

# Payroll tax cuts to boost jobs



## A MAJORITY LIBERAL GOVERNMENT WILL:

- Cut Payroll tax to reduce the impact on small and medium sized businesses to encourage them to employ more people
- Around 650 more jobs expected
- Most competitive payroll tax for any State (up to \$4m payroll)



## Boosting jobs

### Promoting job creation and business investment

The Hodgman Liberal Government has a strong record of policies and initiatives to promote increased employment and economic growth.

Our last Budget included a range of incentives to stimulate job creation. Funding of \$17 million was provided to support a targeted payroll tax rebate for trainees, apprentices and youth employees. In addition, the Hodgman Liberal Government committed \$2 million to pilot a small business grants program to support small business employ more apprentices and trainees.

The Hodgman Liberal Government's plan to grow jobs, investment and the economy is clearly working. The economy is growing again after the disastrous Labor-Green Government, business confidence is soaring and more than 10,600 jobs have been created since the last election.

However, as the economy grows and businesses employ more people, wages bills grow, and more small and medium businesses will be paying more payroll tax. The Government is committed to taxation arrangements that are among the most competitive in Australia – and we want to keep it that way.

### Payroll tax cuts

The Hodgman Liberal Government has balanced the budget, made record investments in essential services and demonstrated what a stable majority government can achieve. This strong fiscal position provides the opportunity to further reduce payroll tax for businesses.

A re-elected majority Hodgman Liberal Government will change the way payroll tax is levied, to lower how much tax small and medium sized businesses pay, by introducing a lower tax rate and higher threshold.

Under the current arrangements, businesses pay 6.1 per cent payroll tax on all wages over the tax-free threshold of \$1.25 million.

The new arrangements introduce an additional threshold and a lower tax rate, such that:

- Businesses with total wages of less than \$1.25 million will continue to pay no tax;
- Businesses with total wages of between \$1.25 million and \$2.0 million will pay tax at a rate of 4.0 per cent; and
- Businesses will pay tax at a rate of 6.1 per cent on wages above \$2.0 million.

### Our Targets

1. Reduce the unemployment rate to the best State in the country by 2022.
2. Reduce the youth unemployment rate to at or below the national average by 2022.
3. A 40% increase in apprentices and trainees in the private sector by 2025.
4. No new or increased taxes for Tasmanians.
11. A 10% increase in small business employment by 2022.

### Why Tasmania Needs This

Many small-medium businesses argue that payroll tax is a disincentive on hiring new staff and creating jobs.

Reducing the impact that payroll tax has on small and medium sized businesses will encourage them to employ more people and invest more.



## Boosting jobs

This means that all businesses will save tax and small to medium businesses with wages bills between \$1.25 million and \$2.0 million will see substantial savings in their payroll tax liability with savings of up to \$15,750 per year. This represents up to a 34 per cent tax cut for these businesses.

In total with our previously announced measures for apprentices and trainees this policy provides more than \$50 million in payroll tax cuts until 2020-21 including those in the 2017-18 budget. This is extra money that will enable these businesses to invest and expand, and importantly employ more people.

There are approximately 2,650 businesses that pay payroll tax. Businesses tell us that payroll tax is an impediment to employing more people and therefore if just 25% of these businesses were to create one extra job as a result of this measure around 650 new jobs would be created.

In conjunction with our previously announced payroll tax measures to support apprentices, trainees and regional businesses, this new measure is expected to lift the total jobs supported to around 11,000 over this period.

Furthermore for Tasmanian businesses with a payroll up to \$4 million, Tasmania will have the most competitive payroll tax arrangements of any State.

### Cost

The change to Tasmania's payroll tax system is expected to reduce payroll tax revenues by around \$8 million per annum.

### Labor Green Record

In response to the disastrous policies and economic management of the previous Labor-Green Government, business confidence hit record lows, economic growth went backwards and unemployment peaked at 8.6 per cent.

At the time of the last election, the March 2014 Sensis Business Index revealed that two out of every three Tasmanian businesses felt that the Labor-Green Government's policies actually worked *against* them.