scheme*, <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/energy-accounts-payment-assistance-EAPA> accessed 10 November 2017

<sup>115</sup> Energy and Water Ombudsman NSW, *Rebates and Assistance*, <https://www.ewon.com.au/page/customer-resources/help-paying-bills/rebates>, accessed 10 November 2017

<sup>116</sup> Australian Government Department of Human Services, *Utilities Allowance*, <https://www.humanservices.gov.au/individuals/services/centrelink/utilities-allowance#a2>, accessed 10 November 2017

<sup>117</sup> Submission 15, NSW Farmers, p. 6

<sup>118</sup> NSW Rural Assistance Authority, *Farm Innovation Fund*, <https://www.raa.nsw.gov.au/assistance/farm-innovation-fund>, accessed 10 November 2017

<sup>119</sup> NSW Government Resources and Energy, *Removal of gas price regulation (deregulation)*, <https://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/gas/removal-of-gas-price-regulation-deregulation>, accessed 10 November 2017

electricity and gas rebate schemes available in New South Wales. The report noted that households in rural areas experience higher network costs, which they cannot control, yet they receive the same rebate as those in urban areas who experience lower network costs.<sup>120</sup>

- 4.7 In September 2017, the Government also announced a new Energy Affordability Package, which included increases to the rate of the energy rebates provided by the Government (and outlined in paragraph 4.2). The Government indicated that it was working towards the removal of retailer fees, and announced increased funding towards energy efficiency programs to assist households and small businesses throughout New South Wales. The Government also announced the addition of \$112.5 million in funding towards 'energy efficiency programs to help households and small businesses save energy and money', including the provision of discounts to small businesses to upgrade equipment.<sup>121</sup>

### Electricity and water costs

- 4.8 We received a number of comments from stakeholders regarding the effect of charges for electricity and water on regional economies and growth.
- 4.9 Concerns regarding the higher cost of electricity in regional New South Wales were frequently raised. RDA Far West submitted that residents of the far west of New South Wales (the Broken Hill City and Central Darling Shire local government areas, and the unincorporated area of New South Wales) pay significantly higher electricity charges than metropolitan centres.<sup>122</sup> The organisation also argued that as residences within the Far West region are mostly detached dwellings, average usage of electricity in the region is higher than other areas. RDA Far West stated that businesses in its region struggle to be competitive in broader markets when additional costs of utilities and fuel are factored into expenses.
- 4.10 RDA Orana stated that Orana region residents pay significantly higher electricity charges than other regions, with people of the Dubbo region 'paying an average \$440 more a year' than other regional centres like Bathurst and Orange.<sup>123</sup> Higher utility costs lead to less household income available in regional areas to be spent in the local economy.
- 4.11 RDA Far West noted that high electricity costs can impact low-income households that have many other competing expenses. This is particularly felt due to the variance in temperatures in peak winter and peak summer periods. RDA Far West noted advice from Lifeline that there is a growing trend for electricity payment plans to be almost as much as rent costs. According to RDA Far West, few to no

<sup>120</sup> NSW Auditor-General, *Energy rebates for low income households*, September 2017, p 8, <https://www.audit.nsw.gov.au/publications/latest-reports/energy-rebates>, accessed 20 November 2017

<sup>121</sup> Planning and Environment, *Energy Affordability Package 2017 Fact Sheet*, [http://www.resourcesandenergy.nsw.gov.au/\\_data/assets/pdf\\_file/0008/736847/Energy-Affordability-Package-Fact-Sheet.pdf](http://www.resourcesandenergy.nsw.gov.au/_data/assets/pdf_file/0008/736847/Energy-Affordability-Package-Fact-Sheet.pdf), accessed 20 November 2017

<sup>122</sup> Submission 11, Regional Development Australia Far West NSW, p. 2

<sup>123</sup> Submission 16, Regional Development Australia Orana, p. 2

energy providers are able to provide competitive rates for the far western New South Wales region.<sup>124</sup>

4.12 The provision and cost of water was a concern for stakeholders from the western regions of the state. RDA Far West noted the implications of a lack of rainfall on regional businesses, with water supply issues limiting agri-business development and resulting in greater costs for other businesses that use water.<sup>125</sup> The organisation stated that cost of water increases and ongoing water supply security issues have impacted on regionally grown fruit and vegetables, reducing their availability, increasing local costs and adversely affecting the health of local communities.

4.13 RDA Far West also argued that:

The liveability of the region (Far West) and its potential to attract additional residents would be greatly improved with a reduction in the cost of utilities to reflect reasonable costs paid by other regions and metro centres in Australia.<sup>126</sup>

4.14 Walgett Shire Council argued that expensive utility charges affect entire regional communities and could impact on potential investors in regional New South Wales. The Council suggested concessions could assist regional communities:

Businesses rely on the support of its consumers, if these charges continue to rise, less money is spent locally and it can affect the services and facilities provided in each of the communities. It is imperative that concessions for utility charges are reviewed on a regular basis.<sup>127</sup>

4.15 NSW Farmers advised that energy is a major cost for primary producers, with electrification in agriculture being central to innovation and productivity. The organisation noted that agricultural electricity demand is predicted to significantly increase in the future as the sector innovates. Concerns were raised about high electricity costs driving farmers to use diesel fuel as a replacement and to disconnect from the grid. NSW Farmers stated that 'farmers want to use network electricity but increasingly they cannot afford to.' This is particularly problematic as electricity-powered farm machinery and equipment operates more efficiently and flexibly than diesel powered alternatives. NSW Farmers stated that zonal taxation measures regarding utilities could address structural problems created by regional electricity pricing policy.<sup>128</sup>

### Proposed approaches

4.16 RDA Far West NSW argued that the creation of regional concessions for utility costs would significantly and positively impact regional residents and business and support strategies to attract investment and industries into the area.<sup>129</sup>

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<sup>124</sup> Submission 11, Regional Development Australia Far West NSW, p. 3

<sup>125</sup> Submission 11, Regional Development Australia Far West NSW, p. 4

<sup>126</sup> Submission 11, Regional Development Australia Far West, p. 6

<sup>127</sup> Submission 10, Walgett Shire Council, p. 2

<sup>128</sup> Submission 15, NSW Farmers, p. 6

<sup>129</sup> Submission 11, Regional Development Australia Far West NSW, p. 6

- 4.17 Albury City Council argued that the requirement for New South Wales businesses to pay upfront for new electricity or gas supply infrastructure limits business growth. This is particularly apparent on the Victorian border, as the Council argued that in Victoria utility providers fund additional infrastructure investment to support increased demand, and the cost is recovered through term agreements and additional revenue. The Council argued that business investors are attracted to the Victorian system where ‘costs of business establishment or expansion are much more favourable.’<sup>130</sup>
- 4.18 The Council suggested that energy providers could fund infrastructure upgrades at the outset (with the cost being recouped over time) which would remove the large one-off cost to businesses.<sup>131</sup> The Council also suggested that the Government should develop a program which funds utility infrastructure supply upgrades when those upgrade investments would grow employment and local investment.
- 4.19 Central NSW Councils argued that utility costs (in particular energy costs) are prohibitive in regional New South Wales, with many areas having an inadequate and expensive power supply. The Councils were in favour of providing utility concessions to businesses to address these costs. Central NSW Councils supported the use of Restart NSW funds to plug gaps in utility infrastructure and to stimulate regional economic growth.<sup>132</sup>
- 4.20 NSW Farmers advocated a ‘bespoke tariff’ to enable farmers to operate and not abandon a crop if energy costs are considerable. Farmers have inelastic electricity demands as production is strongly tied to water availability and the use of energy to provide water at critical times. The organisation argued that a ‘food and fibre tariff or taxation measure’ could drive demand management collaborations, provide farmers with energy security, drive electrification of irrigation and facilitate local scale renewable generation.<sup>133</sup>
- 4.21 The organisation also argued for a regional electricity policy framework which could drive efficient demand management and keep large electricity users on the grid, and the advancement of farm-scale renewable energy as part of regional energy supply and demand approaches. NSW Farmers support the introduction of adequate incentives to farmers and irrigation corporations to install or continue to use renewable electricity generation infrastructure. The organisation also supported the provision of smart meters by electricity distributors as they are required for net power pricing and strategic demand management.<sup>134</sup>

#### Issues review

- 4.22 We acknowledge that utility charges are a concern for regional households and businesses, particularly in the context of electricity price rises in regional areas. We note the advice of NSW Farmers that agriculture is the fourth most energy intensive industry in Australia, and it is clearly a major industry for employment

<sup>130</sup> Submission 7, Albury City Council, p. 2

<sup>131</sup> Submission 7, Albury City Council, p. 2

<sup>132</sup> Submission 14, Central NSW Councils, p. 2

<sup>133</sup> Submission 15, NSW Farmers, pp. 7-8

<sup>134</sup> Submission 15, NSW Farmers, p. 9

and economic growth in regional New South Wales. Agricultural businesses in particular can be heavily affected by increased utility costs. The effect of higher energy prices on farmers is concerning, particularly considering evidence received about the movement by some farmers away from the electricity grid towards diesel use as a consequence of high power prices.

- 4.23 We also acknowledge the range of rebates currently available to groups in the community as discussed earlier and welcome recent rebate increases. In particular, we support loans being available to support farmers to improve farming infrastructure and pursue more efficient use of electricity. We support the Government conducting further analysis of the practice of energy providers requiring businesses to pay upfront for new electricity infrastructure as raised by Albury City Council. We support efforts to increase rebates available to households and businesses and to assist businesses to save on electricity costs through the use of more energy efficient equipment.

### Fuel Levies

- 4.24 Fuel levies are charges imposed by transport industry operators on customers as a way of passing on the impact of increased fuel charges incurred by the operator. Fuel levies can assist transport industry operators to account for variations in fuel prices and to protect them from fuel price volatility; however fuel levies add to the costs paid by customers.
- 4.25 It is clear that communities in regional New South Wales face some additional costs due to the distances between regional centres and from Sydney and other ports. This can impact on business growth in regional areas. Broken Hill City Council commented that ‘the tyranny of distance proves to be a deterrent for those considering making the commitment to relocate and build profitable and successful businesses.’<sup>135</sup>
- 4.26 Currently there are no targeted Government programs regarding fuel levies in regional New South Wales. We note that the Commonwealth Government through the Australian Taxation Office offers fuel tax credits for some fuel use, including for domestic electricity generation and for fuel use by businesses in certain circumstances.<sup>136</sup> For businesses, fuel tax credits provide a credit for the fuel tax/excise that is included in the price of fuel used in machinery, heavy vehicles, light vehicles not travelling on public roads, and some other circumstances.
- 4.27 We received limited evidence regarding the impact of fuel levies on regional growth. Regional areas in New South Wales have very large agriculture and resource sectors which rely on road transport and diesel consumption to produce products and transport goods and services. WDC argued that the cost of transport for goods in regional New South Wales is so significant that it acts as a deterrent to businesses relocating or starting up outside metropolitan areas.<sup>137</sup>

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<sup>135</sup> Submission 5, Broken Hill City Council, p. 2

<sup>136</sup> Australian Taxation Office, *Fuel Schemes*, <https://www.ato.gov.au/Business/Fuel-schemes>, accessed 10 November 2017

<sup>137</sup> Submission 6, Western Division Councils of NSW, p. 1

- 4.28 The Business Chamber indicated that fuel levies disproportionately impact residents and businesses in regional areas due to the fact that transport distances are naturally much larger than in metropolitan areas. The Business Chamber stated that fuel levies should be 'reduced across the board or hypothecated to specific road investment.'<sup>138</sup>
- 4.29 RDA Far West argued that fuel levies have an adverse effect on the western regions of New South Wales:
- Fuel levies imposed by freight and transport companies are significant costs affecting the efficiency, productivity and growth of the region.<sup>139</sup>
- 4.30 RDA Orana agreed with this perspective, noting that fuel levies are usually passed on to consumers in regional areas, which further impairs the efficiency and growth of those regions.<sup>140</sup>
- 4.31 Albury City Council supported a review of fuel levies in order to address regional disadvantage and regional growth.<sup>141</sup> Central NSW Councils argued that regional businesses are particularly impacted by fuel costs due to the need for freight to be transported to the coast for export; in this way producers in Western New South Wales are particularly impacted by fuel costs. The organisation indicated its support for any Government action in regards to the management of fuel costs, particularly the consideration of concessions that reduce the cost of freight to port.<sup>142</sup>
- 4.32 We also heard that the price of fuel in regional areas is a significant cost to businesses. RDA Far West commented that fuel costs constitute an average of over 15% of on-farm costs. Long distances and limited public transport in regional areas results in increased use of vehicles and consequential high costs for consumers and businesses.<sup>143</sup> RDA Orana also noted that limited public transport leads to an increased reliance on the use of private vehicles. Other stakeholders called for the regulation of fuel prices to prevent price gouging, and the provision of fuel incentives for businesses to start up in regional areas.<sup>144</sup>

#### Issues review

- 4.33 Fuel levies can be an additional financial burden particularly for regional businesses that rely on transportation services to and from metropolitan centres and ports.
- 4.34 We note that fuel levies and surcharges are imposed by private companies. We also note the challenging situation for regional businesses, which are more likely to be subject to higher transport costs due to their sizeable distance from ports and metropolitan areas and the impost of fuel levies by freight companies. We

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<sup>138</sup> Submission 8, NSW Business Chamber, p. 6

<sup>139</sup> Submission 11, Regional Development Australia Far West NSW, p. 5

<sup>140</sup> Submission 16, RDA Orana, p. 3

<sup>141</sup> Submission 7, Albury City Council, p. 3

<sup>142</sup> Submission 14, Central NSW Councils, p. 2

<sup>143</sup> Submission 11, Regional Development Australia Far West NSW, p. 5

<sup>144</sup> Submission 2, Brains Automotive; Submission 5, Broken Hill City Council



also support future analysis of possible opportunities to provide fuel levy concessions for regional businesses, perhaps proportionate to their distance from the nearest port or metropolitan area.

## Appendix One – List of Submissions

1	Mr Christopher Moore
2	Brains Automotive
3	Confidential
4	Orana Regional Organisation of Councils
5	Broken Hill City Council
6	Western Division Councils of NSW
7	Albury City Council
8	NSW Business Chamber
9	Chartered Accountants Australia and New Zealand
10	Walgett Shire Council
11	Regional Development Australia Far West NSW
12	Port Macquarie Hastings Council
13	Regional Development Australia Hunter
14	Central NSW Councils
15	NSW Farmers
16	Regional Development Australia Orana

## Appendix Two – Extracts from Minutes

### **MINUTES OF MEETING No 9**

11.32am

Wednesday, 23 March 2016

Room 1043, Parliament House

#### **Members Present**

Mr Anderson (Chair), Mr Aplin (Deputy Chair), Ms Smith, Mr Henskens.

#### **Apologies**

An apology was received from Mr Rowell.

#### **Officers in Attendance**

Bjarne Nordin, Abigail Groves, Kieran Lewis, Abigail Turingan

#### **1. Minutes of previous meeting**

Resolved, on the motion of Mr Henskens: That the minutes of meeting no. 8 held on 17 February 2016 be confirmed.

#### **2. Proposed inquiry into regional zone taxation**

The Committee deliberated on the following correspondence:

- Letter received from the Hon John Barilaro MP, Minister for Regional Development, Skills and Small Business, dated 17 February 2016

Resolved, on the motion of Mr Henskens, seconded by Ms Smith: That the Committee adopt the following terms of reference for an inquiry into zonal taxation and call for submissions with a closing date of Friday 3 June:

That the Committee inquire into and report on the possible benefits of zonal taxation for regional economies, infrastructure and services in NSW, with particular reference to:

- a) Exemptions from, or concessions in relation to, payroll tax, stamp duty, and land tax;
- b) Concessions in relation to utility charges;
- c) The impact of fuel levies on regional growth; and,
- d) Any other related matters.

#### **3. \*\*\***

#### **4. Adjournment**

The meeting adjourned at 11.45 am, until 9.15 am on 4 April 2016.

## **MINUTES OF MEETING No 10**

9:15am

Monday 4 April 2016

Macquarie Room, Parliament House

### **Members Present**

Mr Anderson (Chair), Mr Aplin (Deputy Chair), Mr Barr, Mr Henskens.

### **Apologies**

Apologies were received from Ms Hay, Ms Smith and Mr Rowell.

### **Officers in Attendance**

Bjarne Nordin, Abigail Groves, Kieran Lewis, Abigail Turingan

#### **1. Minutes of previous meeting**

Resolved, on the motion of Mr Aplin: That the minutes of meeting no. 9 held on 23 March 2016 be confirmed.

#### **2. Inquiry into zonal taxation**

##### **2.1 Stakeholders**

Resolved, on the motion of Mr Henskens: That the Chair write to relevant stakeholders inviting them to make a submission to the Inquiry into zonal taxation.

#### **3. \*\*\***

#### **4. Adjournment**

The meeting adjourned at 4.15pm, until 22 June 2016.

## **MINUTES OF MEETING No 11**

3:00pm

Monday 20 June 2016

Room 1043, Parliament House

### **Members Present**

Mrs Pavey (Chair), Mr Aplin (Deputy Chair), Mr Henskens, Ms Smith.

### **Apologies**

Apologies were received from Mr Barr, Ms Hay and Mr Rowell.

### **Officers in Attendance**

Jason Arditi, Kieran Lewis

#### **1. Committee membership**

The Deputy Chair advised the Committee of a change of membership as Mr Anderson was discharged from the Committee on 2 June 2016 following his appointment as

Parliamentary Secretary to the Deputy Premier. The Deputy Chair further advised that Mrs Pavey had been appointed to the Committee, also on 2 June 2016.

Resolved, on the motion of Mr Henskens, seconded by Ms Smith: That the Committee thank Mr Anderson for his contribution as Chair.

**2. Election of Chair**

Resolved, on the motion of Mr Henskens, seconded by Ms Smith: That Mrs Pavey be elected Chair of the Committee. Mrs Pavey then assumed the Chair.

**3. Minutes of previous meeting**

Resolved, on the motion of Mr Aplin, seconded by Mr Henskens: That the minutes of meeting no. 10 held on 4 April 2016 be confirmed.

**4. \*\*\***

**5. \*\*\***

**6. Inquiry into zonal taxation**

**6.1 Submissions received**

Resolved on the motion of Mr Aplin that the Committee publish submissions 1-14 on its website.

**6.2 Possible site visits/regional hearings**

The Committee discussed locations for possible site visits and public hearings and agreed to provide Committee staff with suggested locations.

The Committee agreed to invite Professor Anne Twomey, Professor of Constitutional Law, University of Sydney, to brief the Committee regarding possible constitutional prohibitions against the States implementing differential tax zones.

**7. Next meeting**

To be confirmed. The meeting adjourned at 4.01pm.

**MINUTES OF MEETING No 12**

9:30am

Thursday 20 October 2016

Room 1043, Parliament House

**Members Present**

Mrs Pavey (Chair), Mr Aplin (Deputy Chair), Mr Henskens, Mr Barr, Mr Rowell, Ms Smith.

**Officers in Attendance**

Carly Maxwell, Emma Matthews, Kieran Lewis

**1. Minutes of previous meeting**

Resolved, on the motion of Mr Henskens, seconded by Mr Aplin: That the minutes of meeting no. 11 held on 20 June 2016 be confirmed.

**2. Inquiry into zonal taxation**

**2.1 Briefing Note – inquiry update**

Resolved, on the motion of Mr Rowell: That the Committee note the Briefing Note and agree to write to the Treasurer.

**3. Other business**

The Committee discussed future plans for the inquiry into zonal taxation.

**4. Next meeting**

To be confirmed. The meeting adjourned at 9:41am.

**MINUTES OF MEETING No 13**

12.30 p.m.

Wednesday 5 April 2017

Room 1136, Parliament House

**Members Present**

Mr Aplin (Deputy Chair), Mr Barr, Mr Crouch, Mr Harris, Ms Hodgkinson, Mr Rowell, Ms Smith.

**Officers in Attendance**

Carly Maxwell, Ben Foxe, Abigail Turingan.

Mr Aplin as Deputy Chair opened the meeting in accordance with Standing Order 284, which provides for the Deputy Chair to act as Chair, in the Chair's absence.

**1. Committee membership**

The Deputy Chair advised the Committee of changes in membership:

Mr Harris replaced Ms Hay, resigned (Legislative Assembly Votes and Proceedings, 10 November 2016, entry no. 14).

Mr Crouch and Ms Hodgkinson replaced Mr Henskens and Mrs Pavey, discharged (Legislative Assembly Votes and Proceedings, 29 March 2017, entry no. 14).

The Committee agreed to a note of thanks to the previous Chair of the Committee, Mrs Pavey.

**2. Election of Chair**

Resolved on the motion of Mr Crouch, seconded by Mr Rowell: That Ms Hodgkinson be elected Chair of the Committee. Ms Hodgkinson then assumed the Chair.

**3. General business**

The Committee deliberated on the progress of the inquiry into zonal taxation. The Committee also discussed the previous inquiry 'Establishment of special economic zones' conducted by the Legislative Assembly Committee on Economic Development in 2012. Resolved on the motion of Mr Barr, seconded by Mr Crouch: That the Committee complete the inquiry into zonal taxation.

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**4. Confirmation of minutes**

Resolved on the motion of Ms Smith, seconded by Mr Aplin: That the minutes of Meeting No 12 be confirmed.

**5. Next meeting**

Date to be determined. The Committee adjourned at 12.39 p.m.

**MINUTES OF MEETING No 18**

4pm

Thursday 23 November 2017

Room 1043, Parliament House

**Members present**

Mr Aplin (Deputy Chair), Mr Barr, Mr Crouch, Mr Harris, Mr Johnsen

**Apologies**

Mr Rowell, Ms Smith

**Officers in attendance**

Simon Johnston, Ben Foxe, Caroline Hopley, Abigail Turingan

Mr Aplin as Deputy Chair opened the meeting in accordance with Standing Order 284, which provides for the Deputy Chair to act as a Chair, in the Chair's absence.

**1. Committee membership**

The Deputy Chair advised the Committee of a change in membership:

Mr Johnsen replaced Ms Hodgkinson, resigned (Legislative Assembly Votes and Proceedings, 23 November 2017, entry no. 21).

The Deputy Chair welcomed Mr Johnsen to the Committee.

**2. Election of Chair**

Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That Mr Johnsen be elected Chair of the Committee. Mr Johnsen then assumed the Chair.

**3. Confirmation of minutes**

Resolved on the motion of Mr Barr, seconded by Mr Crouch: That the minutes of Meeting No 17 be confirmed.

**4. \*\*\***

**5. Next meeting**

Date to be determined. The Committee adjourned at 4:02pm.

**MINUTES OF MEETING No 19**

11:02 am

Monday 18 December 2017

Room 813, Parliament House, and via telephone

**Members present**

Mr Johnsen (Chair), Mr Aplin, Mr Barr, Mr Crouch, Mr Harris

**Apologies**

Mr Rowell, Ms Smith

**Officers in attendance**

Simon Johnston, Ben Foxe, Caroline Hopley, Abigail Turingan

**1. Confirmation of minutes**

Resolved on the motion of Mr Harris, seconded by Mr Crouch: That the minutes of Meeting No 18 be confirmed.

**2. Inquiry – Inquiry into zonal taxation**

The Committee discussed the inquiry and the possibility of publishing an interim report and reopening the inquiry for submissions on two focus areas.

**2.1 Progress of the inquiry**

Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That the Chair and the Committee staff prepare an interim report regarding the inquiry and re-open the inquiry for submissions (when the interim report is tabled) to be received by 23 February 2018.



Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That all submission makers and stakeholders contacted at the outset of the inquiry be contacted again and informed of the opportunity to make a submission/supplementary submission.

Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That the Chair issue a media release to announce the reopening of the inquiry for submissions and that the Committee's webpage be updated accordingly.

## **2.2 Submissions received**

Resolved on the motion of Mr Harris, seconded by Mr Aplin: That the Committee authorise the publication of Submissions 15 and 16 in full as recommended.

## **2.3 Correspondence received**

Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That the Committee note correspondence received in November 2016 from the then Minister for Finance, Services and Property, the Hon. Dominic Perrottet MP, regarding the inquiry.

Resolved on the motion of Mr Crouch, seconded by Mr Aplin: That the Committee write to the current Minister for Finance, Services and Property to request an update to the data provided to the Committee by the previous Minister in November 2016.

3. \*\*\*

4. \*\*\*

## **5. Next meeting**

Date to be determined in January 2018. The Committee adjourned at 11:13 am.

## **UNCONFIRMED MINUTES OF MEETING No 20**

11:05 am

Wednesday 17 January 2018

Room 813, Parliament House, and via telephone

### **Members present**

Mr Johnsen (Chair), Mr Aplin, Mr Barr, Mr Crouch, Ms Smith

### **Apologies**

Mr Harris, Mr Rowell

### **Officers in attendance**

Elaine Schofield, Benjamin Foxe, Caroline Hopley, Abigail Turingan

**1. Confirmation of minutes**

Resolved on the motion of Mr Aplin, seconded by Mr Barr: That the minutes of Meeting No 19 be confirmed.

**2. Inquiry – Inquiry into zonal taxation**

**2.1 Consideration of the Chair's draft interim report**

The Chair spoke to the draft interim report previously circulated.

The Committee agreed to consider the draft interim report in globo.

Amendment proposed:

Mr Barr moved, seconded by Ms Smith:

That Paragraphs 1.20 to 1.32 be omitted, and that Paragraph 1.19 be amended by omitting the words 'in response are discussed below' and inserting instead 'can be found on the Committee's website, however included below is a discussion of the Government response to Recommendation 3, because of its direct relevance to this inquiry'.

Discussion ensued. Question put. The Committee divided:

Ayes: Mr Barr, Ms Smith

Noes: Mr Johnsen, Mr Aplin, Mr Crouch

Motion negatived.

Mr Crouch moved, seconded by Mr Aplin: That the draft interim report be agreed to.

Discussion ensued. Question put. The Committee divided:

Ayes: Mr Johnsen, Mr Aplin, Mr Crouch, Ms Smith

Noes: Mr Barr

Motion agreed to.

Resolved on the motion of Mr Barr, seconded by Mr Crouch:

- a) That the draft report be the interim report of the Committee, and that it be signed by the Chair and presented to the House
- b) That the Chair and committee staff be permitted to correct stylistic, typographical and grammatical errors.
- c) That, once tabled, the interim report be posted on the Committee's website.

**3. \*\*\***

**4. \*\*\***

**5. Next meeting**

Date to be determined. The Committee adjourned at 11:20 am.