

**Supplementary
Submission
No 13a**

ZONAL TAXATION

Organisation: Regional Development Australia Hunter
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The Chair
Mr Michael Johnson, MP
Legislative Assembly Committee on Investment,
Industry and Regional Development
Parliament House
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Re: Inquiry into Zonal Taxation Interim Report

Dear Mr Johnson,

Thank you for the opportunity to contribute to the Inquiry into Zonal Taxation. On behalf of RDA Hunter, the following comments are offered for the Committee's consideration.

Issue 1

Encourage businesses to grow

The real impact of the threshold on business-owner decisions needs to be examined.

- How many businesses in New South Wales are structured to stay between \$675,000 (10% below) and the current \$750,000 threshold?
- If the threshold was increased, then how many of these businesses would employ how many more staff? Is there a willingness on the part of businesses to enter into a guarantee with the government to deliver new jobs in return for lower taxes?

Issue 2

At least as good as Victoria

We need incentives to attract investment to the Hunter (and other regions of NSW). Incentives can be supported by the state government being engaged in the competition for businesses setting up, expanding and relocating. As a minimum a "no disadvantage package" for businesses to operate and grow in NSW needs to be marketed.

Investment drivers, including taxes, can then be evaluated by investors in the knowledge that they will at least be no worse off, and, in some areas, they will benefit from unassailable advantages, - e.g. venture capital, transport, access to markets, R&D partnerships, affordable land and skilled workforce availability. On this last investment driver, RDA Hunter is delivering a STEM skilled workforce as required by local industry for the future.

Issue 3

Regional – difficult to define

RDA Hunter sees a role for special consideration on the rate of land tax and stamp duty in making regions more competitive.



Significant economic zones, in the form of under-developed commercial and employment land, exist in close proximity to the Port of Newcastle, Hunter River and Newcastle Airport, Williamstown. If the eligibility conditions for all but one of the Regional Growth Funds are taken to indicate the New South Wales Government's view on where is regional, then Newcastle and parts of Port Stephens will be deemed to be urban 'metro' areas. Therefore, two of the most likely zones to deliver significant investment, productivity improvements and growth in new jobs created through lower state taxes could be excluded from a 'regions-only' approach to tax reform.

On this basis, tax reforms need to be tied to delivery of demonstrable long-term economic outcomes and not only to postcodes.

Issue 4

Payroll tax in NSW: at a lower rate and cutting in at a higher threshold

Targeted research is required to deliver evidence on which decisions can be made. For instance:

- Investigate the scale of regional businesses using non-local, payroll tax exempt, contractors as a means of reducing payroll tax liability and the impact this is having on local employment of local residents.
- Survey regional businesses to determine willingness to agree to employ more locals if an increased regional threshold was introduced.

Issue 5

In support of the Hunter's agricultural enterprises, as supported by NSW Farmers, stamp duty exemptions for transfers between family members are welcome and consideration should be given to reducing, preferably removing, stamp duty on productive farm lands bought and operated by first time family farmers.

- What is the state of the commercial property market in regional NSW? How much space has been developed and is under-utilised? How much land is zoned for commercial use and has not been developed?

In conclusion

Any changes to the tax regime that reduces income for the state need to be quantified. This work should then be followed by consultations with businesses and communities regarding areas in which savings for the state can be made and new areas of income generation to offset the reduction in state revenue.

Yours faithfully



Trevor John

Director of Regional Development and Executive Officer
RDA Hunter