

**CONFIDENTIAL**  
**CABINET DECISION**  
**No. 8213**

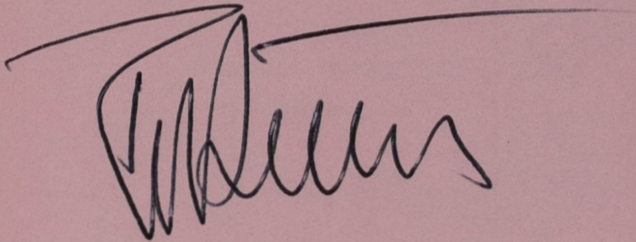
---

Submission No: 6902

Title: **AMENDMENT TO THE PAY-ROLL TAX ACT**

Cabinet approved the amendment of the Pay-roll Tax Act to -

- (a) increase the threshold for liability to pay tax from \$500,000 to \$520,000;
- (b) provide a concession for graduate trainees; and
- (c) make minor definition amendments.



**R.A.SETTER**  
Secretary to Cabinet

19 April 1994

---

**CONFIDENTIAL**

## NORTHERN TERRITORY OF AUSTRALIA

Copy No: 1

CONFIDENTIAL

FOR CABINET

SUBMISSION No: 6902

Title:	AMENDMENT TO THE PAY-ROLL TAX ACT
Minister	THE HON. BARRY COULTER, TREASURER
Purpose:	TO INCREASE THE TAX THRESHOLD AND FOR OTHER PURPOSES
Relation to existing policy:	IN ACCORDANCE WITH POLICY
Timing/ legislative priority:	INTRODUCTION IN MAY 1994 BUDGET SITTINGS
Announcement of decision, tabling, etc:	TO BE ANNOUNCED IN THE BUDGET PRESENTATION
Action re- quired before announcement:	DRAFTING OF AMENDING BILL
Staffing implications, numbers and costs, etc:	NIL
Funding requirements:	
• Recurrent - current year future years	NIL
• Capital - current year future years	NIL
• Offset savings	N/A
• Revenue implications	REVENUE FOREGONE IN A FULL YEAR OF APPROX \$350,000

CONFIDENTIAL

CONFIDENTIAL

1.

**RECOMMENDATION**

1. That Cabinet approve the amendment of the Pay-roll Tax Act to -
  - (a) increase the threshold for liability to pay tax from \$500 000 to \$520 000;
  - (b) provide a concession for graduate trainees; and
  - (c) make minor definition amendments.

**BACKGROUND**

2. Since the last increase in the threshold for the payment of pay-roll tax (1 November 1992) wages have increased at least in line with inflation. As a consequence some employers who were below the threshold at the time now have payrolls exceeding the threshold and have incurred a liability to tax.
3. Their previous status can be maintained by raising the threshold at approximately the rate of increase in the CPI.
4. Concessions exist for wages related to persons employed as apprentices and to certain trainees. Proposals have been received for the concession to be extended to trainee graduates.
5. Amendments made by Department of Education to the apprenticeship scheme will require minor amendments to the relevant sections to cater for those changes.

**CONSIDERATION OF THE ISSUES**

6. The consequences of bracket creep can be reversed if the threshold is increased in line with the increase in the relevant payrolls. It is considered that an increase in the threshold in line with inflation will be sufficient to maintain the status quo.

CONFIDENTIAL

2.

7. The increase would have effect from the beginning of the 1994/95 financial year.
8. The cost to revenue is small (approx \$100,000 p.a.) whilst the perception of benefit would be high.
9. An approach has been made for relief from pay-roll tax in respect of wages paid to higher education and TAFE graduates employed in a temporary traineeship capacity. A 6 month concession refundable in a similar manner to the concession provided in respect of wages paid to apprentices, would cost in the order of \$0.25m.
10. The Department of Education has amended the legislation to replace the term "apprentices" with "trainees in declared vocations". The Pay-roll Tax Act will as a consequence require amendment.

## OPTIONS

11. Cabinet may decide to approve the proposed increase in the threshold, the concession for trainee graduates and the minor amendments relating to apprentices.
  - this is the preferred option as it maintains the exemption for those at the margin of liability. The trainee graduate concession would provide an employment incentive similar to that provided in respect of apprentices.
12. Alternatively Cabinet may decide to make only some or no change.

## PUBLIC IMPACT OF THE RECOMMENDATIONS

13. The increase in the threshold should be well received by those employers who have been affected by bracket creep at the threshold. The graduate concession should provide a recruitment incentive to some employers

CONFIDENTIAL

3.

**FINANCIAL CONSIDERATIONS**

14. The revenue foregone from raising the threshold and exempting graduate wages for 6 months would be in the order of \$350 000 p.a.

**TERRITORY BUDGET FUNDING**

14. The proposal would be introduced as part of the Budgetary process.

**REGULATORY IMPACT**

15. Implementation of the recommendations will require an amendment to the Pay-roll Tax Regulations to provide the mechanics for the refund.

**EMPLOYMENT AND INDUSTRIAL RELATIONS**

16. The proposal would be seen as reducing the impact of tax on employment by small employers. Some 180 employers will obtain a small benefit. The graduate concession may be an incentive to employ some graduates.

**COMMONWEALTH, STATE AND LOCAL GOVERNMENT RELATIONS**

17. No impact.

**CO-ORDINATION AND CONSULTATION**

18. The proposal has not been discussed with other agencies.

CONFIDENTIAL

4.

**LEGISLATION**

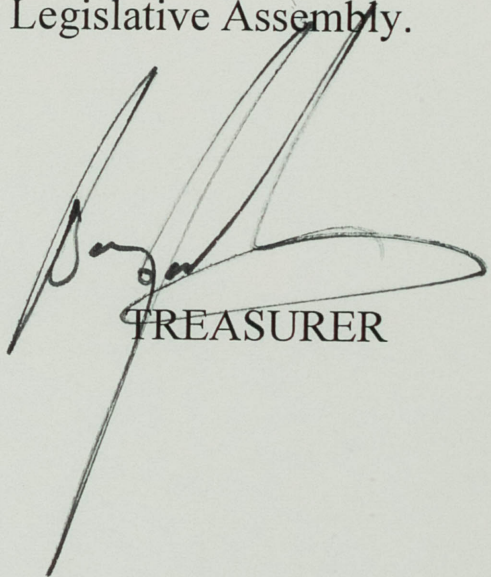
19. Implementation of the recommendation would require an amendment to the Pay-roll Tax Act.

**PUBLICITY**

20. To be announced at time of introduction of the Budget.

**TIMING**

21. To be introduced at the May 1994 sittings of the Legislative Assembly.



TREASURER

CONFIDENTIAL

**SUMMARY OF REVENUE OPTIONS  
TAXES**

---

	<b>FULL YEAR IMPACT</b>	<b>FORWARD ESTIMATE 1994/95</b>	<b>REVISED ESTIMATE 1994/95</b>
<b>Pay-roll Tax</b>		<b>48 932</b>	
(a) Increase threshold to \$520 000 Deduction system with cutoff at \$1.25m from 1 January 1995	-100		48 832
(b) Provide relief for specified graduates in work experience/training role	-250		48 682

---