

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

Organisation: Waste Contractors and Recyclers Association of NSW
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6 Macquarie St
SYDNEY NSW 2000



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Inquiry into Payroll Tax Rules Impacting the Waste and Recycling Industry

Hon. Jeremy Buckingham and Committee members,

I write on behalf of the Waste Contractors and Recyclers Association of NSW to raise significant concerns regarding the outdated payroll tax regime in NSW and recent changes in the interpretation of the employment agent rules under the Payroll Tax Act 2007. These changes, implemented by Revenue NSW, have expanded the definition of employment relationships, imposing new and unexpected payroll tax obligations that threaten the stability of the Waste and Recycling industry and the broader business community.

The Payroll Tax Regime in NSW is Outdated

The current payroll tax framework in NSW no longer accommodates modern work arrangements in the state's evolving economy. Many organisations, including those in the Waste and Recycling industry, believe the system is in urgent need of a full and well-consulted rewrite to ensure it reflects the realities of contemporary business practices. Without a comprehensive review, businesses will continue to struggle with outdated tax obligations that hinder operational efficiency and economic growth.

The Essential Nature of Waste and Recycling Services

The Waste and Recycling industry provides essential services critical to public health, hygiene, and environmental sustainability. If businesses in this sector are forced to close due to the retrospective application of tax rules or unexpected financial burdens, many homes, businesses, and communities will be left without access to waste and recycling services. Such disruptions would have immediate and severe consequences, including:

- **Health and hygiene issues**, as uncollected waste leads to the spread of disease, pests, and environmental pollution.
- **Community and business impacts**, with local councils and essential services unable to manage waste effectively.

Waste and Recycling services must not be subjected to policy changes that could jeopardise their ability to function effectively.

Lack of Clear Communication and Consultation from Revenue NSW

Another major concern is the way in which the Commissioner for Revenue NSW announces new rulings and interpretations. Businesses are often unaware of these changes until it is too late, with little to no time to assess their implications or adjust operations accordingly. To ensure transparency and fairness, the government should introduce a legislated minimum timeframe for public awareness and consultation before any new rulings or interpretations can take effect. Businesses must be given adequate time to review, prepare for, and comply with new tax obligations without facing sudden financial strain.

Financial Burden on Businesses and Communities

The industry's operational model heavily relies on contract arrangements, including:

- **Owner-drivers**, providing transport services critical to waste collection.
- **Mechanics and maintenance contractors**, ensuring vehicle safety and operability.
- **Labour hire and subcontracting**, used to manage fluctuating operational demands.

The expansion of payroll tax obligations to these business relationships will lead to double taxation, where both the contracting and subcontracting companies are taxed on the same labour. This practice is unfair and will substantially increase costs for the industry.

With businesses already grappling with economic hardship and rising operational expenses, this added financial burden will:

- Increase costs for essential waste services, impacting households and businesses.
- Force small businesses to pass on higher expenses to customers or face closure.
- Contribute to inflationary pressures, worsening economic challenges across NSW.

Retrospective Application of Payroll Tax Rules Must Stop

One of the most damaging aspects of these changes is the retrospective application of tax rulings, creating liabilities that reach back up to eight years. This practice has already caused severe financial distress in other industries, such as General Practitioners and mortgage aggregators, and is now threatening the Waste and Recycling sector. The case of Integrated Trolley Management, which entered administration due to retrospective payroll tax obligations, serves as a stark warning.

This unjust practice must end immediately. Businesses should not be penalised for rules they were unaware of or could not reasonably anticipate. The government must legislate against retrospective application of payroll tax rulings to protect businesses from unexpected liabilities that threaten their financial stability.

Recommendations for the Inquiry

To address these urgent issues, we urge the Inquiry to recommend the following actions to the NSW Government:

1. **Undertake a full review and rewrite of the payroll tax regime** to align with modern work arrangements and business practices.
2. **Cease the retrospective application of payroll tax rulings**, ensuring businesses are not held accountable for past obligations they could not have foreseen.
3. **Implement a legislated minimum timeframe for notification and consultation** on new payroll tax rulings and interpretations to provide businesses with adequate time for compliance.
4. **Recognise the essential nature of Waste and Recycling services**, ensuring any payroll tax changes do not disrupt the delivery of these critical services to homes and businesses.
5. **Engage directly with the Waste and Recycling sector** to understand its unique challenges and ensure fair and effective policy outcomes.
6. **Provide clear guidance and support**, including transitional arrangements, to help businesses comply with any future rule changes without risking closure.

The Waste and Recycling industry plays a vital role in NSW's public health, environmental sustainability, and economic stability. The outdated payroll tax system, coupled with sudden, unclear rule changes and retrospective applications, creates an untenable financial burden on businesses. We urge swift and decisive action to ensure fair, transparent, and sustainable payroll tax policies moving forward.

We thank the Committee for the opportunity to provide this submission and strongly advocate for necessary reforms to safeguard NSW businesses and communities.

Yours sincerely,

Brett Lemin
Executive Director
Waste Contractors and Recyclers Association of NSW