



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A028

Date Referred: 15/10/2018

Date Published: 18/03/2019

Proposal Title: Defer further payroll tax cuts

Cluster: Treasury

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	62,000	126,000	191,000	379,000
Net Operating Balance:	-	62,000	126,000	191,000	379,000

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	62,000	126,000	191,000	379,000
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Total State Sector Impacts

Net Lending/(Borrowing):	-	62,000	126,000	191,000	379,000
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Notes and costing assumptions

The policy is to defer further increases in the payroll tax threshold beyond \$850,000. The policy is estimated to increase revenue by \$379 million over the forward estimates.

Background

The payroll tax threshold is the annual payroll amount at which companies start paying payroll tax. Payroll up to the threshold is tax free. Increasing the threshold reduces the amount of revenue that would otherwise be received, by freeing some companies from paying payroll tax entirely and reducing the amount of tax paid by all companies that pay payroll tax and claim the threshold.

The thresholds currently in Schedule 1 of the *Payroll Tax Act 2007* are:

- 1) \$850,000 in 2018-19
- 2) \$900,000 in 2019-20
- 3) \$950,000 in 2020-21
- 4) \$1,000,000 in 2021-22.

Deferring the increases in the threshold will require amendment of the legislation.

Notes and costing assumptions continued:

Costing assumptions

This costing is based on Treasury estimates of the difference between the amount of payroll tax businesses would pay under the current policy settings compared with the proposed policy settings.

The payroll tax data used to calculate future payroll tax liability under both scenarios is based on 2017-18. Payroll tax estimates are projected in future years based on forecasts of annual wage growth consistent with those used in the 2018-19 Pre-Election Budget Update (PEBU), and average NSW population growth, used as a proxy for growth in the total number of businesses subject to payroll tax.

The payroll tax liabilities calculated under the base case (current policy settings) are adjusted to be consistent with the 2018-19 and forward year payroll tax revenue forecasts contained in the 2018-19 PEBU. The same adjustment factors are also applied to the payroll tax liabilities calculated under the proposed policy.