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By Isabella Kelly

## Business lobby calls for state payroll tax reform

The South Australian Business Chamber has called for the state government to introduce payroll tax reform to help struggling businesses, saying their reward for creating jobs was a “large tax bill”.



The South Australian Business Chamber CEO Andrew Kay has called for reform to the payroll tax in the next state budget. Photo: supplied

The chamber’s CEO Andrew Kay made a formal submission to treasurer Stephen Mullighan in early March, with six suggestions for change to the tax, which has remained unchanged since 2019.

[Payroll tax](#) is paid by employers, calculated on wages, with businesses that have a payroll between \$1.5 million and \$1.7 million liable to pay a variable rate from zero to 4.95 per cent. Anything above \$1.7 million is charged at 4.95 per cent.

“When the reward for creating jobs, saving a struggling business or adding to the complexity of the state’s economy is a large tax bill, the problems with this tax are clear,” Kay said.

The chamber’s recommendations include lifting the payroll tax threshold from \$1.5 million to \$2.1 million, which would afford South Australia the most competitive threshold in the country.

Another major recommendation is that regional businesses operating in South Australia receive a discount of 50 per cent on the tax.

The recommendations are in line with previous comments from Kay, who has pointed to Victoria taxing regional businesses at one-quarter the rate of other businesses.

“I think at its most basic level, the fact that potentially a business from South Australia is paying three times as much in payroll tax as its neighbour across the border just doesn’t stack up,” Kay said.

The SA Business Chamber said the tax impeded business growth but noted it was unlikely to ever be completely abolished, being forecast to add \$1685 million to state government coffers in the next 12 months.

“Despite our dislike of the tax, we recognise that no state government will walk away from this revenue grab, so we have presented a suite of recommendations to address some of the problems that this tax has created, while considering broader issues such as the jobs and skills shortage,” Kay said.

“Our surveys repeatedly demonstrate it is the most constraining state-based tax, and high wage growth in recent years has created a bracket creep scenario that has seen many businesses paying this tax for the first time.”

A previous survey found a 7.5 per cent increase in the 2022-2023 financial year of businesses subject to payroll tax, which they attributed to a rise in wages.

Other SA Business Chamber recommendations include the introduction of an exemption on wages paid to apprentices, trainees and graduates, as well as a waiver of the tax on wages paid to underrepresented workers, long-term unemployed individuals, post-correctional individuals and people undergoing re-skilling.

It has also called for widening the range payroll tax is scaled at, and for relaxing the grouping restrictions for small businesses in their first 12 months.

Treasurer Stephen Mullighan told [InDaily](#) in a statement that South Australia was “the lowest taxing state on the mainland and has the lowest unemployment rate in the nation”.

“South Australia boasts one of the most competitive payroll tax regimes in the nation and has the lowest top payroll tax rate in the country,” he said.

The [South Australian Business Chamber](#) represents more than 3000 members across 19 industry sectors. It is expected to release its state budget submission in the coming weeks.

tute based in Adelaide.