

21 April 2023

The Hon Cameron Dick MP, Treasurer and Minister for Trade and Investment
Parliament House
1 William Street
BRISBANE QLD 4000

By email: budgetsubmissions@treasury.qld.gov.au

Dear Treasurer,

Queensland State Budget 2023–24

The Tax Institute writes to you regarding our views on the priorities for the upcoming Queensland State Budget 2023–24 (**State Budget**). The State Budget plays a fundamental role in determining the economic direction of Queensland's future, impacting the lives of those who live and work in this community. We are of the view that developing the State Budget requires input from a diverse range of stakeholders whose views and experiences can assist the Government in addressing the most pertinent issues.

The Tax Institute is the leading professional body for the tax community in Australia. We have consulted with our Queensland State Taxes Committee to deliver a submission that outlines the key issues related to tax and duty that we consider should be prioritised by the Government in the upcoming State Budget.

The importance of the State Budget in the face of the ongoing cost of living pressures Australians continue to face cannot be understated. It needs to support Australians during these difficult times by reducing compliance costs and providing greater certainty on the application of tax laws for taxpayers. Examples include clarification of the application of, and streamlined record keeping for, a relevant contract for payroll tax purposes, or the imposition of payroll tax on businesses with a small presence in a state.

The Tax Institute also supports the harmonisation of state taxes and levies. This will reduce and simplify the compliance burdens for businesses and taxpayers, facilitating greater self-compliance with taxation obligations.

It is important that the Queensland Revenue Office (**QRO**) is adequately funded to provide the contemporary services expected from a leading revenue administration authority. The funding could be used in a number of ways to improve the taxpayer experience, including updating the suite of online services offered and an increase in the staff that assist taxpayers with their queries and compliance obligations.



Our detailed response is contained in **Appendix A**.

We would be pleased to meet with the Treasurer to discuss the points raised in our submission.

The Tax Institute is committed to shaping the future of the tax profession and the continuous improvement of the tax system for the benefit of all. In this regard, The Tax Institute seeks to influence tax and revenue policy at the highest level with a view to achieving a better Australian tax system for all. Please refer to **Appendix B** for more information about The Tax Institute.

If you would like to discuss any of the above, please contact our Senior Tax Counsel, Julie Abdalla, on (02) 8223 0058.

Yours faithfully,



Scott Treatt

General Manager,
Tax Policy and Advocacy



Marg Marshall

President

APPENDIX A

We have set out below our detailed comments and observations for your consideration.

Relevant contracts for payroll tax purposes

Broadly, the relevant contracts provisions contained in Division 1A of the *Payroll Tax Act 1971 (PTA)* deem the provision of certain work undertaken by contractors to be work provided by an employee to the employer. If an arrangement is deemed to be a relevant contract, it will be subject to payroll tax.

The provisions impose significant record keeping obligations and compliance burdens for taxpayers. Feedback from our members indicates that businesses often struggle to understand what records need to be kept to evidence their arrangement, often resulting in them not being able to produce the evolving nature of evidence requested in an audit or potential dispute.

The relevant contract provisions are also difficult to apply to modern business arrangements, resulting in them sometimes applying to circumstances that they were not originally intended to cover. The practical difficulties have been recently highlighted in the Commissioner of State Revenue's [Public Ruling PTAQ000.6.1](#) Relevant contracts – medical centres (**PTAQ000.6.1**). It is possible that PTAQ000.6.1 may inadvertently include as a relevant contract, an arrangement where the medical centre is only providing minimal administration services. These difficulties arise due to the drafting of the current legislation.

We recommend that the Government examine the effectiveness and application of the current relevant contracts provisions across all industries, and consider whether broader reform is required to ensure that they operate as intended. This examination could also consider establishing clearer record keeping requirements that would provide greater certainty to taxpayers. As noted below, The Tax Institute strongly supports a harmonised approach between all states and territories for any potential changes.

Payroll tax for a low number of employees

Thresholds for the liability to payroll tax in all states are based on a business' total Australian wages. In practice, employers can potentially have lodgement obligations in one or more states where there is only one employee. This is becoming a more common occurrence as businesses adopt remote working conditions for their employees.

Further, the disclosure requirements on businesses can be quite onerous as all states require reporting of monthly wages for each grouped entity, broken down into approximately 10 categories. These can include wages, superannuation, commissions, allowances, bonuses etc., although the requirements and categories may differ between the states. Further, some states require figures from other states to be further split between the reporting entity and group members.

Feedback from our members indicates that the software typically used by smaller businesses does not cater for the ability to generate the required reports that provide for the different information requirements of each state. This means that monthly payroll tax compliance may require the manual extraction of data for numerous reports, across several accounting software products, and the creation of several reports, to meet the requirements of each state. In some cases this compliance activity may be undertaken for a small number of employees and a negligible payroll tax liability. Where employers have a small number of employees in any state, the compliance costs disproportionately outweigh the potential revenue collected.

We recommend that the Government consider taking steps to reduce this disproportionate compliance burden on taxpayers. This may be achieved through the introduction of a *de minimis* threshold, either in amount of wages paid or number of employees employed, before which an employer is required to report employees in a state for payroll tax purposes. The Government could also consider working with other states to ensure that the appropriate information is accurately shared between the state revenue authorities and pre-filled for taxpayers to minimise their compliance burden.

Harmonisation of state taxes

The imposition of, fundamentally, the same tax can be radically different between each state. The differences impose significant compliance burdens on taxpayers who are required to introduce bespoke compliance approaches and record keeping strategies to meet the differing requirements that are unilaterally decided by each state. For example, Queensland's mental health levy contained in Divisions 5A, 5B and 5C of the Act is notably different to the equivalent levy introduced in Victoria.

The Tax Institute supports investment in an approach that harmonises existing and new state taxes and levies to simplify the application of the law and minimise the compliance costs for businesses and taxpayers. We consider that the Government should work with other state governments and leading professional bodies to identify the differences in the approach to existing laws and work towards agreement on a harmonised approach. This approach should apply equally to new laws and amendments to existing laws.

Funding for the Queensland Revenue Office

The QRO plays an integral role in the administration of Queensland's state taxes, including payroll tax, land tax and stamp duty. Its responsibilities go beyond the mere collection of the State's revenue and the actions of its officers can significantly impact a taxpayer's ability to readily and easily comply with their taxation obligations. In order to ensure that the QRO offers contemporary and expedient services to taxpayers, it is important that it is adequately funded.

Feedback from our members indicates that they are increasingly facing longer processing and response times in their dealings with the QRO. This is likely a result of insufficient resourcing. Our members have also noted that online services provided by the QRO are outdated compared to other revenue authorities and not up to the standard that is expected from a modern administrator. The Tax Institute supports the provision of additional funding for the QRO to ensure there is sufficient resourcing to meet taxpayers' needs and that the QRO's online platforms are updated to provide a full range of services.

We consider that funding should be provided to areas that interact with taxpayers, process claims and queries, and develop the needed guidance products. This should be prioritised over funding compliance programs targeted at addressing specific risks. Ensuring that taxpayers are informed of their taxation obligations and supported with timely and adequate guidance will likely lead to higher rates of self-compliance. In the long term, this one-to-many approach will benefit the Government and the public more than a targeted one-to-one compliance.

APPENDIX B

About The Tax Institute

The Tax Institute is the leading forum for the tax community in Australia. We are committed to representing our members, shaping the future of the tax profession and continuous improvement of the tax system for the benefit of all, through the advancement of knowledge, member support and advocacy.

Our membership of more than 11,000 includes tax professionals from commerce and industry, academia, government and public practice throughout Australia. Our tax community reach extends to over 40,000 Australian business leaders, tax professionals, government employees and students through the provision of specialist, practical and accurate knowledge and learning.

We are committed to propelling members onto the global stage, with over 7,000 of our members holding the Chartered Tax Adviser designation which represents the internationally recognised mark of expertise.

The Tax Institute was established in 1943 with the aim of improving the position of tax agents, tax law and administration. More than seven decades later, our values, friendships and members' unselfish desire to learn from each other are central to our success.

Australia's tax system has evolved, and The Tax Institute has become increasingly respected, dynamic and responsive, having contributed to shaping the changes that benefit our members and taxpayers today. We are known for our committed volunteers and the altruistic sharing of knowledge. Members are actively involved, ensuring that the technical products and services on offer meet the varied needs of Australia's tax professionals.