

**INQUIRY INTO APPLICATION OF THE CONTRACTOR
AND EMPLOYMENT AGENT PROVISIONS IN THE
PAYROLL TAX ACT 2007**

Name: Name suppressed
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Partially
Confidential

I am writing to express my concerns regarding the impact of payroll tax on mortgage brokers in NSW. As a mortgage broker operating in this state, I am deeply concerned about the adverse consequences that the imposition or expansion of payroll tax will have on my business, my clients, and the broader financial services industry.

The Role of Mortgage Brokers in NSW

Mortgage brokers play a vital role in helping individuals and businesses secure home loans, refinancing, and financial products that best suit their needs. We provide expert guidance, competition in the lending market, and a high level of service that benefits borrowers. Mortgage brokers facilitate access to credit for first-time homebuyers, investors, and families, many of whom would struggle to navigate the complexity of the lending process without professional assistance.

Negative Impact of Payroll Tax on Mortgage Brokers

The imposition of payroll tax on mortgage brokers presents several challenges, including:

Increased Cost of Doing Business Mortgage brokers operate in a commission-based environment where earnings are contingent upon loan settlements. Unlike salaried employees, brokers bear business risks, expenses, and regulatory costs. Adding payroll tax to commissions paid to brokers would significantly increase operational costs, which are already burdened by compliance and licensing expenses.

Reduced Consumer Choice and Competition Increased financial pressure on mortgage brokers may lead to industry consolidation, where only large firms can absorb these costs. This would reduce competition, limit consumer choice, and ultimately weaken the ability of independent brokers to offer personalized and diverse lending solutions.

Flow-On Effects to Consumers If brokers are forced to pass on the additional costs to clients, this will lead to higher borrowing costs, disadvantaging homebuyers and small businesses seeking finance. In a housing market already challenged by affordability concerns, any increase in costs could push homeownership further out of reach for many Australians.

Unfair Classification of Mortgage Brokers as Employers Mortgage brokers typically operate as independent businesses or under an aggregator model. Many brokers work as self-employed professionals who manage their own expenses, liabilities, and business operations. Classifying commissions as payroll for tax purposes misrepresents the nature of our industry and unfairly penalizes brokers who are not traditional employers.

Request for Exemption or Fairer Tax Treatment

I urge the NSW Government and this Committee to reconsider the imposition of payroll tax on mortgage brokers and financial services professionals. Specifically, I request that:

Mortgage brokers and their commissions be exempted from payroll tax to reflect the independent nature of the profession.

The NSW Government consult with industry bodies, such as the Mortgage & Finance Association of Australia (MFAA) and the Finance Brokers Association of Australia (FBAA), to find a fair and reasonable solution.

Alternative support measures be introduced to assist small business owners in financial services, rather than imposing additional tax burdens.

Conclusion

The introduction of payroll tax on mortgage brokers is an unfair and detrimental policy that will harm small businesses, reduce competition, and ultimately impact consumers. I strongly urge the Committee to consider the significant economic and social ramifications of this measure and to work towards a fairer taxation framework that supports the mortgage broking industry in NSW.

Thank you for considering my submission. I welcome the opportunity to provide further information or appear before the Inquiry to discuss this matter further.