



## **It is time to raise the Payroll Tax Threshold – and stop taxing regional jobs**

The RCCIWA is urging the State Government in this next budget to raise the Payroll Tax Threshold from \$850,000 as it is currently, to \$1M to allow small to medium size businesses to employ more people, expand their business and ultimately be more sustainable and viable. Raising the threshold to \$1m would provide a tax break to more than 1100 WA businesses, at a time when we are seeing a strengthening of economic activity in many parts of Regional WA. We need to ensure this activity is supported by committed local businesses through a more reasonable payroll tax threshold that drives growth.

With the recent changes to WA's GST distribution, the need to diversify the economy and the State Government having "Regional Prosperity" as a whole of Government priority, we are of the firm view that the time is right to raise the threshold in the upcoming state budget. We commend and congratulate the strong financial performance of the State Government and believe that this also provides the perfect environment for raising the payroll tax threshold to be a widely acceptable financial decision that will deliver far reaching benefits.

The result of very low current threshold is that many businesses chose not to grow their operations by not employing more people and not taking on more work. Higher wages needed to attract and retain regional employees in some regional areas also means that regional businesses are unfairly inhibited as they reach the threshold with fewer employees. This means that those regional businesses which we need to flourish and grow to support their local communities and to provide a platform of larger investment, just keep doing what they are doing or eventually stop doing it because of the lack of incentive.

We also know of businesses that are choosing to move some of their work and their functions off shore so they can remain under the threshold. This is completely counterintuitive to growing regional communities, however the burden of that tax is forcing them to take this action.

The other impact of the low Payroll Tax Threshold is that the tax is money that otherwise would have stayed in the regional area, but instead it is sent straight to Treasury. Prior to the 2017 state election, one of our members, The Wheatbelt Business Network asked their members about the Payroll Tax Thresholds and what implications it had on their business currently, and their business plans going forward. Aside from the constrictive nature of this tax, if you calculated the total amount of payroll tax, just from 8 businesses it equates to \$1,057,000 leaving the Wheatbelt.

Payroll tax presents a significant barrier to employment as it deters small business owners from taking on more staff as they approach the tax threshold, and we are of the view that an increase in the threshold will create more jobs as validated by recent research commissioned by WA Chamber of Commerce and Industry (CCIWA). The economic modelling found that lifting the payroll tax threshold by \$100,000 to \$950,000 would create nearly 900 jobs for workers – directly and indirectly – with a \$238 million economic benefit to the state. We are calling for a raising of the threshold to \$1,000,000 in the upcoming budget.

Currently the State Government has the highest payroll tax collection in Australia, which was justified previously by our low GST share. This no longer is the case. It is time to raise the Payroll Tax Threshold, as currently the threshold is an inhibitor and disincentive for business and job growth.

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