



The Hon. John Barilaro MP

Deputy Premier
Minister for Regional New South Wales,
Minister for Skills and Minister for Small Business

Ref: A2787983

Ms Helen Minnican
Clerk of the Legislative Assembly
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Ms Minnican

Helen

I refer to Report No. 3/56 of the Legislative Assembly Committee on Investment, Industry and Regional Development entitled *Inquiry into Zonal Taxation*.

The enclosed Government response is provided in accordance with Legislative Assembly Standing Order No 303A.

In addition, the Hon Dominic Perrottet, NSW Treasurer, announced on 22 November 2018 that the Government will be implementing all twelve recommendations of the NSW Productivity Commission's recent review of Payroll Tax Administration in NSW. These reforms will streamline payroll tax administration in NSW and significantly reduce the cost and compliance burden on regional businesses.

If you require additional information or wish to discuss this matter further, please contact Mr Chris Hanger, Executive Director, Regional Cabinet, Infrastructure and Programs, Department of Premier and Cabinet on [REDACTED] at [REDACTED]

Yours sincerely

The Hon. John Barilaro MP
Deputy Premier
Minister for Regional New South Wales
Minister for Skills and Minister for Small Business

cc: Premier, the Hon Gladys Berejiklian MP



**NSW LEGISLATIVE ASSEMBLY COMMITTEE ON INVESTMENT, INDUSTRY AND
REGIONAL DEVELOPMENT – INQUIRY INTO ZONAL TAXATION (REPORT 3/56,
MAY 2018)**

GOVERNMENT RESPONSE

The NSW Government welcomes the Final Report of the Inquiry into Zonal Taxation from the Legislative Assembly Committee on Investment, Industry and Regional Development, tabled 31 May 2018. The Government acknowledges the Committee's work in preparing the report, and the input of those who made submissions to the Inquiry.

The report makes specific recommendations relating to zonal taxation in support of regional employment, business growth and business attraction. The recommendations and the research completed by the committee is welcomed and noted.

The NSW Government has a strong record in strategic regional planning, regional infrastructure investment and business support, including taxation relief incentives. The government will continue to monitor the implementation of existing commitments, whilst exploring other opportunities for taxation relief, taking into account the recommendations in this report.

The *Regional Development Framework (RDF)*, released in 2017, sets out the government's plan to provide quality services and infrastructure in regional NSW, aligning efforts to support growing regional centres, and activating economic potential. In July 2018 the government released the *20-Year Economic Vision for Regional NSW*, which outlines the vision for regional community growth and job creation, building on the RDF. The vision includes a strong focus on growth in key "engine" industries through investment in infrastructure, skills development and business investment. Key industries include agribusiness and forestry, resources and mining, tourism, tertiary education, health and residential care, freight and logistics and defence.

The government has designed funding to deliver on these policies. A total of \$1.6 billion has been allocated under the *Regional Growth Fund* and *Regional Growth Environment and Tourism Fund*. A further \$4.154 billion has also been committed to investing into transformational regional infrastructure projects under the *Snowy Hydro Legacy Fund* announced in the 2018-19 State Budget.

In September 2018, the Government also announced the *Regional Investment Attraction Package (RIAP)*, which sets measures to support regional business investment and growth. This includes an additional \$20 million under the *Regional*



Investment Attraction Fund (RIAF), \$10 million for Skills Relocation Assistance, and an investment concierge to support businesses investing in or moving to regional NSW.

NSW is growing quickly and the NSW Government is making sure there is a plan to sustain and build on that growth. The focus is not just on Sydney. Government is removing barriers and providing equal opportunities for regional communities to become regional cities.

The Government is currently developing Special Activation Precincts. These precincts will provide a strategic and coordinated approach to land use and infrastructure planning for key industries in regional NSW. The feasibility of a precinct at Parkes NSW is currently being investigated. The Commonwealth and other stakeholders can be engaged to establish other precincts in areas where this is likely to attract new overseas and interstate business investment.

Furthermore, the NSW Government is committed to providing taxation relief initiatives including business tax concessions. Payroll tax is the second largest tax source in NSW and is a key revenue source to deliver critical infrastructure such as schools, hospitals and roads across the state. The NSW Government acknowledges that lowering taxation can be an effective incentive for job creation and business attraction, relocation and retention, which are all key priorities.

As part of the NSW Small Business Strategy released following the 2017-18 Budget, the NSW Government committed to exploring opportunities for further taxation relief, encouraging business and employment growth. As part of the 2018-19 Budget the following year, the NSW Government announced payroll tax thresholds will also be raised for all NSW businesses from the current level of \$750,000 to \$1 million by 2021-22. Nearly 40,000 businesses will save up to \$13,625 each by 2021-22. Businesses that consistently have payroll liabilities over \$1 million will save more than \$120,000 over the next decade.

Rebates under the Jobs Action Plan are still available for eligible new jobs until 1 July 2019 to the value of \$6,000. Small Business Employment Incentive grants are also still available for businesses that do not pay payroll tax who employ people in new jobs on or after 1 July 2015 to the value of \$2,000.

There is strong stakeholder support for ongoing taxation reform to build and maintain the competitiveness of regional NSW businesses. The findings and recommendations from this inquiry will be make a valuable contribution to any further work undertaken by the government.