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Senator Helen Polley
Parliament House
CANBERRA ACT 2600

Dear Senator

On behalf of the Australian National Retailers Association (ANRA), I wish to provide a submission to the Senate Finance and Public Administration Committee's inquiry into the Nation Building and Jobs Plan.

The Australian National Retailers Association represents Australia's leading retailers, employing more than 450,000 Australians and accounting for about one third of retail sales.

ANRA does not wish to comment on the details of the initiatives proposed in the six bills referred to the Committee. ANRA welcomes a number of these initiatives, such as the enhanced investment allowance for business.

ANRA instead wishes to bring to the attention of the Committee a proposal which would help sustain Australian jobs during the economic slowdown. This proposal would assist employers in all sectors of the Australian economy.

The retail sector is a key barometer of the national economy. The retail sector is the single largest employer in Australia, accounting for almost 15 per cent of the national workforce. The sector is especially important as an employer of young Australians and women in the workplace: for example, half of working people aged under 20 are employed in the retail sector.

Unfortunately, turnover in the retail sector has fallen away sharply over the last twelve months. Under this pressure, the sector has seen the loss of 50,000 full-time jobs. Women were over-represented in this loss of full-time jobs: despite women holding fewer than 40 per cent of full-time jobs, 60 per cent of lost full-time jobs were held by women.

The latest government forecasts predict that more than 100,000 jobs will be lost by June 2009 as unemployment rises from 4.5 per cent to 5.5 per cent. Job losses are forecast to continue, with the unemployment rate reaching 7 per cent by June 2010. This scenario would mean that about 300,000 jobs will be lost over the next eighteen months. Needless to say, job losses on such a scale will damage already brittle consumer confidence.

Facing such a grim scenario, ANRA members are concerned that, through payroll tax, State and Territory governments will impose a \$16.7 billion tax on employment in 2008-09. While the initiatives proposed in the six bills before the Senate will stimulate demand, employers would also welcome measures which directly ease the costs involved in creating and retaining jobs. Employers already face higher costs during 2009 because of factors such as award modernisation and the annual minimum wage case.

ANRA will be writing to the Prime Minister, Premiers and Chief Minister to urge the Council of Australian Governments to develop a co-ordinated national strategy to ease the tax burden on employers.

The key measure in this strategy should be payroll tax relief.

ANRA proposes that governments reduce payroll tax levels to a uniform national rate of 4 per cent. This action would assist businesses, including many small businesses, employing as many as 6.5 million people.

ANRA proposes that the Commonwealth, States and Territories should jointly fund the reduction in payroll tax rates. ANRA believes that the most equitable approach would be for the Commonwealth to fund half of the costs of tax relief in each jurisdiction, conditional on a matching contribution from the State or Territory.

ANRA calculates that the cost of the initiative would be at most \$4.1 billion, shared between the Commonwealth, States and Territories. This estimate is based on the 2008-09 revenue forecasts issued by State and Territory governments. As these forecasts have not been adjusted to reflect the changed economic circumstances facing Australia, the revenue loss is likely to be lower. Costings information is provided in an attachment to this submission.

Thank you for the opportunity to provide the Committee with a submission.

Yours sincerely



Margy Osmond
Chief Executive

cc. Senator Fifield
Senator Cameron
Senator Collins
Senator Hanson-Young
Senator Moore
Senator Parry
Senator Ryan
Senator Fielding
Senator Xenophon

Background

The Federal Government's second stimulus package is focused on measures to stimulate business and consumer demand through cash payments to households and infrastructure spending.

While the aim of the stimulus package is to save jobs, there are no measures which directly assist employers to retain their employees or create new jobs.

At the same time, governments continue to increase the cost of employing Australians. Award modernisation, for example, will raise wage costs for most retail businesses in Australia, as could any action by the Australian Fair Pay Commission to raise minimum wages.

ANRA believes that there is a compelling case for payroll tax relief to ease the mounting pressures on employers.

Payroll tax is a strong obstacle to job creation. Rates vary from jurisdictions as do thresholds for exemption from the tax.

ANRA proposal

ANRA proposes that the Federal Government make a conditional offer to all States and Territories to fund half of the costs of reducing existing payroll tax rates to 4 per cent. Each State and Territory would be required to make a matching contribution.

Requiring joint funding of this tax reduction would make the most effective use of Commonwealth funds and reflect the fact that both levels of government will benefit from continued high employment. A joint funding model is an equitable approach which would not disadvantage jurisdictions which already offer lower rates.

The payroll tax reduction could be limited to 2009-10, made a permanent change or limited to another set period. A 2009-10 payroll tax holiday would not constrain the capacity of the Henry tax review to recommend changes to the Commonwealth-State tax mix.

The commencement date for this initiative could be 1 July 2009. The Council of Australian Governments meets on 26th March.

The cost of the initiative would be in the vicinity of \$4.1 billion (see table below). It is likely that this estimate is too high, given that the revenue forecasts below were issued by the States and Territories in 2008 before the full extent of Australia's economic slowdown had become apparent.

| | 2008-09 REVENUE FORECAST | EXISTING RATES | CUT REQUIRED TO 4% | REVENUE LOSS |
|-------|--------------------------------|-------------------|--------------------------|-----------------|
| NSW | \$6,410 m | 5.75% | 1.75% | \$1,950 m |
| VIC | \$3,963 m | 4.95% | 0.95% | \$760 m |
| Qld | \$2,702 m | 4.75% | 0.75% | \$426 m |
| WA | \$2,112 m | 5.5% | 1.5% | \$576 m |
| SA | \$888 m | 5% | 1% | \$177 m |
| TAS | \$266 m | 6.1% | 2.1% | \$91 m |
| ACT | \$251 m | 6.85% | 2.85% | \$104 m |
| NT | \$146 m | 5.9% | 1.9% | \$47 m |
| Total | \$16,738 m | | | \$4,131 m |

If a uniform payroll tax rate of 4 per cent was adopted in all States and Territories, employers would see a 24.6 per cent reduction in this tax on employment.

Benefits

The benefits of payroll tax reduction would accrue to employers with an annual wages bill as low as \$550,000.

Payroll tax thresholds

| | THRESHOLD |
|-------------------|-------------|
| NSW | \$623,000 |
| VICTORIA | \$550,000 |
| QUEENSLAND | \$1,000,000 |
| WESTERN AUSTRALIA | \$750,000 |
| SOUTH AUSTRALIA | \$552,000 |
| TASMANIA | \$1,010,000 |
| ACT | \$1,250,000 |
| NT | \$1,250,000 |

While the benefit of tax relief rises with the size of the workforce, many small businesses would still benefit from the ANRA proposal. The Australian Bureau of Statistics defines small businesses as businesses employing fewer than 20 people.

With the average full-time private wage almost \$59,000, a small business with as few as ten employees can be liable for payroll tax. In New South Wales, a business with 100 employees could save \$103,250 in tax under the ANRA proposal, a saving almost equal to the annual wages of two full-time employees.

The ANRA proposal would provide relief to businesses employing the majority of employees. According to the Australian Bureau of Statistics, at least 72 per cent of employees work in businesses employing more than 10 people.