



13 February 2008

Hon Andrew Fraser, MP  
Treasurer  
Level 9, Executive Building  
100 George Street  
Brisbane QLD 4000

Dear Treasurer

*Andrew,***Re: Business Priorities for Taxation Reform**

Further to our correspondence dated 14 December 2007 accompanying our Submission to the Queensland Government's State Budget 2008-2009, Commerce Queensland undertook to provide supplementing information for your consideration following our Pulse Survey for the December Quarter 2008.

By way of background the Pulse Survey is conducted in conjunction with the Australian Chamber of Commerce and Industry's National Survey of Business Expectations and is published in cooperation with the St George Bank.

The survey publishes quarterly the results from key questions put to the Queensland business community on National, State and individual economic performances and constraints.

The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business expectations available. Over 500 responses were received containing data from the largest firms in Queensland through to the smallest, providing a sample covering the entire business community.

The Pulse Survey for the December Quarter 2007 revealed a significant deterioration in business confidence as measured by the 12 month outlook for both the Queensland and National Economies. This downturn is attributed to the ongoing prospect of higher interest rates, inflationary pressures, increasing global economic instability. Commerce Queensland emphasises that the State Budget has the significant potential to buoy declining business confidence and a softening State economy outside of the resources sector.

As part of the Pulse Survey a hot topic question was included asking respondents to indicate which areas of State taxation should be given priority for reduction over the next three years.

The results from these questions serve as the foundation for Commerce Queensland's representations to the State Government and are consistent with the recommendations and key points raised within our State Budget Submission 2008-2009.

As indicated by the following chart payroll tax was identified as the number one tax burden on Queensland business and has a very high priority for a reduction over the next three years. Other State taxes considered to have high priority for a reduction over the next three years include insurance duty, mortgage duty and motor vehicle registration charges.

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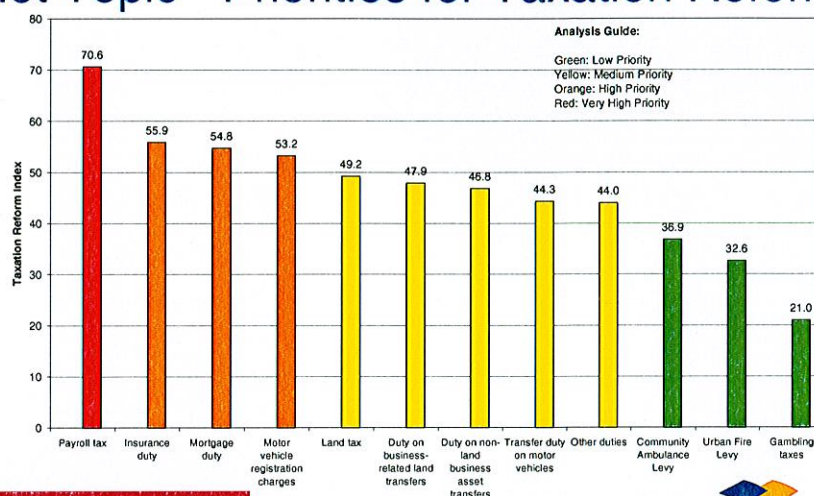
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## Hot Topic - Priorities for Taxation Reform



The following table indicates taxation priorities by business size. Of particular interest is that the importance of payroll tax did not vary significantly among business sizes. 95% of the Queensland business community do not currently pay payroll tax yet these businesses also believe the tax should have high priority for a reduction offering them seemingly no immediate financial benefit.

## Taxation Priorities – by Business Size

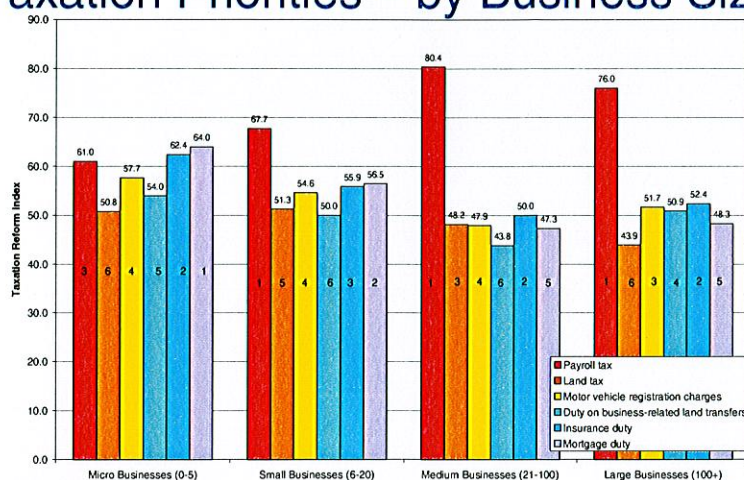
Priority	Micro (0-5 employees)	Small (6-20 employees)	Medium (21-100 employees)	Large (100+ employees)
1	Mortgage Duty	Payroll Tax	Payroll Tax	Payroll Tax
2	Insurance Duty	Mortgage Duty	Insurance Duty	Insurance Duty
3	Payroll Tax	Insurance Duty	Land Tax	Motor Vehicle Registration



Commerce Queensland believes this is a reflection that many business owners, who are not currently paying payroll tax, are aspiring to grow their businesses, and believe the tax will become an issues for them in the future.

Commerce Queensland also believes that small businesses are mindful that much of their economic activity derives from businesses who pay payroll tax and accordingly some of the benefit of reduction in this tax would ultimately be passed on to their direct benefit. This argument mirrors general business community sentiments that payroll tax impedes economic activity and is ultimately a tax on employment impacting on the entire Queensland community.

## Taxation Priorities – by Business Size

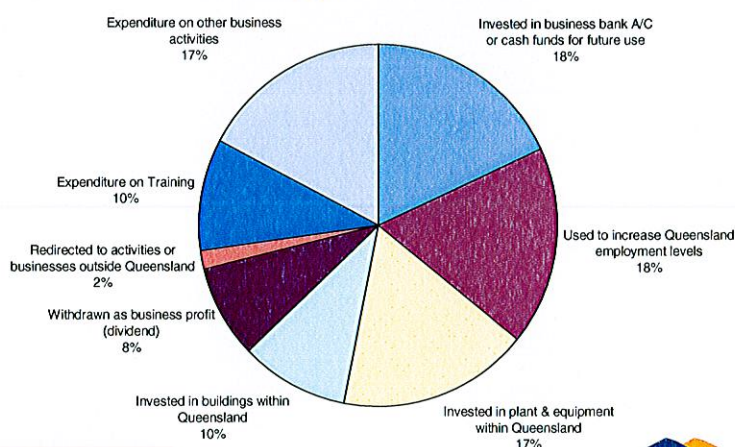


The above chart expresses taxation priorities by business size graphically and confirms that the top six priorities are similar across all businesses. Mortgage and insurance duties have a high to very high priority for a reduction over the next three years for micro and small sized businesses.

What is particularly evident from the above chart is the significant importance of payroll tax to medium and large sized businesses. This is more so for medium businesses as they compete against small businesses who do not have to pay the tax and subsequently experience a competitive disadvantage through its payment.

As part of the Pulse Survey businesses were also asked to indicate that if State taxes were to be reduced how the tax savings would be allocated. The following chart indicates the results to this question and reveals that derived savings would be used to contribute to local employment and the local economy.

## How Tax Savings Would be Used



Businesses indicated they would predominantly spend any savings on investment in plant and equipment, employment of more staff, investment for future use and training of staff in Queensland.



These results provide strong evidence that tax savings are utilised to the direct benefit of the Queensland Economy and that tax reductions lead to increased investment and employment and not merely boosted profits or funds being redirected outside the State.

It adds weight to Commerce Queensland representations that carefully crafted business tax reductions ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts.

Commerce Queensland is meeting with representatives of Queensland Treasury and the State Revenue Office on Tuesday 26 February 2008 to discuss our Budget Submission and these results. We are also eager to discuss these results with you at your convenience. Nick Behrens, State Manager – Policy on (07) 3842 2279, is available to coordinate a meeting with your office.

Should the business community be sent a clear message that the State Government continues to be serious about enhancing the competitiveness of State's business operating environment then this would be a significant positive in improving the confidence within and the performance of the Queensland Economy. Commerce Queensland believes that the latest results of the Pulse Survey will greatly aide in the State Government's preparation of the forthcoming State Budget and are provided for your consideration.

Yours sincerely



**Beatrice Booth**  
President

cc Gerard Bradley, Under Treasurer – Queensland Treasury