

Submission to the



**Queensland
Government**

State Budget

2008-2009

An Economic Blueprint for the Queensland Economy



Commerce Queensland

QUEENSLAND'S CHAMBER OF COMMERCE AND INDUSTRY

December 2007



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1.0 Introduction and Overview

- 1.1 As the State's peak business organisation, Commerce Queensland welcomes the opportunity to participate in the 2008-2009 budget consultation process. Commerce Queensland regards the State Budget as the Government's foremost instrument of economic management within Queensland. Our focus is on Budget fundamentals and business taxation and their resultant impact on the business operating environment. A full profile of Commerce Queensland is contained in Appendix One.
- 1.2 This submission has been prepared as a blueprint document for the economic development of the Queensland economy and identifies key recommendations that should be delivered as part of the 2008 – 2009 State Budget.
- 1.3 Queensland is currently enjoying a period of sustained economic growth and prosperity. Business conditions remain favourable and the State's growth continues to outpace the national average. The Queensland business community has been one of the driving forces behind this economic success. However we must not become complacent about the performance of the Queensland economy or its future performance.
- 1.4 Now is a timely opportunity to ensure the economic and business policy settings are squarely focused on maintaining Queensland's growth momentum into the future. A key challenge for the State Government will be keeping Queensland's economy competitive in the face of fierce interstate and overseas competition as well as providing infrastructure for a State where an extra 1.2 million people will be living by 2026.
- 1.5 We must respond to these challenges in a concerted and decisive manner. Queensland must lay the foundations today if the State is to ensure that it continues to enjoy strong economic growth and prosperity well into the future. Quite simply there is no substitute for good forward planning and timely action.
- 1.6 This Budget submission presents a suite of strategies that will address these issues, reinforce the State's competitive position and promote ongoing economic growth. Our recommendations, if adopted, will create the optimal environment in Queensland for business success, laying the foundations for a strong economy and a prosperous Queensland community.
- 1.7 Commerce Queensland has focused on six principle areas in respect to this budget submission including the level of taxation, infrastructure, government efficiency, red tape, skill shortages and education and training. Commerce Queensland believes that the priority measures outlined in this Budget submission are reasonable in the context of the State Government's current finances.
- 1.8 Queensland's and Australia's strong economic performance has delivered a substantial benefit to the State Government through both increased State and Commonwealth taxation receipts. Commerce Queensland acknowledges the State Government has an important role in delivering social outcomes for the community. However, the State Government also has a role in sharing the benefits of our State's strong economic performance with the business community.
- 1.9 This budget must be about investing for the future so that we are well positioned to cope with the inevitable economic downturns, whilst balancing this with the need for appropriate expenditure. The State Government must continue on a path of responsible economic management and pro-business policy settings.
- 1.10 Commerce Queensland believes it is imperative that the 2008-2009 State budget demonstrates to the Queensland private sector that creating a supportive environment where business can grow and innovate is a priority of this Government. Commerce Queensland believes it is time for the State Government to commit to a bold course of action that further supports a much stronger competitive business environment in Queensland.



2.0 Recommendations

Commerce Queensland recommends that the following actions progressively be adopted by the State Government to ensure that the Queensland Economy continues to grow and provide employment and wealth for society. Commerce Queensland recognises that the immediate adoption of all recommendations is not practical and has accordingly highlighted in red those actions that should be implemented as part of the 2008 – 2009 State Budget.

State Government Budget Principles *(detail and supporting arguments in section 6.0)*

- 2.1 Ensure the Management of the State's finances in a fiscally responsible manner.
- 2.2 Queensland should have a business tax regime which is the most competitive of all States that promotes growth and encourages participation.
- 2.3 Ensure that essential public infrastructure is maintained on a sustainable basis at a level which will encourage economic development and which maximises the use of the private sector.
- 2.4 Ensure that charges imposed by public utilities (water, electric power, ports etc) are the most competitive of all States.
- 2.5 Provide a range and level of Government Services which meets reasonable community expectations at a cost consistent with best practice.

Payroll Tax *(detail and supporting arguments in section 9.4)*

- 2.6 The impost of payroll tax on the business community must be reduced to remove the disincentive this presents to business growth.
- 2.7 A reduction in the payroll tax rate from 4.75% to 4.5% to ensure Queensland remains the most competitive State.
- 2.8 The removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at least at \$1 million and then be indexed to annual wages growth.
- 2.9 Employers be eligible to offset from the payroll tax wages and salaries base expenditure on broader business training to assist with the State's skills crisis.
- 2.10 The State Government must give a long term commitment of completely phasing out payroll tax from the Queensland tax stable.

Stamp Duties *(detail and supporting arguments in section 9.5)*

- 2.11 Stamp duties on first home purchases for targeted skilled international and interstate migrants to Queensland should be removed.
- 2.12 Stamp duty on GST inclusive amounts should be immediately removed.
- 2.13 Stamp duties should be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.
- 2.14 The State Government should give a medium term commitment to abolish stamp duty on business asset transactions.

Land Tax *(detail and supporting arguments in section 9.6)*

- 2.15 The State Government should commit to maintaining the value of the land tax threshold.



- 2.16 The State Government should consider increasing the land tax threshold and reduce the rates payable.
- 2.17 The number of land tax levels and marginal rates should be reduced in the rate structure to simplify land tax administration and make the revenue collection more efficient.

Community Ambulance Services Levy *(detail and supporting arguments in section 9.7)*

- 2.18 Business electricity accounts should be exempted from the Community Ambulance Services Levy or at least paid on only one business electricity account with revenue replaced by the increasing implementation of a user pays model for non-essential ambulance services or use of private sector patient transport services.

State Tax Compliance Costs *(detail and supporting arguments in section 9.8)*

- 2.19 The compliance and paperwork burden on all businesses must be reduced by funding a consultative body of business representatives and policy makers to research and develop practical ways to lower this burden on business.

Infrastructure *(detail and supporting arguments in section 10.0)*

- 2.20 Establish a State Infrastructure Council to provide advice to State Government on Infrastructure priorities.
- 2.21 A significant increase in assistance and broadening of criteria used under the Business Water Efficiency Program and the extension of the Home Water Wise Program to business.
- 2.22 State Government to establish a target list of projects able to be delivered by the private sector through the public/private partnership (PPP).
- 2.23 Increased investment in key infrastructure assets (for example, energy supply, transport and water supply) to ensure that the State's infrastructure network is of an acceptable standard and capable of meeting forecast demand.
- 2.24 Greater private sector involvement in the planning, development, construction, operation of Queensland infrastructure.
- 2.25 Fast tracking and better planning for Queensland's future infrastructure including consultation with business associations.
- 2.26 Recognition that all communities in Queensland should have access to a reasonable standard of infrastructure and taxpayer-funded services.
- 2.27 Ensure charges imposed by public infrastructure are competitive with other States.

Red Tape *(detail and supporting arguments in section 11.0)*

- 2.28 Tougher rules for the making of new regulations, including rigorous cost benefit analysis requirements and the adoption of a 'one in one out' approach to regulation whereby policy makers can only introduce a new regulation if they remove a redundant or superseded regulation.
- 2.29 Introduction of an annual regulatory statement in the State Budget to review the regulations that have been introduced in the previous year and are planned to be introduced in the coming year for business.
- 2.30 Establish a one-stop shop, both online and on the ground, for business to access the Government.
- 2.31 A regulatory review process whereby existing regulation is reviewed at least once every five years.



- 2.32 All levels of government to consult adequately with the business community before they introduce any business-related regulation.
- 2.33 Implement measures to change the culture of regulatory bodies, in order to reward good behaviour, rather than the current punitive regime.

Government Efficiency (*detail and supporting arguments in section 12.0*)

- 2.34 The State Government should include in its financial strategy a target to contain annual increases in recurrent expenditure to below the change in Queensland GSP in the previous financial year.
- 2.35 The State Government should commit to setting the Service Delivery and Performance Commission a meaningful goal to identify a minimum one per cent savings target by 2010-11.
- 2.36 Commerce Queensland supports the need for a small, flexible, highly skilled public sector with the knowledge and capacity to work cooperatively and engage with the business and non-government sectors.

Skill Shortages (*detail and supporting arguments in section 13.0*)

- 2.37 Be creative in the use of State's taxation regime in encouraging employers to train and recruit.
- 2.38 Implement an educative process for SMEs of the benefits of training to business.
- 2.39 Promote access to training as an important element in attracting and retaining people.
- 2.40 Promote and market mature-aged workers' skills and experience and their contribution to Queensland industry.
- 2.41 Queensland employers be empowered to effectively engage workers in a flexible working relationship that results in the best possible employment and business opportunities for both parties.

Education and Training (*detail and supporting arguments in section 14.0*)

- 2.42 Develop *quality workplace learning* practices by:
- Support enterprises through innovative arrangements that develop leadership and management skills for developing and building employees' capacities for an effective and rich working life.
 - Equip workplace personnel with the required knowledge and skills (supervision, mentoring, coaching, training and assessment) needed to contribute to the education and development of other individuals.
 - Develop models that effectively combine workplace and institutional based learning arrangements to provide better recognition of prior learning, current workplace practices and latest technology.
 - Remove barriers that restrict movement of individuals between education and training institutions and industry-based workplaces.
- 2.43 Develop 5-10 year *workforce plans* to forecast labour demand and direct effective use of funding by:
- Change funding structures from departmental to regional models to enable regional leaders to develop sustainable recruitment, retention and retraining strategies suitable to their geographic region.
 - Support the development of partnership models among government, industry and education and training organisations based on demand driven requirements.
 - Assist the development of education and training models suitable to small and medium enterprises.
 - Provide access to workplaces for more effective career planning by individuals and professional development of career personnel.
 - Remove barriers that restrict flexibility in the use of education and training funds which limits individuals' and organisations' choice of provider.

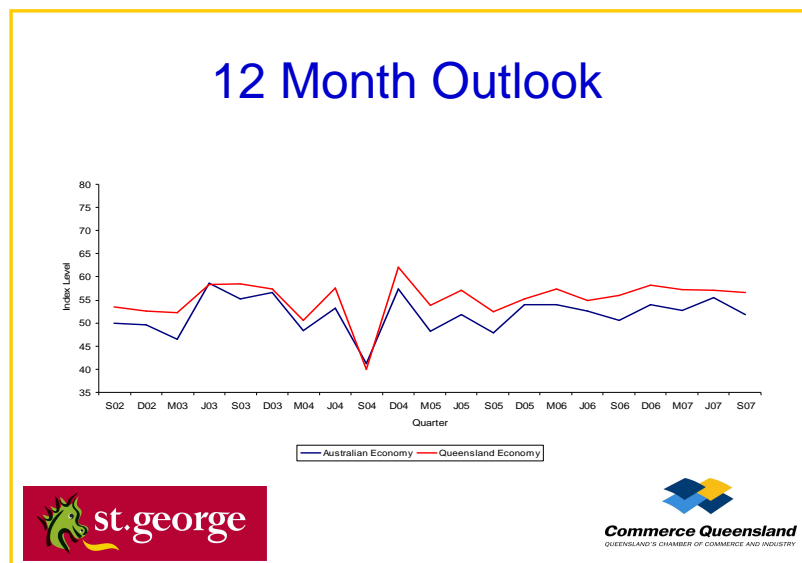


3.0 State Budget 2007-2008

- 3.1 Commerce Queensland's Pre-Budget Submission for the 2007-2008 State Budget outlined a range of recommendations required to address the long-term fundamentals for business success in Queensland and called on the State Government to implement a six point plan to tackle the bottlenecks facing business and industry in Queensland. Commerce Queensland recommendations included:
- Fast-tracking all projects identified in the Statewide Water Policy as an immediate priority.
 - Better planning in respect of Queensland's future infrastructure needs.
 - Decreasing the taxation burden on business and industry.
 - Attracting skilled labour by reducing the costs of moving to Queensland.
 - Setting the Service Delivery and Performance Commission a target of identifying a minimum 1% savings from across Queensland's public sector.
 - Clarifying the future of Government Owned Corporations (GOCs) and assets currently held by the State Government.
- 3.2 The Queensland business community welcomed aspects of the state budget however Commerce Queensland was disappointed to a large extent at the absence of worthwhile taxation initiatives. In our view it was not a business friendly budget.
- 3.3 The following initiatives enjoyed support from Commerce Queensland including:
- A reduction in mortgage duty;
 - A reduction in the workers compensation premium (however saving only \$50 on a \$100,000 premium);
 - An increase in the land tax threshold from \$300,000 and \$350,000 (although for businesses with land value in excess of \$350,000 the land tax initiative was of no benefit to their business).
 - The \$14 billion investment in the development and improvement of water, road, rail, energy and education infrastructure announced in the State Budget was welcomed. However there should have been greater involvement from the private sector through Public/Private Partnerships.
- 3.4 Commerce Queensland recognises the social imperatives on government, but reminds it that whether the monies originate federally or through the state taxation regime, the bulk of State receipts are provided through business activity. Not surprisingly therefore, business sees itself as having a significant role in influencing both the level of taxation and in how revenue is spent.
- 3.5 Commerce Queensland on behalf of the business community over the years has clearly provided government with evidence of both the need for taxation relief and importantly priorities for relief. The State Government can no longer rely upon Queensland's once competitive low tax State status. Commerce Queensland believes it should be assessed on what it provides in initiatives each year to further stimulate the economy.
- 3.6 For many in business the growth in wages, labour on-costs and significant increase in other business related costs have eroded much of the 'dividend' associated with previously announced and 2007-2008 cuts to business taxation.
- 3.7 Commerce Queensland sees it is both timely and appropriate that the 2008-2009 budget provide an increase in the level of funding devoted to business tax relief.

4.0 Queensland's Economic Climate

- 4.1 The recent success of the Queensland economy is no guarantee of future performance. The 2008-2009 State Budget is being framed against a changing economic background that has seen business confidence plateau.
- 4.2 The latest Commerce Queensland St George Bank Pulse Survey has indicated that whilst trading results for the September quarter 2007 were sound, performances during the quarter were not as promising as expectations and there now exists an expectation of a further decline in business confidence for the December Quarter 2007. These results generally point to Queensland businesses starting to find it more difficult. The 12 month outlook for both the Queensland and Australian economies has remained relatively unchanged across the past year and now forecasts only modest growth for the economy over the next twelve months.



Commerce Queensland St George Bank Pulse Survey – September Quarter 2007

- 4.3 Positives for the Queensland economy have included ongoing population growth, commencement of a massive infrastructure roll-out and a booming resources sector. This has been coupled with unemployment at 39 year lows, continuing strong employment growth and strong exports despite the Australian dollar reflecting high commodity prices and strong global demand.
- 4.4 However at the same time an extended election campaign has had a negative impact on business attributed to reluctance on the part of consumers to make major purchasing decisions in an uncertain political environment. This trend has been made worse when coupled with the fact that many business rightly or wrongly have been reluctant to commit to major capital investment or recruitment given the prospect of a Federal Labor Government.
- 4.5 Pulse Survey concluded that businesses consider that the recent outcome of the Federal Election is the factor most likely to affect the performance of the Australian and Queensland economies over the next 12 months. This sentiment reflects that a change in government creates uncertainty about what it may mean for business and the wider economy. Businesses also remain concerned about the potential impact that interest rates, the continuation of drought conditions and the performance of the American and global economies may have on the performance of the Australian and Queensland economies over the next 12 months.
- 4.6 The Queensland business community is now looking for decisive and responsible economic management to allay any concerns businesses may be feeling at present. Commerce Queensland believes that if the business community is sent a clear message that the State Government continues to be serious about enhancing the business operating environment within Queensland then this would be a positive in improving confidence. The 2008-2009 State Budget should now deliver meaningful actions that lower the costs of doing business.

5.0 Business Priorities

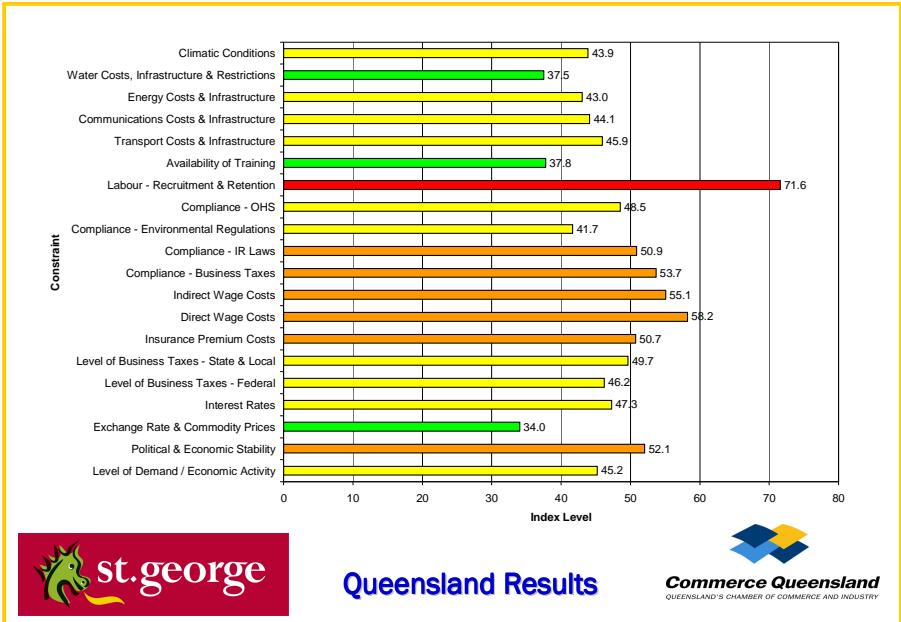
5.1 As part of the Commerce Queensland St George Bank Pulse Survey respondents are asked to indicate the level of constraint various factors are on business' growth. Identified constraints that can be directly influenced by the Queensland State Budget include:

- Level of Demand / Economic Activity
- Political & Economic Stability
- Level of Business taxes State & Local
- Insurance Premium Costs
- Indirect Wage Costs
- Compliance - Business Taxes
- Labour Recruitment & Retention
- Transport, Energy, Water Costs and Infrastructure

It is interesting to note that four of the above constraints that can be addressed through the State Budget feature in the top five of all constraints on business.

5.2 Given the very tight conditions in the labour market, it is not surprising that the recruitment and retention of suitably qualified staff is currently the number one constraint on business growth in Queensland. Businesses ranked direct and indirect wage costs as the next largest constraints on their growth. From these results we can see a real correlation between the relationship of attracting and retaining employees through higher salaries.

5.3 Compliance with and the complexity of business tax obligations also ranked as a major constraint on business growth in at number four. This supports evidence that the complex nature of Australia's taxation regime (at all levels of government) places a significant time and cost burden on many businesses.



Commerce Queensland St George Bank Pulse Survey – September Quarter 2007

5.4 In our view these results accurately reflect priorities for Queensland businesses. Commerce Queensland believes that these results should be used as a guide in determining budget priorities / initiatives for the 2008-2009 State Budget.

6.0 Commerce Queensland Budget Principles

6.1 Commerce Queensland urges that the State Government continue on a path of responsible economic management and pro-business policy settings. It is important that the State Government:

- Deliver a budget operating surplus over the course of the economic cycle (see 6.3);
- Keeps recurrent expenditure under control;
- Increases public sector infrastructure spending with emphasis given to encouraging private sector involvement in major public infrastructure projects; and
- Commits to ongoing business tax reform that will improve Queensland's business tax competitiveness.

Commerce Queensland encourages fiscal responsibility and the enhancement of a competitive business operating environment within Queensland. Commerce Queensland advocates the following interacting fiscal strategies as the framework to achieve a healthy sustainable Queensland economy. The overriding budget principle must be:

Budget Position

Management of the State's finances in a fiscally responsible manner.

This principle must be adhered to whilst also pursuing the following budget principles which are in order of Commerce Queensland priority:

Taxation

To have a business tax regime which is the most competitive of all States that promotes growth and encourages participation.

Infrastructure

To ensure that essential public infrastructure is maintained on a sustainable basis at a level which will encourage economic development and that maximises use of the private sector.

Charges by Public Utilities

To ensure that charges imposed by public utilities (water, energy, ports etc) are the most competitive of all States.

Government Services

Provision of the range and level of Government Services which meet reasonable community expectations at a cost consistent with best practice.

6.2 The challenge for the Government is to maintain its commitment to sound economic and financial management, while continuing to build on investing in growth and competitiveness. This State Budget will need to be carefully managed in order to help ensure future budgets retain the ability to respond to changes in the economic climate and continue to implement policies supportive of growth.

6.3 With Queensland's public debt at manageable levels there is opportunity for State Government flexibility in its fiscal conservatism to reshape public policy regarding investment in State infrastructure and its management.

6.4 Queensland is now potentially in the position to increase public sector borrowing to finance much needed capital for infrastructure such as communication and transportation networks. The use of debt financing for key infrastructure investment projects will generate long-term benefits for the State and will become the keystone to support greater economic and social prosperity. Commerce Queensland however continues to support the notion of running a budget surplus over the course of the economic cycle.



7.0 Argument for Business Tax Initiatives

7.1 Queensland's economy has become more dynamic, efficient and productive over recent decades. However, the State's tax system has adapted slowly to these changes. As a result, the State's taxes are now considered by Queensland businesses to be a brake on the State economy achieving its full potential and being as internationally competitive as it can be. These problems will continue and grow into the future, particularly as globalisation increases and major demographic changes continue. The case for business tax Initiatives in the 2008-2009 State Budget focuses on five arguments:

- It is the role of State Government.
- Queensland must be interstate and internationally competitive.
- Business tax initiatives will create additional tax receipts.
- Business tax initiatives will enable greater delivery on social objectives.
- There exists a one off opportunity from Labor Governments across Australia.

7.2 The role of Government

Commerce Queensland recognises the vital role that the State Government plays in building and sustaining the Queensland economy. However the Chamber sees the responsibility of State Government as creating an environment which is conducive to economic growth. Greater priority must be given to examining and bringing down the cost of doing business in Queensland. Creating a strong business operating environment that allows local industries to compete globally is pivotal to the economic well-being of Queensland. The challenge for the State Government is to identify the areas where we can improve, and systematically address them. State taxation is one of these areas. Having a competitive advantage on some aspects is no reason to be complacent. In those areas that are within our control, our target must be the best in every aspect affecting the business operating environment.

7.3 Improving the competitiveness of the Queensland economy

Every region in Australia is in competition with each other to some extent in the area of investment attraction through competitive taxation regimes. As a result, Queensland needs to have a business operating environment that is the most competitive. Business in the State is facing increasingly tough competition not only from domestic markets but from overseas. The competition is not standing still and a number of other State Governments have sought to greatly improve their State's competitiveness (see Appendix Two). If Queensland does not respond to initiatives occurring elsewhere our attractiveness is diminished in the eyes of potential and existing investors. In order to maintain our competitiveness Queensland must also improve its own taxation regime.

		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	% Increase	
										\$ Increase	00-01 to 07-08
Taxation Per Capita	QLD	\$1,359	\$1,211	\$1,321	\$1,480	\$1,614	\$1,708	\$1,927	\$2,226	\$867	63.8%
	AUS	\$1,734	\$1,637	\$1,757	\$1,892	\$2,056	\$2,135	\$2,272	\$2,357	\$623	35.9%
		-\$375	-\$426	-\$436	-\$412	-\$442	-\$427	-\$345	-\$131		
Taxation Effort	QLD	79.3	85.7	85.8	86.9	85.5	85.2				5.9
	AUS	100	100	100	100	100	100				0.0
Taxation as a % of GSP	QLD	3.9%	4.0%	4.4%	4.7%	4.4%	4.1%				0.2%
	AUS	4.9%	4.8%	4.9%	5.0%	4.7%	4.7%				-0.2%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

In summary Queensland's tax system continues to be attractive however its competitiveness has continually been eroded since 2000-2001 following a number of other State Government's being very aggressive in lowering their business tax regimes. Taxation per capita since 2000-01 has increased by \$867 to currently be at \$2,226 but nationally it has only increased by \$623 to be at \$2,357. Accordingly the difference has narrowed from \$375 in 2000-01 to \$131 in 2007-08. Taxation revenue as a percentage of GSP since 2000-01 in Queensland has increased by 0.2% whilst decreasing nationally by 0.2%. Commerce Queensland urges the Government to adopt a longer term strategy that will ensure that we continue to have a business tax regime that is the most competitive of all States.

7.4 Business tax initiatives will create additional tax receipts

Commerce Queensland believes that positive action by the State Government to improve the business environment will ultimately result in increased taxation receipts stimulated through greater business activity. Carefully crafted business tax reductions ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts. A competitive business taxation regime, does to some extent involve a leap of faith as in the short term there are possible revenue implications. There can be no doubt however that the best way to maximise Government revenue is to generate private sector economic activity. Queensland's strong growth in employment and population and increased business tax receipts can undoubtedly be attributed to Queensland's historical low tax State status.

Q 1 If business taxes were to be reduced, please indicate how these tax savings would be spent (indicative only):	Percentage Allocation
Invested in business bank A/C or cash funds for future use	
Used to increase Queensland employment levels	
Invested in plant & equipment within Queensland	
Invested in buildings within Queensland	
Withdrawn as business profit (dividend)	
Redirected to outside Queensland	
Other	
.....	100%

Commerce Queensland will undertake significant research in January 2008 to provide evidence of the correlation between business activity and taxation initiatives. In recent discussions with the State Government, Commerce Queensland has indicated that it wishes to demonstrate that if State taxes were to be reduced that any derived savings would be used to contribute to local employment and to the local economy. This analysis will be conducted as part of the Commerce Queensland St George Pulse Survey for the December Quarter 2007 and will include the above question. Accordingly Commerce Queensland wishes to lodge a supplementing State Budget submission in February 2008. Commerce Queensland believes that the results will provide strong evidence that tax savings would be utilised to the benefit of the Queensland Economy and that tax reductions would lead to increased investment and employment and not merely boosted profits or funds being redirected outside the State.

7.5 Business tax initiatives will enable greater delivery on social objectives

A key consideration when setting state taxes is the tension between taxation acting as an impediment to business growth and taxation providing a revenue stream to deliver social and economic benefits to the broader community. Commerce Queensland believes tax initiatives will assist in meeting the Government's social goals by providing higher employment levels, resulting in improved community wealth and greater social inclusion through increased participation in society. It will also result in greater economic development which will allow the Government to provide increased funding to social and environmental areas.

7.6 Opportunity from Labor Governments across Australia

Commerce Queensland sees a significant opportunity flowing from the 2007 Federal Election Result and believes the change of Federal Government provides a once in a generation opportunity for major economic and financial reform in Australia. There are no State elections on the horizon and coupled with all State Labor Governments this offers a one off opportunity to fix some of the vexing issues that are confronting Australia's Federation. An opportunity has now been presented for the Federal and State Governments to undertake major economic reforms in 2008 that can directly benefit the Queensland business community. Any agenda must include the Commonwealth / State financial relationship and the issue of Payroll tax. Commerce Queensland is expecting clear actions and accountability in focusing on growing the Queensland economy from both the Federal and Queensland Governments. Neither the State or Federal Government have any excuse now in not cooperating to reach outcomes that will promote economic growth and appropriate service levels for Queensland. Commerce Queensland would support the State Government championing this initiative.



8.0 Capacity to Deliver Business Tax Initiatives

8.1 Commerce Queensland believes the State Government has a great deal of flexibility to pursue significant business tax initiatives in the next State Budget. Commerce Queensland's tax recommendations can progressively be delivered through:

- 2008-2009 business tax initiatives will create additional tax receipts;
- A strong Queensland Economy has delivered significant increased revenue to the State Government;
- Windfall from greater than budgeted taxation revenue;
- Increasing revenue the State Government receives and will receive from the Commonwealth; and
- Savings from greater State Government efficiency.

8.2 As discussed in section 7.4 properly targeted tax initiatives ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts.

8.3 Commerce Queensland congratulates successive State Governments in overseeing a strong and vibrant Queensland Economy. This economic base has delivered a robust revenue base for the current State Government.

State Taxation Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	% Increase	
									\$ Increase	00-01 to 07-08
Payroll Tax	\$1,170	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,175	\$2,411	\$1,241	106.1%
Stamp Duties										
Transfer	\$700	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,450	\$2,842	\$2,142	306.0%
Vehicle registration	\$167	\$184	\$234	\$271	\$267	\$269	\$285	\$385	\$218	130.5%
Insurance	\$206	\$238	\$286	\$315	\$316	\$328	\$366	\$393	\$187	90.8%
Mortgage	\$103	\$144	\$183	\$251	\$256	\$297	\$345	\$300	\$197	191.3%
Other duties	\$119	\$106	\$96	\$132	\$60	\$73	\$25	\$14	-\$105	-88.2%
Total Duties	\$1,294	\$1,728	\$2,182	\$2,832	\$2,642	\$2,930	\$3,471	\$3,935	\$2,641	204.1%
Gambling Taxes and Levies	\$522	\$568	\$638	\$726	\$806	\$841	\$826	\$868	\$346	66.3%
Land Tax	\$230	\$231	\$279	\$313	\$419	\$404	\$523	\$622	\$392	170.4%
Debits Tax	\$207	\$200	\$191	\$191	\$189	\$0	\$0	\$0	-\$207	-100.0%
Motor Vehicle Registration	\$558	\$596	\$649	\$703	\$767	\$819	\$865	\$900	\$342	61.3%
Fire Levy	\$185	\$192	\$203	\$213	\$225	\$239	\$252	\$264	\$79	42.7%
Community Ambulance Cover	\$0	\$0	\$0	\$96	\$112	\$118	\$123	\$128	\$128	
Other Taxes	\$620	\$98	\$122	\$123	\$119	\$127	\$140	\$144	-\$476	-76.8%
Total Taxes	\$4,786	\$4,815	\$5,598	\$6,676	\$6,952	\$7,396	\$8,375	\$9,272	\$4,486	93.7%
Consumer Price Index - Brisbane	132.4	136.3	140.7	144.8	148.5	153.2	158.3	162.6		22.8%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

- Payroll tax receipts since 2000-01 have increased by over \$1.2 billion or 106%.
- Land tax receipts since 2000-01 have increased by over \$390 million or 170%.
- Stamp duties since 2000-01 have increased by over \$2.6 billion or 204%.
- Total state taxation receipts since 2000-01 have increased by over \$4.4 billion or 94%.

Treasury explanations for these massive increases are strong growth in land values; growth in employment and wages with particular strength in industries such as construction, mining and property and business services; and continued strength in housing and non residential property transactions.

However this represents a very high and growing level of reliance on businesses to fund State Government services. Queensland business is understandably alarmed by this trend. Queensland needs a state tax system that does not penalise employers for working hard, expanding and making a positive contribution to the Queensland economy. The Government must take steps to reduce the financial impediments to business growth. Business acknowledges and accepts that certain levels of taxation are necessary to ensure the provision of social and business services throughout the State. The Queensland Government's response to previous Commerce Queensland representations for reviewing state taxes has been to highlight Queensland's position as the 'low tax State' – asserting that there is no justification for making significant changes to the current tax arrangements. However increasingly sourcing State revenue from Queensland businesses revenue is has eroded our competitive position over recent years.

8.4 The State Government is profiting significantly from buoyant economic conditions through increased business taxation receipts and it is time some of the gains were used on properly targeted business tax initiatives.



It is clear that the State Government has received unexpectedly larger returns from various forms of State Taxation and has an obligation to reinvest some of this windfall into the future growth of the State. These greater than expected taxation receipts have repeatedly been received for the past three years. Considerable further increases in receipts for 2007-2008 are also anticipated. Receipts from business taxes in particular have led to greater taxation receipts than expected. Over the past three years the State Government has received above their own forecasts an additional:

- \$440 in payroll tax receipts or a 8.5% windfall;
- \$1.2 billion in stamp duties or a 16% windfall;
- \$36 million in land tax or a 3.0% windfall; and
- \$318 in GST revenue or a 1.4% windfall and \$1.2 billion from the C/W or a 3.2% windfall.

State Taxation Revenue	2004-05 Budgeted	Actual	% Difference	2005-06 Budgeted	Actual	% Difference	2006-07 Budgeted	Actual	% Difference	3 Year \$ Windfall	Ave 3 Year % Windfall
Payroll Tax	\$1,505	\$1,674	11.2%	\$1,767	\$1,917	8.5%	\$2,054	\$2,175	5.9%	\$440	8.5%
Stamp Duties											
Transfer	\$1,438	\$1,744	21.3%	\$1,582	\$1,963	24.1%	\$2,116	\$2,450	15.8%	\$1,021	20.4%
Vehicle registration	\$246	\$267	8.5%	\$259	\$269	3.9%	\$279	\$285	2.2%	\$37	4.8%
Insurance	\$307	\$316	2.9%	\$332	\$328	-1.2%	\$346	\$366	5.8%	\$25	2.5%
Mortgage	\$205	\$256	24.9%	\$237	\$297	25.3%	\$310	\$345	11.3%	\$146	20.5%
Other duties	\$85	\$60	-29.4%	\$76	\$73	-3.9%	\$26	\$25	-3.8%	-\$29	-12.4%
Total Duties	\$2,281	\$2,642	15.8%	\$2,487	\$2,930	17.8%	\$3,078	\$3,471	12.8%	\$1,197	15.5%
Gambling Taxes and Levies	\$806	\$806	0.0%	\$892	\$841	-5.7%	\$881	\$826	-6.2%	-\$106	-4.0%
Land Tax	\$379	\$419	10.6%	\$431	\$404	-6.3%	\$500	\$523	4.6%	\$36	3.0%
Debits Tax	\$190	\$189	-0.5%	\$0	\$0		\$0	\$0		-\$1	-0.2%
Motor Vehicle Registration	\$720	\$767	6.5%	\$793	\$819	3.3%	\$846	\$865	2.2%	\$92	4.0%
Fire Levy	\$224	\$225	0.4%	\$232	\$239	3.0%	\$247	\$252	2.0%	\$13	1.8%
Community Ambulance Cover	\$104	\$112	7.7%	\$112	\$118	5.4%	\$121	\$123	1.7%	\$16	4.9%
Other Taxes	\$128	\$119	-7.0%	\$130	\$127	-2.3%	\$144	\$140	-2.8%	-\$16	-4.0%
Total Taxes	\$6,338	\$6,952	9.7%	\$6,843	\$7,396	8.1%	\$7,871	\$8,375	6.4%	\$1,671	8.1%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

Whilst clearly recognising the difficulty in forecasting revenue receipts Treasury must endeavour to become more accurate in their forecasting and / or deliver some of these windfalls back to the business community. In light of these outcomes it would not be unreasonable for the State Government to hand back some of this windfall to the Queensland business community through tax initiatives delivered as part of the 2008-2009 State Budget.

8.5 The Goods and Services Tax is a growing revenue stream which has already created greater flexibility in meeting various State Government funding priorities. According to Commonwealth Treasury the State Government is receiving significantly higher than anticipated taxation receipts delivered by the GST. GST revenue since 2000-01 has increased by over \$3.7 billion or 80% with total Australian Government payments to Queensland increasing by over \$5.8 billion or 65%. The introduction of the GST had the goal of replacing many of the inefficient State taxes levied on businesses. While the scope of the GST fell short of what was originally intended, over time revenue from the GST has risen above expectations and can be used to fund tax initiatives replacing existing business taxes.

Commonwealth Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	\$ Increase 00-01 to 07-08	% Increase 00-01 to 07-08
GST Revenue	\$4,658	\$5,019	\$5,890	\$6,515	\$7,354	\$7,773	\$8,053	\$8,384	\$3,726	80.0%
NCC Payments	\$73	\$148	\$139	\$88	\$143	\$179	\$0	\$0	-\$73	-100.0%
Specific Purpose Payments	\$3,637	\$3,947	\$4,115	\$4,359	\$4,730	\$5,039	\$5,729	\$6,348	\$2,711	74.5%
Total Australian Government Payments	\$8,909	\$9,638	\$10,182	\$10,962	\$12,228	\$12,991	\$13,782	\$14,732	\$5,823	65.4%
Consumer Price Index - Brisbane	132.4	136.3	140.7	144.8	148.5	153.2	158.3	162.6		22.8%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

8.6 Section 12.0 discusses the need for a greater improvement in the efficiency and effectiveness of the Queensland State Government. The State Government must continue to monitor and seek out efficiencies in government department program delivery. Due to the dominance of the public sector in the economy, the efficiency and effectiveness of government is essential if productivity is to improve across the economy. Anything short of optimum efficiency in the delivery of public services means that taxpayers are paying more in taxes and charges than they would otherwise need to. An improvement in the efficiency of State Government Agency service delivery offers significant scope for enhanced budget flexibility that can be directly used to fund taxation initiatives.

8.7 The State Government plainly has a great deal of flexibility to pursue significant business tax initiatives in the 2008-2009 Budget. Rather than channelling these excess funds entirely into Social and infrastructure initiatives the State Government should commit at least some of the consolidated funds into creating an incentive for business to deliver greater economic dividends to the State.

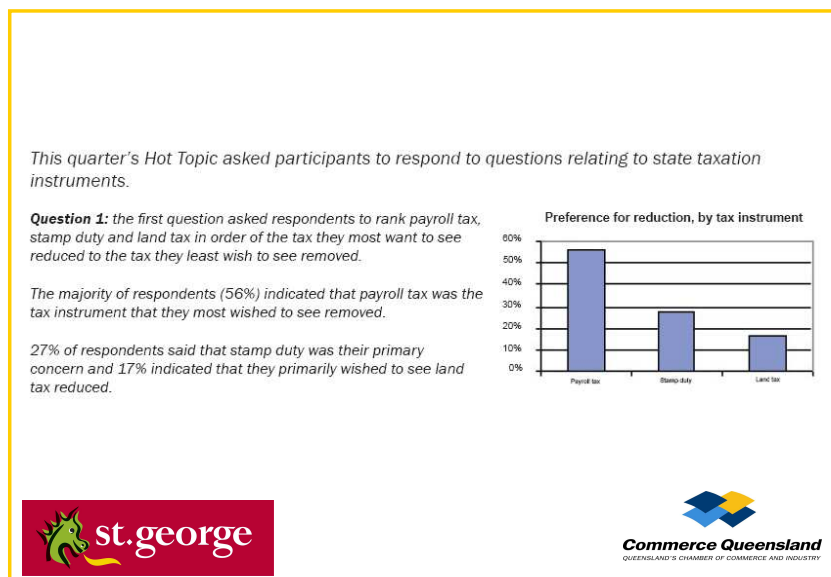


9.0 Business Taxes and Recommendations

- 9.1 The State Government has acknowledged the central importance of an attractive cost environment however business taxation reform must remain an ongoing reform priority. Taking into account the all-round increased cost of doing business in Queensland, including increased electricity prices, labour costs and other business related expenses, Commerce Queensland believes that the State Government must take action to ease the taxation burden of doing business in this State in order to minimise the impact on the business community.
- 9.2 As discussed Commerce Queensland through its Pulse Survey for the December Quarter 2007 will ask members to indicate which areas of State taxation they consider should be given the highest priority in reducing business taxes over the next three years. These results will serve as the foundation for Commerce Queensland representations in the future.

Q	Please indicate which areas of State taxation you consider should be given the highest priority in reducing business taxes over the next three years.				
	Critical Importance			Not Important	
Payroll Tax	1	2	3	4	5
Land Tax	1	2	3	4	5
Motor Vehicle Registration	1	2	3	4	5
Stamp Duties					
- Transfer	1	2	3	4	5
- Vehicle Registration	1	2	3	4	5
- Insurances	1	2	3	4	5
- Mortgages	1	2	3	4	5
- Other Duties	1	2	3	4	5
Gambling Taxes	1	2	3	4	5
Fire Services Levy	1	2	3	4	5
Community Ambulance Levy	1	2	3	4	5

However Commerce Queensland has previously asked its members to rank the State taxes in order of the tax they most want to see reduced. Accordingly until the Dec Quarter 2007 Pulse Survey we have used the following information in the determination of our tax initiative priorities and recommendations.



Commerce Queensland St George Bank Pulse Survey – March Quarter 2005

9.3 Indexing of Thresholds

There is a tendency amongst policymakers to index fees and charges but not tax thresholds. This damaging and distorting practice means that businesses are quickly caught in the 'tax trap' due to the economy's inflationary trends. To counteract this impact Commerce Queensland is recommending that the State Government index all business tax thresholds on 1 July each year.

9.4 Payroll Tax

9.4.1 Payroll tax impedes economic growth

One of the most burdensome taxes upon business is payroll tax and changes to reduce the complexity and burden of payroll taxes are necessary if Queensland businesses are to remain competitive. Commerce Queensland believes that the State Government has the opportunity to provide substantial payroll taxation relief to the business community to enable improved employment outcomes, increased productivity and a stronger State economy.

Payroll tax directly impedes employment and industry growth. Payroll tax represents a substantial disincentive for investments of significance either expanding or relocating. The burden of payroll tax invariably falls upon labour intensive industries such as mining, manufacturing and communications. Payroll tax compliance acts as a direct disincentive to employers expanding their workforce above the payroll tax threshold. It moves resources away from business investment and expansion.

We recognise the relative importance of particularly payroll tax to State Government receipts but believe that the negative effects of this regressive taxation and its adverse competitive position in comparison to other States clearly places it at the head of any taxation reform strategy. Accordingly Commerce Queensland recommends a long term view of completely phasing out payroll tax from the Queensland tax stable and that consideration be given to an immediate reduction in the payroll tax rate from 4.75% to 4.50% saving the business community in excess of \$127 million and an increase in the exemption threshold. Commerce Queensland also argues that the significance of payroll tax requires it be addressed in a transparent and programmed manner.

9.4.2 Increasing Reliance on Payroll Tax

Queensland Government is increasingly relying on payroll tax to fund State services. The demonstrated growth in payroll tax from 24.4% to 26.0% of State taxation revenue shows an increasing dependency on payroll tax for the generation of state taxation revenue.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	\$ Increase	% Increase
Payroll Tax	\$1,170	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,175	\$2,411	\$1,241	106.1%
Payroll Tax as a % of Total State Taxes	24.4%	25.0%	23.8%	22.2%	24.1%	25.9%	26.0%	26.0%		1.6%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

9.4.3 Reducing Exemption Threshold

Queensland is the only State whereby the payroll tax exemption threshold reduces to zero for payrolls between \$1 and \$4 million. Accordingly for employers with payrolls just over \$4 million they do not enjoy any benefit of an exemption threshold. The following table highlights for a band of employers in Queensland approaching \$4 million and over \$4 million they are at a competitive disadvantage with several other States. Commerce Queensland recommends the removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at least at \$1 million. Commerce Queensland notes that this recommendation is consistent with the Harmonisation of Payroll Tax arrangements project currently underway across Australia.

Annual Payroll \$	Tax Payable at Selected Payrolls							
	WA \$	NSW \$	VIC \$	QLD \$	SA \$	TAS \$	NT \$	ACT \$
700,000	-	6,000	7,725	-	10,780	-	-	-
1,000,000	13,750	24,000	23,175	-	27,280	-	-	-
2,000,000	68,750	84,000	74,675	63,333	82,280	60,390	46,500	51,375
3,000,000	123,750	144,000	126,175	126,667	137,280	121,390	108,500	119,875
5,000,000	233,750	264,000	229,175	237,500	247,280	234,390	232,500	256,875
10,000,000	508,750	564,000	486,675	475,000	522,280	548,390	542,500	599,375
20,000,000	1,058,750	1,184,000	1,001,675	950,000	1,072,280	1,158,390	1,162,500	1,284,375

Source: 2006-07 Overview of State Taxes – Department of Treasury and Finance Government of Western Australia December 2006

9.4.4 Indexing of Payroll Tax Threshold

There is a clear case for a major upgrade of the threshold given bracket creep which has occurred through wage and wage 'on cost' increases all of which has whittled away considerably at the value of the threshold. It is particularly salient at this time given the pressure on the private sector due to skill shortages placing significant upward pressure on wages. The Payroll tax threshold should be indexed to annual wages growth. Adjustments should also be made if there are legislative changes to other components of payroll tax, such as the superannuation guarantee levy. The threshold set at \$1.0 million several years ago was not factored on Queensland employment numbers rising to the current extent.

9.4.5 Payroll Tax and Training

Currently wages of apprentices and trainees are exempt from payroll tax. The exemption applies to the wages of persons who are apprentices or trainees under the Vocational Education, Training and Employment Act 2000, during the period they are working as apprentices or trainees, including a probationary period. Commerce Queensland believes the State's skill shortages would be significantly alleviated if employers were able to offset their broader business training expenditure from wages and salaries under Payroll Tax.

9.4.6 Recommendations:

- The impost of payroll tax on the business community must be reduced to remove the disincentive this presents to business growth.
- **A reduction in the payroll tax rate from 4.75% to 4.5% to ensure Queensland remains the most competitive State.**
- **The removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at least at \$1 million and then be indexed to annual wages growth.**
- **Employers be eligible to offset from the payroll tax wages and salaries base expenditure on broader business training to assist with the State's skills crisis.**
- The State Government must give a long term commitment of completely phasing out payroll tax from the Queensland tax stable.

9.5 Stamp Duties

9.5.1 Importance of Stamp Duty

Duties on insurance, transfer of property and other business assets, vehicle registration and mortgages are of critical importance to Queensland business. Commerce Queensland urges the State Government to take further action in increasing the competitiveness of Stamp Duties.

9.5.2 Increasing Reliance on Stamp Duties

Stamp duties since 2000-01 have increased by over \$2.6 billion or 204% with its proportion of State taxation revenue increasing from 27% to 42%.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	\$ Increase	% Increase
									00-01 to 07-08	
Stamp Duties										
Transfer	\$700	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,450	\$2,842	\$2,142	306.0%
Vehicle registration	\$167	\$184	\$234	\$271	\$267	\$269	\$285	\$385	\$218	130.5%
Insurance	\$206	\$238	\$286	\$315	\$316	\$328	\$366	\$393	\$187	90.8%
Mortgage	\$103	\$144	\$183	\$251	\$256	\$297	\$345	\$300	\$197	191.3%
Other duties	\$119	\$106	\$96	\$132	\$60	\$73	\$25	\$14	-\$105	-88.2%
Total Duties	\$1,294	\$1,728	\$2,182	\$2,832	\$2,642	\$2,930	\$3,471	\$3,935	\$2,641	204.1%
Stamp Duties as a % of Total State Taxes	27.0%	35.9%	39.0%	42.4%	38.0%	39.6%	41.4%	42.4%		15.4%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

9.5.3 Intergovernmental Agreement

The Queensland Government under the terms of the 1999 Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations committed itself to review the need for inefficient stamp duties, including those applied to non residential conveyances, leases, credit and rental arrangements, and unquoted marketable securities. Commerce Queensland acknowledges that the State Government has removed some duties, in accordance with the Intergovernmental Agreement.

However, reform of duties to date has not focused on taxes that inhibit economic growth. Under the IGA, Queensland committed itself to completely abolishing transfer duty on core business assets in 2011, with a 50 per cent reduction occurring on Jan 1, 2010. In doing so however, Queensland and the other States argued for the maintenance of stamp duties levied on real property conveyances for the business sector. Taxes and duties that remain in place must now be reviewed in detail, and include extensive public consultation with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.

9.5.4 Removal of stamp duty on the GST inclusive amount of fees and charges.

Commerce Queensland also recommends the removal of stamp duty on the GST inclusive amount of fees and charges (as the first step towards phasing out stamp duty on business transactions). Stamp duty on the GST inclusive amount of fees and charges is a tax on a tax and is a significant design flaw of the current taxation system.

9.5.5 Stamp Duties on Property Transfers

In recent years, due to the large increase in property prices, stamp duty paid on both residential and non-residential transactions has come to the fore as an issue requiring an immediate solution. Rising land tax costs have put enormous pressure on small business as the unrealised gain in the value of property has not been met by increased revenue. This has created a perverse situation where the State Government is significantly benefiting from a cash windfall stemming from stamp duty on business property transfers.

9.5.6 Stamp Duties on Insurance

Commerce Queensland highlights that insurance premiums continue to be a major hindrance to business operating circumstances (see Section 5.0) and accordingly recommends a reduction in stamp duty on insurance for businesses. Taxes on insurance in Queensland are inequitable and are actively discouraging companies from adequately protecting their assets with appropriate insurance. Commerce Queensland urges the State Government to further adjust duty rates to at a minimum ensure that taxation receipts remain neutral to increasing insurance premiums. Commerce Queensland believes it is time for the State Government to reconsider the burden placed on businesses through insurance taxes.

9.5.7 Stamp Duties and Skill Shortages

The recent strong growth in property prices throughout Queensland has fuelled a substantial decline in housing affordability and produced a significant gap between the cost of an average established house and the borrowing capacity of the typical Queensland household. The lack of affordable housing is having a flow-on effect on rental housing affordability. Spiralling rents and falling vacancy rates are becoming commonplace across the State, with many Queenslanders struggling to find a suitable rental property.

Declining housing affordability is having a wide-ranging impact on the State's economy. It dampens consumer spending and confidence by forcing households to divert a greater proportion of their income towards meeting their accommodation needs and discourages people from living in Queensland – making it considerably more difficult for the State's businesses to recruit and retain staff. This is exacerbating the current skills and labour shortages we are witnessing across the State. Removing stamp duties for first homebuyers who are skilled interstate or international migrants is a positive way in which appropriate tax concessions/exemptions can be utilised to achieve strategic benefits for the State.

9.5.8 Recommendations:

- **Stamp duties on first home purchases for targeted skilled international and interstate migrants to Queensland should be removed.**
- Stamp duty on GST inclusive amounts should be immediately removed.
- Stamp duties should be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.
- The State Government should give a medium term commitment to abolish stamp duty on business asset transactions.

9.6 Land Tax

9.6.1 Importance of Land Tax

Commerce Queensland wishes to highlight that the increase in the land tax threshold in last years budget only benefited those business with land valued between \$300,000 and \$350,000. For businesses with a land value in excess of \$350,000 the land tax initiative was of no monetary benefit to their business.

9.6.2 Increasing reliance on Land tax

In recent years, due to significant rises in property prices, the issue of land tax has become increasingly important to business. As stated rising land tax costs have put enormous pressure on small businesses as the unrealised gain in the value of property has not been met by an increase in profit margins or revenue. Commerce Queensland believes that because of the land tax regime, industry is increasingly being penalised for operating their businesses. Land tax in Queensland is becoming an increasing burden on both the business community and investors.

As a result of the recent property boom the market value of properties has increased dramatically. This has forced land values up and increased the amount of land tax levied on investors and the business community. As the value of land has risen, so has land tax. As a consequence, businesses frequently find their land tax bill double that paid previously. Land tax receipts since 2000-01 have increased by over \$390 million or 170% with its proportion of State taxation revenue increasing from 4.8% to 6.7%

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	\$ Increase	% Increase
Land Tax	\$230	\$231	\$279	\$313	\$419	\$404	\$523	\$622	\$392	170.4%
Land Tax as a % of Total State Taxes	4.8%	4.8%	5.0%	4.7%	6.0%	5.5%	6.2%	6.7%		1.9%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

9.6.3 Recommendations:

- The State Government should commit to maintaining the value of the land tax threshold.
- The State Government should consider increasing the land tax threshold and reduce the rates payable.
- The number of land tax levels and marginal rates should be reduced in the rate structure to simplify land tax administration and make the revenue collection more efficient.

9.7 Community Ambulance Services Levy

Commerce Queensland supported the concept of a general levy to fund a viable ambulance service for all Queenslanders but we oppose businesses paying the levy more than once.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	\$ Increase	% Increase
Community Ambulance Cover	\$0	\$0	\$0	\$96	\$112	\$118	\$123	\$128	\$128	
Community Ambulance Cover as a % of Total State Taxes	0.0%	0.0%	0.0%	1.4%	1.6%	1.6%	1.5%	1.4%		1.4%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

Accordingly Commerce Queensland strongly advocated the uncoupling of the ambulance levy from business electricity accounts on the grounds that imposing the levy on businesses amounted to 'double-dipping' (business operators would be paying the levy on both their business and residential accounts). Additionally a number of businesses hold multiple electricity accounts resulting in an equitable multiple impost from the levy. Commerce Queensland argues that businesses have already paid a significant amount in premiums to WorkCover Queensland to provide for all work-related accidents including costs for ambulance transportation, hospitalisation and rehabilitation.

Recommendation:

- **Business electricity accounts should be exempted from the Community Ambulance Services Levy or at least paid on only one business electricity account with revenue replaced by the increasing implementation of a user pays model for non-essential ambulance services or use of private sector patient transport services.**



9.8 Compliance Costs

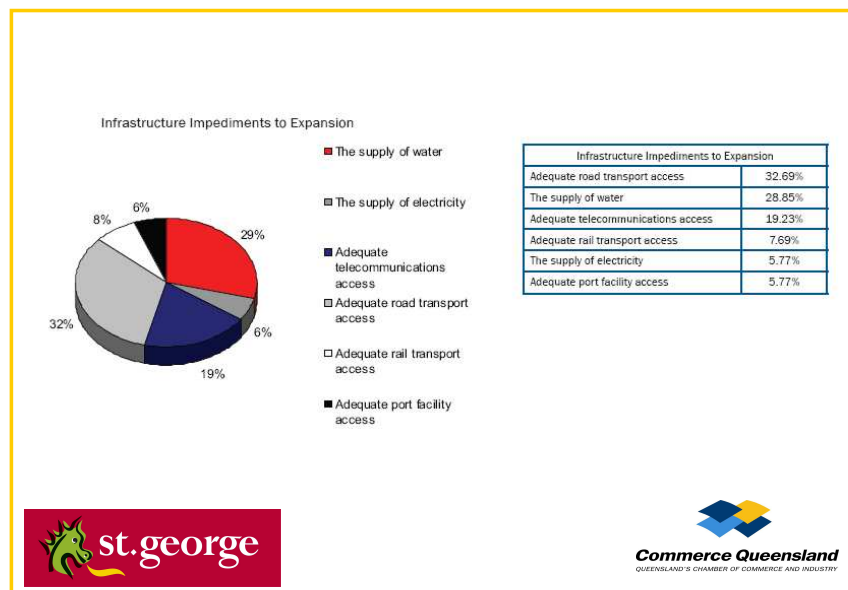
There exists a high compliance burden facing business in relation to business taxes. Commerce Queensland would like to work with the State Government to lower the compliance costs of Queensland regulations and taxes. To further this issue we would propose that the State Government establish and fund a consultative body of business representatives and policy makers to research and develop practical ways to lower this burden on business. Taxation simplification whilst not significantly impacting on State revenues has the potential to deliver enormous benefits to business and accordingly Commerce Queensland recommends reducing the compliance and paperwork burden on all businesses, but on small business in particular.

Recommendation:

- The compliance and paperwork burden on all businesses must be reduced by funding a consultative body of business representatives and policy makers to research and develop practical ways to lower this burden on business.

10.0 Infrastructure

- 10.1 Infrastructure is critical to Queensland's continuing economic growth and has a critical role in determining the relative competitiveness of the State. A lack of forward planning and investment in Infrastructure by successive Governments has left Queensland unable to meet the demands of a growing population and a strong economy. It is essential that the State's transport and infrastructure network is capable of meeting the needs of Queensland businesses both now and into the future.
- 10.2 The March Quarter 2007 Commerce Queensland St George Bank Pulse Survey analysed the various consequences of delays in the delivery of key infrastructure in their region. The extent of Infrastructure as a constraint on the economy is evidenced by this analysis.



Commerce Queensland St George Bank Pulse Survey – March Quarter 2007

10.3 State of Funding

However Commerce Queensland is greatly encouraged by the recent significant increase in investment in key assets (eg. energy, transport and water supply) with the announcement of over \$14 billion in infrastructure development as part of the 2007-2008 State Budget and \$82 billion over the next 20 years as part of the South East Queensland Infrastructure Plan.

10.4 Infrastructure Planning Council

Commerce Queensland believes that a holistic approach should be taken to infrastructure planning across all physical infrastructures and across all levels of Government to ensure an effective and consistent approach is achieved. There is a strong case for a peak body to provide advice to the Government on infrastructure priorities critical for the State's economic growth. Accordingly the State Government should form a State Infrastructure Council.

10.5 Private Sector Involvement in the Delivery of State Infrastructure

The Queensland business community acknowledges that the Government is best positioned to develop an integrated infrastructure plan for Queensland and its regions. However Commerce Queensland considers that the private sector must be involved in delivering the required assets. The private sector has the potential to deliver significant benefits including improved quality at lower cost. In other jurisdictions of Australia, the private sector has successfully delivered essential infrastructure and services for Government including schools, hospitals, health services, electricity supply and roads. There are a number of mechanisms that the State Government could use to facilitate increased participation by the private sector, including privatisation, contracting out, the use of public-private partnerships, competitive tendering and allowing the private sector to construct/use its own

assets. Of central importance is the fact that the rate of spending necessary for continued infrastructure investment and development in Queensland will not be sustainable without using the Private Sector. Greater private sector involvement will diversify and enlarge the pool of funds available to finance the construction and maintenance of infrastructure, enabling some projects to be brought forward and completed earlier than otherwise would have been the case. The utilisation of private sector participation in the provision of essential infrastructure will inevitably lead to an improvement in Queensland's building industry, investment growth and employment opportunities.

10.6 Funding

With the State's excellent credit rating and record Commonwealth funding, the State Government's capacity to borrow and service debt for new borrowings for capital infrastructure has never been better. With Queensland's public debt also at historically low levels, it is now time for Government to retreat from fiscal conservatism and reshape public policy regarding investment in State infrastructure and its management. Queensland should increase public sector borrowing to finance much-needed capital for infrastructure. The use of debt financing for key infrastructure investment projects will generate long-term benefits for the State and will become the keystone to support greater economic and social prosperity. Also Government should actively consider alternative financing mechanisms to free itself from direct investment in costly infrastructure through mechanisms such as Private Public Partnerships (PPPs). The advantages of PPPs for selected infrastructure are that they invite and encourage private sector investment, and ensure that the user pays principle applies to appropriate infrastructure.

10.7 Water

Commerce Queensland is highly supportive of the State Government's Business Water Efficiency Program (BWEP), which has greatly assisted industry in meeting SEQ's water restrictions. We are very supportive of the use financial incentives in fostering a culture of efficient water usage. The most recent QWC Monthly Report indicates that the BWEP program has exceeded its water saving target and businesses using BWEP are achieving significant water savings. Commerce Queensland now wishes to see a further increase in the assistance provided under BWEP and a broadening of criteria used to assess applications under that program. In relation to the \$55 million funding available for business through the BWEP, Commerce Queensland wishes to make the following observations.

- Current funding is seen to be inadequate given overall demand and the size of some of the capital outlays that big water users are required to undertake in order to meet new water efficiency targets.
- Commerce Queensland believes that capital works expenditure which specifically seeks to address increases in trade waste that have occurred as a consequence of water restrictions should be eligible for BWEP assistance.
- Business initiatives implemented similar to those under the Home Water Wise Program should be included under BWEP.

10.8 Recommendations:

- **Establish a State Infrastructure Council to provide advice to State Government on Infrastructure priorities.**
- **A significant increase in assistance and broadening of criteria used under the Business Water Efficiency Program and the extension of the Home Water Wise Program to business.**
- State Government to establish a target list of projects able to be delivered by the private sector through the public/private partnership (PPP).
- Increased investment in key infrastructure assets (for example, energy supply, transport and water supply) to ensure that the State's infrastructure network is of an acceptable standard and capable of meeting forecast demand.
- Greater private sector involvement in the planning, development, construction, operation of Queensland infrastructure.
- Fast tracking and better planning for Queensland's future infrastructure including consultation with business associations.
- Recognition that all communities in Queensland should have access to a reasonable standard of infrastructure and taxpayer-funded services.
- Ensure charges imposed by public infrastructure are competitive with other States.

11.0 Red Tape

- 11.1 Government regulation continues to impose substantial cost and compliance burdens on business. Commerce Queensland has estimated the annual cost of Commonwealth, State and Local Government regulation to be \$17 billion within Queensland. Inappropriate and inefficient regulation acts as a constraint on business growth, productivity and investment and reduces Queensland's competitiveness both nationally and internationally. Government regulation therefore is a key issue for the Queensland business community and more must be done to reduce the burden on business and create a more positive environment for business.
- 11.2 The importance of regulation and red tape to business is highlighted by the Commerce Queensland St George Pulse Survey with Compliance with OHS, Environmental Regulations and IR Laws featuring prominently among the constraints on business growth (see Section 5.0). Notwithstanding those concerns, Commerce Queensland acknowledges that effective regulation can deliver positive outcomes for business, by improving operating and governance arrangements and by providing a more stable economic environment. While some regulations are reasonable and should continue to govern aspects of the way business operates, it is essential that Governments review regulations to identify areas where surplus, overlapping or outdated regulation exists. It is not only that current levels of red tape be reduced, but that systems are put in place to restrict future levels.
- 11.3 The Queensland Government must aim to minimise the impact of regulations on business compliance by continuing to refine existing scrutiny and consultation processes. In short, no new business regulation should be contemplated without a thorough, independent and public process involving cost-benefit analysis including the full consideration of the impact of proposed legislative changes on Queensland industry generally and small and medium-sized enterprises (SMEs) in particular. The State Government should have an overriding objective of easing compliance, cutting red-tape and generally reducing the regulatory burden for all businesses across all areas. Essentially the aim must be to make regulation more efficient.
- 11.4 All levels of government need to adopt regulatory approaches which recognise and minimise the burden that regulation imposes on business. A review of the efficacy of the existing Regulatory Impact (RIS) processes also needs to occur. We must break down the culture among some Departments that RISs can be used as a means to justify regulation, as to its original intention to validate the need for regulation. In addition, we believe clear targets for regulation reform among Government Departments needs to be established and systematically monitored. Examples could include:
- Reducing the compliance burden of a Department's client base.
 - Improving the level of consultations with business on regulatory issues.
 - Increasing the speed and accuracy of information provided to business on their regulatory requirements.
 - Increasing the ratio of non-regulatory approaches to regulatory standards.
- 11.5 The Queensland Government must facilitate a systematic and cultural change required within the machinery of government to contain the exponential growth in regulation. A change in culture and attitude is required. A number of measures must be implemented to ensure that the State Government is not adding to the overall cost of doing business in Queensland.
- 11.6 Recommendations:
- **Tougher rules for the making of new regulations, including rigorous cost benefit analysis and the adoption of a 'one in one out' approach to regulation whereby policy makers can only introduce a new regulation if they remove a redundant or superseded regulation.**
 - **Introduction of an annual regulatory statement in the State Budget to review the regulations that have been introduced in the previous year and are planned to be introduced in the coming year.**
 - **Establish a one-stop shop for business to access the Government.**
 - A regulatory review process where existing regulation is reviewed at least once every five years.
 - Government to consult with the business community before any introduction of regulation.
 - Implement measures to change the culture of regulatory bodies, in order to reward good behaviour, rather than the current punitive regime.

12.0 Government Efficiency

12.1 The Role of the Public Sector

The role of the public sector is to deliver services required by the taxpayers in the most efficient manner possible. The Queensland business community sees itself as a major customer of State Government. The cost and delivery of Government services represents a significant business input in Queensland. The dominance of the public sector in the Queensland economy means the efficiency and effectiveness of government is essential to the performance of the State economy. Strong efforts must be made to ensure the growth in departmental operating expenses does not rise unchecked. Duplication and inefficiency in the government sector results in an unnecessary taxation burden on business.

12.2 Service Delivery and Performance Commission

Commerce Queensland welcomed the establishment of the Service Delivery and Performance Commission by the State Government in 2005. However, Commerce Queensland remains concerned that the Commission's target is too low to achieve a meaningful reduction in the size of government. The goal of a \$100 million saving by 2010-11 out of projected spending in the order of \$33 billion in general government sector expenses, represents a savings target of a mere 0.3 per cent. Commerce Queensland recommends the State Government commit to setting a Service Delivery and Performance Commission goal to identify a minimum 1 per cent savings target by 2010-11.

12.3 State Service Numbers

Recent public sector employment trends are of concern. The purpose of public sector employment is not to create direct employment rather if there is additional money available then there are more efficient and economically effective ways of creating employment. Commerce Queensland supports the need for a small, flexible, highly skilled public sector with the knowledge and capacity to work cooperatively and engage with the business. The current size of the public sector is not optimal, and can place unnecessary pressure on private sector wages and the ability to attract skilled labour. Indeed the Queensland State Service has grown by 15.3% since February 2000 and on a number of persons per State Government Employee basis is clearly over governed compared to New South Wales, Victoria and the National Average.

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Number of Persons per State Government Employee	17.3	18.9	15.8	15.2	15.0	13.4	10.6	17.9	16.7
ABS Catalogue 6248.0.55.001 & 3101.0									

12.4 The Private Sector

There must be a continuing commitment on the part of Government to quit those areas of activity which can be more efficiently provided by the private sector.

12.5 Recommendations:

- The State Government should include in its financial strategy a target to contain annual increases in recurrent expenditure to below the change in Queensland GSP in the previous financial year.
- The State Government should commit to setting the Service Delivery and Performance Commission a meaningful goal to identify a minimum one per cent savings target by 2010-11.
- Commerce Queensland supports the need for a small, flexible, highly skilled public sector with the knowledge and capacity to work cooperatively and engage with the business and non-government sectors.



13.0 Skill Shortages

13.1 The changing dynamics, efficiencies and productivity of the Queensland economy over recent decades have resulted in significant changes to Queensland's workforce, particularly participation and retention rates. Queensland, like the rest of Australia, is facing one of the greatest economic challenges of the 21st century – skill shortages.

13.2 There are statewide recruitment difficulties in a number of trades and professions, and in many regional areas skill shortages, recruitment and staff retention are significant challenges. Factors, which have affected Queensland's long term stock of skills include:

- Rapidly expanding businesses and economy;
- Falling numbers of new entrants to the workforce;
- The ageing of the existing workforce;
- The changing role of public and private enterprises in skill formation;
- The impact of production demands on the time available to train; and
- Structural changes within industry sectors.

13.3 Accordingly the availability of suitably qualified employees has steadily increased in importance over recent years and is now the largest constraint on business growth within Queensland at present. Commerce Queensland wishes to highlight the graph in Section 5.0 that dramatically demonstrates the importance of skill shortages within Queensland and its impact on limiting business growth. The shortage of skilled workers within Queensland is a true and real impediment to the economic growth of Queensland. The economic cost of skill shortages is significant and skill shortages are a complex problem requiring a considered response.

13.4 The Pulse Survey results highlight the need to provide greater urgency and more effort and resources into finding a solution to the whole question of skill shortages. Accordingly skill shortages and education and training have become a priority policy area for Commerce Queensland. This issue must continue to be addressed as a matter of priority to ensure Queensland businesses have access to a reliable and skilled workforce. Key issues include:

- The retention of skilled employees;
- Attracting new entrants to the workforce;
- Employer incentives to train existing workers;
- Training and employment policies for an ageing workforce;
- Government strategies to address skill shortages; and
- Improving industry access to a choice of training providers.

13.5 Skilling the Existing Workforce (see section 14.0)

The short-term solution to resolving skill shortages is to provide assistance for the upskilling and retraining of existing members of the workforce. We acknowledge industry has a responsibility to invest in training their existing workforce but there are limits to what businesses can do alone. It is important that policy makers consider targeting resources to up-skilling and re-skilling of existing employees.

13.6 Attracting New Entrants to the Workforce

Over the longer term, industry must recruit and train new entrants to the workforce to secure a skills base for the future. Business is encountering an ongoing challenge in attracting young people to work in some industries and/or finding other suitable applicants for entry level positions. The provision of good quality, broad career and labour market advice to schools, students and parents is vital in helping them to understand the broad range of career opportunities that are available.

13.7 Retaining Older Workers

Queensland like Australia has an ageing population and workforce. As a result there will be a growing need to keep people in the workforce longer. This will require the State Government to promote the

value of older workers and develop strategies to overcome cultural and legislative barriers to employing older workers. Furthermore Queensland must aggressively promote and market mature-aged workers' skills and experience and their contribution to Queensland industry.

13.8 Access to a Quality Education and Training System (see section 14.0)

The State Government should place a high priority on ensuring strong industry involvement and leadership in the training system. Commerce Queensland supports industry advisory arrangements that allow an effective voice for industry in determining skill formation and training needs across the State. The State Government needs to ensure that the TAFE sector, as the major public training provider, is responsive to the needs of industry and has the capacity to provide industry with a world-class training system. Queensland also has a vibrant private training provider sector delivering training to industry. The State Government should not lose sight of the valuable role that this sector plays and their important contribution to skill formation in the state. Commerce Queensland advocates a 'User Choice' approach to training policy. This policy enables employees and the employer to exercise a choice about the type of training and training provider that best suits their needs.

13.9 Training in Government

Commerce Queensland believes scope needs to be maintained for the Queensland Government to lift its intake of apprentices in State Government instrumentalities including GOCs. The trend of State Governments across Australia to largely withdraw from the practice of employing and training apprentices within State Government instrumentalities is widely perceived as a significant factor in the shortage of skilled trades persons within the traditional trade areas.

13.10 Industrial Relations

Queensland employers need to be empowered to effectively engage these workers in a flexible working relationship that results in the best possible employment and business opportunities for both parties.

13.11 Recommendations:

- Be creative in the use of State's taxation regime in encouraging employers to train and recruit.
- Implement an educative process for SMEs of the benefits of training to business.
- Promote access to training as an important element in attracting and retaining people.
- Promote and market mature-aged workers' skills and experience and their contribution to Queensland industry.
- Queensland employers be empowered to effectively engage workers in a flexible working relationship that results in the best possible employment and business opportunities for both parties.



14.0 Education and Training

- 14.1 It is widely recognised that workplace learning is of immense value to individuals and workplaces. Australia and Queensland's current employment, education and training systems do not currently have the policies, structures and practices to effectively utilise workplaces as accredited and valued sites of learning. Federal and State Government policy and funding is still primarily directed towards an institutional method of delivery in both education and training. The focus on institutional learning continues in its struggle to meet industry and individual workers' requirements.
- 14.2 Commerce Queensland believes a major shift in policy and resourcing needs to occur so that workplaces become a crucial learning environment. Using the workplace as the central environment for learning will require a fundamental shift in how courses are structured and delivered resulting in extensive changes to staffing arrangements for institutions and workplaces. Employment arrangements will be required to ensure that individuals can move in and out of the workplace and institutions in different roles such as learners, supervisors, mentors, coaches, trainers, assessors, teachers, managers and leaders. To achieve this, significant changes will be required in conceptions of the provision of vocational education, curriculum, modes of teaching and the extent and quality of partnerships between the training systems and public and private sector enterprises.
- 14.3 Organisations and worker-learners will require assistance to plan for growth and the capacity to provide effective learning experiences. By taking this approach, Commerce Queensland believes that current issues such as skill and labour shortages, limited access to up-to-date career advice, non-related learning particularly in English, Mathematics and Science and links to cutting-edge technology and workplace practices, including higher skill levels could all be effectively addressed.
- 14.4 Changing from an institutionally-focussed model to a workplace learning model of delivery will produce the employment, education and training outcomes required to take Australia back amongst the leading nations in these essential areas of learning and development. This change in focus to use workplaces as a key setting for education and training will produce outcomes such as improved understanding of occupations, time responsiveness to delivery, better use of recognition of prior learning practices, flexibility, improved productivity and understanding of applied technology. To work towards this vision, Commerce Queensland recommends that the following policy areas need to be targeted.

14.5 Recommendations:

Develop *quality workplace learning* practices by:

- Support enterprises through innovative arrangements that develop leadership and management skills for developing and building employees' capacities for an effective and rich working life.
- Equip workplace personnel with the required knowledge and skills (supervision, mentoring, coaching, training and assessment) needed to contribute to the education and development of other individuals.
- Develop models that effectively combine workplace and institutional based learning arrangements to provide better recognition of prior learning, current workplace practices and latest technology.
- Remove barriers that restrict movement of individuals between education and training institutions and industry-based workplaces.

Develop 5-10 year *workforce plans* to forecast labour demand and direct effective use of funding by:

- Change funding structures from departmental to regional models to enable regional leaders to develop sustainable recruitment, retention and retraining strategies suitable to their geographic region.
- Support the development of partnership models among government, industry and education and training organisations based on demand driven requirements.
- Assist the development of education and training models suitable to small and medium enterprises.
- Provide access to workplaces for more effective career planning by individuals and professional development of career personnel.
- Remove barriers that restrict flexibility in the use of education and training funds which limits individuals' and organisations' choice of provider.



Appendix One

Policy Development & Representation




Workplace Health & Safety



Workplace Relations & Employer Advice



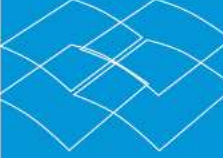
Human Resource Management



International Business



Vocational Education & Training



Eco Efficiency Advice

COMMERCE QUEENSLAND PROFILE

Commerce Queensland is Queensland's largest business organisation and is the trading name of the Queensland Chamber of Commerce and Industry. It has a statewide membership drawn from all industry sectors and has been the state's peak employer body since 1838.

Commerce Queensland is a non-Government organisation that seeks to work with Government and other groups to shape Queensland's economic and social environments in a way that promotes business growth and community prosperity.

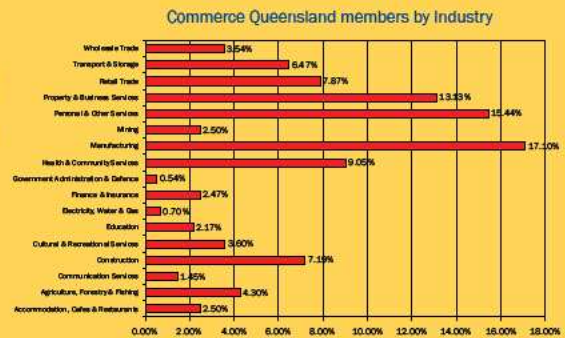
Commerce Queensland is called upon by thousands of enterprises to deliver a broad range of business services including advocacy and representation, workplace and industrial relations, staff development and training, workplace health and safety, environmental management and international business facilitation. We are commercially-minded and expertly-qualified.

Commerce Queensland is a founding member and influential partner of the Australian Chamber of Commerce and Industry (ACCI) and part of the worldwide network of Chambers of Commerce and affiliated business service organisations.

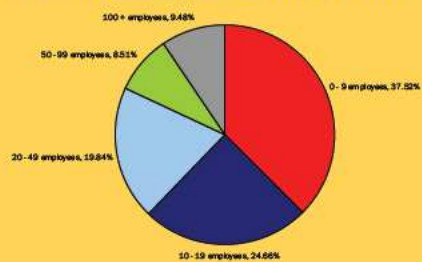
Commerce Queensland has in excess of 3,700 direct members across 8 regional offices and acts for over 135 local chambers of commerce and 60 trade and professional associations. In total, Commerce Queensland represents in excess of 25,000 businesses and our vision is to be the leading facilitator of business success in Queensland.



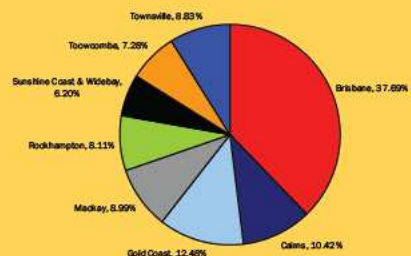
The diversification of Commerce Queensland's membership is illustrated in the following charts:



Commerce Queensland members by Employment Size



Commerce Queensland members by Region



Queensland's Peak Industry Body

Appendix Two - Interstate Comparison of Taxation Initiatives

RECENT MAJOR TAX INITIATIVES

The following is a summary of recent taxation changes and announcements by States and Territories:

NEW SOUTH WALES

Land Tax – From the 2008 land tax year, beginning on 1 January 2008, the land tax rate will be reduced to 1.6 per cent from 1.7 per cent. The valuation for land tax purposes in 2008 will be the average of the 1 July 2005, 1 July 2006 and 1 July 2007 valuations. Consistent with the averaging of land values, the threshold is based on a three year average of annual amounts, which continue to be indexed in line with state-wide movements in land values. In addition, each year's average threshold will be at least equal to the previous year's threshold.

Hire of goods duty – abolished from 1 July 2007.

Lease duty – to be abolished from 1 January 2008.

Mortgage Duty – New South Wales will now abolish mortgage duty in three stages, starting 2¼ years earlier than originally scheduled. At each stage, mortgage duty will be abolished for a different group of taxpayers as follows:

- from 1 September 2007, duty is abolished for new housing finance commitments to owner-occupiers for the purpose of buying or renovating their own home;
- from 1 July 2008, duty will be abolished for new housing finance commitments to individuals for the purpose of residential property investment; and
- from 1 July 2009, total abolition of mortgage duty.

Payroll Tax – From 1 July 2007, New South Wales and Victoria introduced harmonised payroll tax legislation and administrative arrangements designed to simplify and reduce red tape. Examples of amendments made to achieve harmonisation are:

- Consistent contractor provisions;
- Changes to fringe benefits and the gross-up rate;
- Consistent charitable exemption provisions;
- Consistent grouping provisions; and
- Consistent exemption rates for motor vehicles and overnight accommodation allowances.

Other Taxes - New South Wales has established a timetable to abolish the following duties:

- Unquoted marketable securities duty from 1 January 2009;
- Transfer duty on non-land business assets from 1 July 2012.

VICTORIA

Land Tax - for the 2008 land tax year the changes include:

- Increasing the tax-free threshold from \$200,000 to \$225,000;
- Cutting the current 1.2 per cent rate (which applies to landholdings between \$1.19 million and \$1.62 million) to 0.8 per cent; thereby allowing the amalgamation of this threshold with the \$900,000 to \$1.19 million threshold;
- Cutting the current 1.8 per cent rate (which applies between \$1.62 million and \$2.7 million) to 1.3 per cent;
- Cutting the top rate of 3 per cent (which applies over \$2.7 million) to 2.5 per cent;
- Abolishing special land tax on primary production land that is wholly or partly in the metropolitan area; and
- Improving the fairness of the special land tax provisions by clarifying the application of special land tax in relation to compulsory acquisitions and zoning changes.

The rate cuts will also flow through to the special trusts land tax rate scale while keeping in place the unique aspects of that scale (i.e. the \$20,000 tax-free threshold, the surcharge of 0.375 per cent, and the tapering off of the surcharge between \$1,620,000 and \$2,700,000).

In addition, these cuts will flow through to the land tax on electricity easements rate scale, whilst keeping in place the current top easement rate of 5 per cent.

Motor Vehicle Duty Costs – the effective motor vehicles duty rate was reduced from 4 per cent and 5 per cent to 2.5 per cent on passenger vehicles valued between \$35,000 and \$57,009 from 1 May 2007. The new system shifts from three-rate scales for new cars down to two-rate scales.

Payroll Tax - The payroll tax rate was cut from 5.15 per cent to 5.05 per cent from 1 January 2007 and it will be further reduced to 5 per cent from 1 July 2008.

Health Benefit Levy - From 2007-08, the Health Benefit Levy will increase from \$3,033.33 to \$4,333.33 on each electronic gaming machine operated in Victoria.



QUEENSLAND

Land Tax - From 2007-08, the land tax tax-free threshold for resident individuals has been increased from the \$500,000 to \$600,000. In addition, the increase in averaged land values will be capped at 50% each year for three years for the purposes of calculating land tax liabilities. This cap commenced on 1 July 2007.

From 2007-08, the land tax tax-free threshold for companies, trustees and absentees has been increased from \$300,000 to \$350,000. In addition, the increase in averaged land values will be capped at 50% each year for three years for the purposes of calculating land tax liabilities. This cap commenced on 1 July 2007.

Vehicle registration duty - from 1 January 2008, the rate will change. The current 2% rate of duty will continue to apply for hybrid or electric vehicles, as will the current \$25 flat rate of duty for conditionally registered vehicles.

Other Taxes

Hire duty and marketable securities duty were abolished from 1 January 2007. The following duties will be progressively abolished:

- 50 per cent of mortgage duty from 1 January 2008, with full abolition from 1 January 2009; and
- 50 per cent of transfer duty on core business assets from 1 January 2010, with full abolition from 1 January 2011.

WESTERN AUSTRALIA

Land Tax - Land tax for 2007-08 has been cut across the board by reducing the tax rates and/or increasing the ranges to which the new tax rates apply. The exemption threshold has been increased from \$150,000 to \$250,000 for both land tax and Metropolitan Region Improvement Tax (MRIT). However, the marginal tax rate for MRIT has been increased from 0.15% to 0.18%. The private aged care providers will be exempt from land tax from 1 July 2007.

Conveyance Duty - The first home stamp duty exemption threshold was doubled from \$250,000 to \$500,000 (phasing out at \$600,000) from 9 May 2007. The vacant land exemption threshold was also doubled from \$150,000 to \$300,000 (phasing out at \$400,000).

Stamp Duty on Motor Vehicles - The motor vehicles stamp duty scale thresholds were increased by \$5,000 from 1 July 2007, with a further \$5,000 increase from 1 January 2009. From 1 July 2007, the single flat 3% stamp duty rate for new heavy vehicles was extended to used heavy vehicles. Caravans and camper trailers will be exempt from stamp duty from 1 July 2007.

SOUTH AUSTRALIA

Payroll Tax – The payroll tax rate was reduced from 5.5 per cent to 5.25 per cent from 1 July 2007. The rate will be further reduced to 5.0 per cent from 1 July 2008. A number of changes to payroll tax legislation and administrative arrangements will also be implemented from 1 July 2008, designed to improve inter-jurisdictional consistency.

Mortgage Duty – Remaining mortgage duty will be phased out between 1 July 2007 and 1 July 2009. Mortgage duty rates were reduced by one-third on 1 July 2007. Rates will be reduced by a further one-third from 1 July 2008 and fully abolished with effect from 1 July 2009.

Rental Duty – Rental duty will be phased out between 1 July 2007 and 1 July 2009. Rates were reduced by one-third on 1 July 2007. Rates will be reduced by a further one-third on 1 July 2009 and fully abolished with effect from 1 July 2009.

Conveyance Duty (also known as Transfer Duty) – Stamp duty rates on nonrealty property transfers will be halved from 1 July 2009 and fully abolished with effect from 1 July 2010.

Non-quoted Marketable Securities – Stamp duty rates on non-quoted marketable securities will be halved from 1 July 2009 and fully abolished with effect from 1 July 2010.

TASMANIA

Motor Tax - The rate of motor tax payable on light vehicles was reduced by 21 per cent in the 2007-08 Budget, effective 1 October 2007.

Motor Vehicle Registration Duty - The rate of duty payable on the transfer of heavy vehicle registrations was reduced from 3 per cent to 1 per cent in the 2007-08 Budget, effective 1 October 2007.

Mortgage Duty – Abolished from 1 July 2007.

NORTHERN TERRITORY

Payroll Tax - Leading up to the 2005 Northern Territory election, the Government announced that it would reduce the payroll tax rate from 6.2 per cent to 5.9 per cent during its next term in government.

Conveyance Duty (also known as Transfer Duty in other jurisdictions) -



The stamp duty first home owner concession was increased from the first \$225,000 of a home's value (a concession of up to \$8,015.60) to the first \$350,000 of a home's value (a concession of up to \$15,312.50) for instruments executed on or after 1 May 2007; From 1 May 2007 a revenue protection measure was put in place to prevent the stamp duty corporate reconstruction exemption being utilised to frustrate the recovery of duty, tax or royalty that is payable in Northern Territory; From 1 July 2007 anything that is physically fixed to land will be regarded as 'land' for the purpose of the land holder provisions (irrespective of whether it would be regarded as a fixture at common law);

Amendments effective from 1 July 2007 were made to clarify that:

- stamp duty is imposed on the full value and best use of the land, which includes having regard to information that enhances the value of the land;
- mining information will be taken into account when valuing a mine to assess the stamp duty payable on the conveyance of that mine, irrespective of whether the mine is or is not subject to the *Mining Act*; and
- a person who has previously owned a home interstate under a longterm lease cannot qualify for the stamp duty first home owner concession for a subsequent home purchase.

Other Taxes

Lease duty – duty on the grant of a lease for nil or nominal consideration was abolished from 1 July 2007;

Deed Duty – all types of guarantees were exempted from duty unless liable to ad valorem duty on some other ground from 1 July 2007;

Hiring duty – duty on hiring arrangements was abolished from 1 July 2007; and

Transfer duty – On core business assets, which excludes land, is proposed to be abolished from 1 July 2009.

AUSTRALIAN CAPITAL TERRITORY

Duty On Share Transfers - The Commissioner for ACT Revenue has released Revenue Circular D21 to clarify the duty treatment of stapled securities in the ACT. This Circular is intended to provide certainty to taxpayers and practitioners in the wake of the Western Australian State Administrative Tribunal Decision in Westpac Custodian Nominees Limited and Commissioner of State Revenue [2006] WASAT 203. A stapled security with a quoted value on a stock exchange recognised under the Duties Act 1999 will continue to be treated as a quoted security for the purposes of this Act.

Home Buyer Concession – On 1 January 2007 and 1 July 2007 the property and vacant block thresholds were adjusted.

Motor Vehicle Duty - The Commissioner for ACT Revenue released Revenue Circular D22, effective 9 November 2006, to clarify the duty treatment on the registration of motor vehicles that are used as demonstrators or trading stock by a vehicle dealer who is licensed in the ACT under the *Sale of Motor Vehicles Act 1977*, or licensed in another jurisdiction under a corresponding law. Revenue Circular D22 only clarifies that interstate dealers licensed under a corresponding law will receive the same exemptions as ACT licensed dealers for demonstrator and trading stock vehicles. The circular doesn't clarify the definition of demonstrator or trading stock. The *Duties Act 1999* was amended to reflect this practice on 20 June 2007.

The Commissioner for ACT Revenue released Practice Note MVD1 to provide information regarding the payment of duty when an application to register or transfer a registration is made in the ACT.

Payroll Tax - The ACT Treasurer has agreed to implement measures from the national Payroll Tax project to maintain consistency with the other jurisdictions by 1 July 2008. Further consistency will be investigated by 1 July 2009.

Legislation has been passed to abolish the following duties:

Rental arrangements duty - abolished from 1 July 2007;

Leases duty – will be abolished from 1 July 2009; and

Non-quotable marketable securities duty – will be abolished from 1 July 2010.

Easy Lodge - This new lodgement procedure allows for payment and franking of documents at the ACT Customer Service Centre without waiting for an assessment to be issued. The scheme is limited to simple transactions for residential land only or residential land and improvements. Practitioners must be registered in order to use the scheme.

City Centre Marketing and Improvements Levy - The *Rates Amendment Act 2006 (No 2)* was passed by the Legislative Assembly on 6 March 2007. The Act provides the collection mechanism for the City Centre Marketing and Improvements Levy (CCMIL). The revenue collected from the levy will be used to promote, maintain and improve the amenity of the Civic area. The levy will be imposed on rateable commercial land within a prescribed collection area.

Appendix Three – Summary of Payroll Tax Schemes -All States

TAX	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
PAYROLL TAX								
Basic Flat Rate:	6.00%	6.05%	4.75%	5.50%	5.25%	6.10%	6.20%	6.85%
Method of calculation of Tax:	Single marginal rate.	Single marginal rate.	Deduction System.	Single marginal rate.	Single marginal rate.	Single marginal rate.	Single marginal rate.	Single marginal rate.
Tax Scale and Small Business Concession:	First \$600,000 exempt.	First \$550,000 exempt. (5.0% from 1 July 2008)	First \$1,000,000 exempt. For payrolls \$1,000,000 up to \$4,000,000, deduction of \$1,000,000 reducing by \$1 for every \$3 payroll exceeds \$1,000,000. No deduction for payrolls of \$4,000,000 or more.	First \$750,000 exempt.	First \$504,000 exempt. (5.0% from 1 July 2008)	First \$1,010,000 exempt.	First \$1,250,000 exempt. Committed to reducing the payroll tax to 5.9% during the current term of the Govt. No schedule for reduction announced as yet.	First \$1,250,000 exempt.
	Employer superannuation contributions included in the tax base. Eligible termination payments and the grossed up value of fringe benefits included in the tax base from 1 July 2002. Termination payments to non-executive directors and share options included in the tax base from 1 July 2003.	Employer superannuation contributions included in the tax base. Eligible termination payments and the grossed up value of fringe benefits included in the tax base from 1 July 2001. From 1 January 2005, employment agencies are liable for payroll tax for their on-hired workers. An exemption from payroll tax applies to wages paid in respect of workers on-hired to a client that is exempt under section 10 of the Pay-roll Tax Act 1971.	Employer superannuation contributions included in the tax base. Eligible termination payments (not including death benefit eligible termination payments) and the grossed up value of fringe benefits included in the tax base from 1 July 2002.	Employer superannuation contributions included in the tax base. Eligible termination payments included in the tax base from 1 July 2003. Grossed up value of fringe benefits included in the tax base from 1 January 2002.	Employer superannuation contributions included in the tax base. Eligible termination payments (as defined for income tax purposes) and the grossed up value of fringe benefits included in the tax base from 1 July 2002.	Employer superannuation contribution included in the tax base. Eligible termination payments and the grossed-up value of fringe benefits included in the tax base from 1 July 2003.	Employer superannuation contribution included in the tax base. Eligible termination payments included in the tax base from 1 July 2002. Grossed up value (type 2 grossed-up rate) of fringe benefits included in the tax base from 1 July 2002.	Employer superannuation contributions included in the tax base. Eligible termination payments and the grossed up value of fringe benefits included in the tax base from 1 July 2002 From 1 July 2005 eligible maternity, adoption and/or primary carer leave is exempt From 1 July 2005 tax base includes employer contributions to employee share schemes, and eligible termination payments

Appendix Four – Summary of Land Tax Schemes -All States

TAX	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
LAND TAX Tax Scale: Marginal rates apply to excess above the lower limit of the range unless explicitly specified.	For 2008 land tax year: \$0-\$359,000: Nil Over \$359,000: \$100 + 1.6% of value over \$359,000.	For 2008 land tax year: General: Less than \$225,000: Nil \$225,000-\$539,999: \$250 + 0.2%	For the 2007-08 land tax year For resident individuals: Less than \$600,000: Nil \$600,000 to \$749,999: \$1,200 + 0.70c of each \$ in excess of \$600,000.	For 2007-08 land tax year: \$0-\$250,000: Nil \$250,001-\$875,000: 0.15% \$875,001-\$2,000,000: \$938+0.75% \$2,000,001-\$5,000,000: \$9,375+1.3%	For 2007-08 land tax year: \$0-\$110,000: Nil Exceeding \$110,000-\$350,000: 0.30% Exceeding \$350,000-\$550,000: \$720 + 0.70%	Effective 1 July 2005: \$0-\$24,999: Nil \$25,000-\$349,999: \$50.00+0.55% \$350,000-\$749,999: \$1837.50+2%	Not Imposed	For 2007-08 Residential Properties Marginal Rates Up to \$75,000: 0.60% \$75,001-\$150,000: 0.89% \$150,001-\$275,000: 1.15%
LAND TAX (continued)	The threshold is a three year average and is indexed annually according to movements in State-wide property prices. The threshold cannot fall. The minimum land tax payment is \$100. Non-concessional companies and special trusts are taxed at the flat rate of 1.6%. Premium Property Tax was abolished from the 2005 land tax year	\$540,000-\$899,999: \$980 + 0.5% \$900,000-\$1,619,999: \$2,680 + 0.8% \$1,620,000-\$2,639,999: \$8,440 + 1.3% \$2,700,000 and over: \$22,480 + 2.5% Special trusts: Less than \$20,000: Nil \$20,000-\$224,999: \$75 + 0.375% \$225,000-\$539,999: \$844 + 0.575% \$540,000-\$899,999: \$2,655 + 0.875% \$900,000-\$1,619,999: \$5,905 + 1.175% \$1,620,000-\$2,639,999: \$14,265 + 0.76% (a) \$2,700,000 and over: \$22,480 + 2.5% (a) Surcharge on special trusts effectively phased out for land holdings valued above \$1,620,000; Above \$2.7 million, no surcharge applies	\$750,000 - \$1,249,999: \$2,250 + 1.45c of each \$ in excess of \$750,000. \$1,250,000 - \$1,999,999: \$9,500 + 1.50c in excess of \$1,250,000. \$2,000,000 - \$2,999,999: \$20,750 + 1.675c in excess of \$2,000,000. \$3,000,000 and over: 1.25c of full value. For Companies, trustees and absentee: Less than \$350,000: Nil \$350,000 to \$749,999: \$2,250 + 1.50c for every \$ in excess of \$350,000. \$750,000 - \$1,249,999: \$8,250 + 1.65c for every \$ in excess of \$750,000. \$1,250,000 - \$1,999,999: \$16,500 + 1.80c for every \$ in excess of \$1,250,000 \$2,000,000 and over: 1.50c of full value.	\$5,000,001-\$10,000,000: \$48,375+1.55% Over \$10,000,000: \$125,875+2.30% The Metropolitan Region Improvement Tax is levied on the unimproved value of land situated in the metropolitan region at the rate of 0.18c per \$1 for land valued at over \$250,000.	Exceeding \$550,000-\$750,000: \$2,120 + 1.65% Exceeding \$750,000-\$1,000,000: \$5,420 + 2.40% Over \$1,000,000: \$11,420 + 3.70%	\$750,000 or more: \$9,837.50+2.50%		Over \$275,000: 1.40% Based on Average Unimproved Value, which includes the 2005, 2006 and 2007 Unimproved Land Values. Commercial Properties Marginal Rates Up to \$150,000: 0.89% \$150,001-\$275,000: 1.25% Over \$275,000: 1.59% Based on Average Unimproved Value, which includes the 2005, 2006 and 2007 Unimproved Land Values.

TAX	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
LAND TAX (continued)		Since 1 July 2004 land tax has been payable on electricity transmission easements (from 2007, with a top rate of 5% instead of 3%) The Metropolitan Parks Charge is levied annually on all metropolitan properties via water bills. It is calculated by multiplying the property's 1990 Net Annual Valuation by a rate in the dollar. The minimum yearly Parks Charge in 2006-07 is \$53.84.						
EXEMPTIONS:								
Primary Residence:	All principal places of residence exempt except if owned by a special trust or company.	Exempt, except if owned by a company or by certain trusts.	Exempt or deductible depending on circumstances.	Exempt, except principal places of residence owned by companies and trusts.	Principal place of residence exempt. Additional criteria apply where a business activity is conducted from the principal place of residence (full or partial exemptions may apply).	Exempt.		Exempt, apart from parcels of land that are rented or owned by a company or trust.
Primary Production Land:	Exempt if rural/non-urban zoning, otherwise exempt if meet business test.	Exempt with conditions.	Deductible.	Exempt.	Exempt with conditions.	Exempt.		Exempt.
Other exemptions (Note: Generally Charitable, Religious and Educational Bodies are exempt with conditions.)		Exemptions for aged care facilities, supported residential services, rooming houses and caravan parks. Various other exemptions.	Exemption for certain caravan or residential parks where more than 50% of all sites occupied or available for occupation for periods of more than 6 weeks at a time. Various other.	50% concession for caravan parks. New exemption for private aged care providers from 1 July 2007.	Caravan parks are exempt, while retirement villages, supported residential facilities and re-locatable home parks are exempt with conditions.			
Reference Period:	Based on the three year average of unimproved land values at 30 June, if owned at midnight 31 December of the previous year.	Based on aggregate value of land owned as at midnight 31 December of the previous year to the assessment year.	Based on three year average of land values at midnight on 30 June. Averaged land values increases are also capped at 50% each year for three years from 1 July 2007. The land tax value is the lesser of the unimproved value at 30 June and the average of the unimproved values at 30 June over the last three years.	Based on value of land as at 30 June of the previous year.	Based on aggregate value of land as at midnight on 30 June immediately preceding the financial year.	Based on aggregate value of land as at 1 July of the assessment year.		Based on the rolling three year average of unimproved land values. Liability is assessed quarterly on the liability dates of 1 July, 1 October, 1 January and 1 April.