

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

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Portfolio Committee No. 1 - Premier and Finance
NSW Parliament House
6 Macquarie Street
Sydney NSW 2000

Dear Committee members

The Business Council of Australia (BCA) welcomes the opportunity to provide a submission to the inquiry into the application of the contractor and employment agent provisions in the *Payroll Tax Act 2007*.

Payroll tax is an additional cost that businesses face when they hire staff. This can deter a business from expanding and hiring workers, which is counterproductive for governments seeking to create more jobs. A national business must also deal with eight different payroll tax regimes with differences in rates, thresholds, exemptions, and administration across the country.

Last year the BCA published its latest Regulation Rumble report, which compares the regulations and tax policies of the states and territories across Australia.¹ In the context of payroll tax, the report found South Australia and New South Wales have the most competitive and jobs-friendly payroll tax systems in Australia, while the Australian Capital Territory and Victoria have the least competitive systems.

The uncompetitive payroll tax settings, as well as the variation in payroll tax systems across the country, makes Australia a more complex, less productive and less competitive place to do business.

Any adverse changes to payroll tax will ultimately make Australia less competitive and will undermine jobs growth. For instance, Electrical Trades Union national secretary Michael Wright has pointed out that while it made sense last century, payroll tax has become “problematic” and gets “in the way of employing people”.²

Yours sincerely

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¹ https://www.bca.com.au/regulation_rumble_2024

² <https://www.theaustralian.com.au/nation/politics/business-and-electrical-trades-union-join-forces-to-call-for-payroll-tax-reform/news-story/7b1f4a2253c4d9c3cc20244e98ba295f>