

## Payroll Tax (Nexus) Amendment Bill – 26 May, 2010

**Mr PEDERICK (Hammond) (15:53):** I rise to support this bill. I think there will be some problems with some of the administration of it, but I want to reflect on the rate of state taxes briefly in this state and that, under the Rann Labor government, South Australia is the highest taxed state in the nation. This has been confirmed by two independent reports: the Commonwealth Grants Commission and the Institute of Public Affairs.

Tax revenue has increased by 66 per cent since this government came to office, and one example is payroll tax, which in 2001-02 brought in \$601 million and in 2009-10 brought in \$903 million, an increase of 50 per cent.

In regard to the Payroll Tax (Nexus) Amendment Bill 2010, the amendments aim to close a loophole in the current payroll tax legislation so that, where taxes are paid to workers who provide their services in more than one state or territory in a month, payroll tax is paid to the jurisdiction of the employee's principal place of residence and not the jurisdiction where the bank account is located, as is currently the practice. We are told that this prevents employers from directing their employees to situate their bank accounts for the payment of wages in a state or territory that has a lower rate of payroll tax.

I just wonder what level of administration this will put on businesses, especially in mining, which are already under stress from the prospect of a super tax. In particular, there are many areas in South Australia—whether it be Prominent Hill, the Moomba gas fields, the Cooper Basin (which goes across the state border between Queensland and South Australia) or mining developments throughout the state—where people fly in and out or go into other states such as Western Australia. In these areas, quite a few people are on rosters of either three weeks on/three weeks off or four weeks on/four weeks off, and they can come from anywhere in the country.

While businesses were notified of these changes last year, it is interesting to note that consultation did not take place and, as the shadow minister (the member for Davenport) indicated, the government could only provide one current example where those changes would apply. The government has admitted that it has based the concept on anecdotal evidence only.

These changes have been agreed by all states and territories as part of the national payroll tax harmonisation process with only South Australia and Western Australia yet to formally adopt them. It is hoped that these amendments will not have any impact on compliance costs for business or greatly increase revenue to the state; however, they will apply retrospectively from 1 July 2009.

Businesses have been given the opportunity to use either the old or the new system and will be required to comply with the changes from the start of the 2010-11 financial year. Businesses with employees working in more than one jurisdiction that are still operating under the old system will have to make the changes in their payroll tax for this financial year at the time of the annual reconciliation.

I note that the Liberal Party supports the bill, but I hope that, when businesses have to adjust their paperwork, it does not become a burden working out the place of residence of everyone who works in their business.