

Payroll tax is **not the answer**

The last Victorian Budget proposed a payroll tax surcharge, the Mental Health and Wellbeing Levy.

Everyone agrees mental health is an important issue especially in Victoria where the community has borne the brunt of this pandemic. That's why the business community already spends millions of dollars on mental health programs for their employees and contributes significantly to many community initiatives.

Our members have worked hard to support Victorians in many ways through the pandemic including:

- keeping people employed during lockdowns
- the rapid reconfiguration of supply chains to keep our nation fed
- the conversion of production lines to make ventilators right through to distillers who swapped alcohol production for hand sanitiser
- providing additional pandemic leave
- waiving or delaying debts and accelerating payments
- through expanding hardship programs
- supporting front-line workers, and
- keeping us digitally connected.

Never before has it been more important to have profitable, successful businesses with great leaders and strong balance sheets. An increase to payroll tax is not the answer.

A mid-sized business with 250 employees paying the average full-time wage will **pay over \$60,000 more payroll tax a year.**

A large business with 25,000 employees paying the average full-time wage will **pay over \$20 million more payroll tax a year.**

That's the equivalent of over 240 jobs.

Payroll tax is a tax on jobs

Payroll tax makes no sense. Increases to payroll tax act as a disincentive for businesses to grow and create more jobs. It's as simple as that.

"On a business of our size, it has a disproportionate impact. It can be the difference between employing a few more people or investing in new equipment to build a long-term sustainable business in Victoria."

Paul Bowker, co-owner of Brick Lane Brewing, 21 May 2021, *The Age*

"It's a disincentive for employment. It's a lot of money and if we reach that level we would have to think whether it would be better to employ people in other states. For the international companies, many of whom I have as clients, they don't need to operate in Victoria if the taxes are too high."

Harry Hickling, managing director Australian Performance Vehicles, 21 May 2021, *Australian Financial Review*

This is the worst possible time to increase taxes

Victorian businesses have been – and continue to be – smashed by long and difficult lockdowns. Why on earth would we want to slug them now?

The increase to payroll tax will undermine Victoria's economic recovery and competitiveness. It won't create desperately needed new jobs and it certainly won't lift wages.

"We do think it is unfortunate that there is another tax on employment at this time particularly coming out of the pandemic. The levy will particularly impact labour-intensive businesses particularly those in retail and hospitality who have been hit very hard by the lockdown."

Craig Whatman, Melbourne partner Pitcher Partners 20 May 2021, *The Age*

"We just try to keep taxing our way out of the problem but businesses are struggling as it is."

Gillian Franklin, owner The Heat Group, 20 May 2021, *The Age*

A large business with **5,000 employees** paying the average full-time wage will pay around

\$4 million more payroll tax a year.

That's the equivalent of 43 jobs.

Victoria is becoming an uncompetitive place to do business

Some of the biggest employers in the state will simply look elsewhere to do business, invest in new projects and create jobs.

Other states are competing hard for business.

- The last NSW Budget cut payroll tax and introduced the NSW Jobs Plus program. The program includes up to four years of payroll tax relief for eligible businesses that create at least 30 net new jobs. It will create or support 25,000 new jobs for NSW

"One of the best ways to achieve wage growth would be to reduce payroll tax."

Rob Scott, CEO Wesfarmers, 4 June *The Australian*

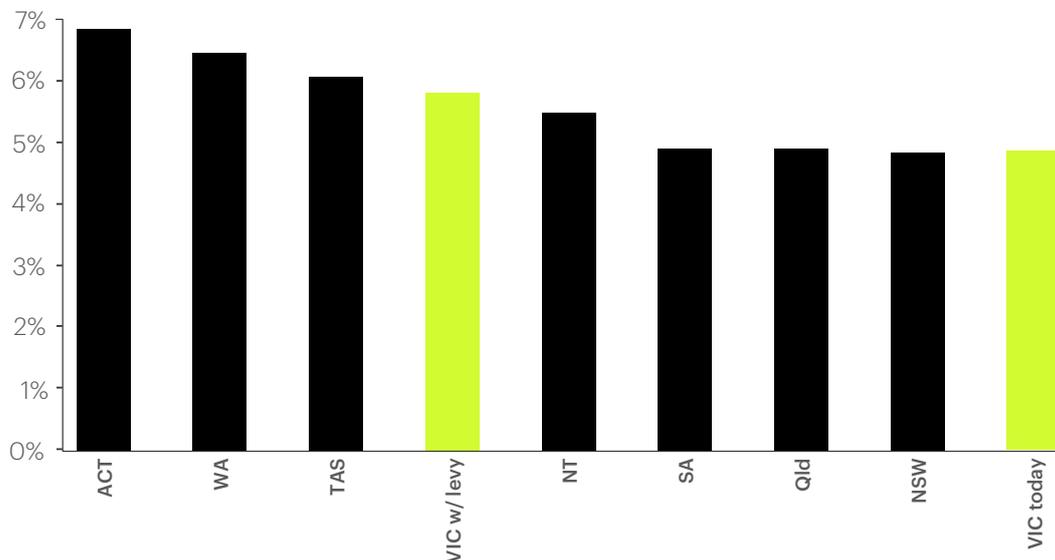
"It is very disappointing to see Victoria impose an additional levy on payroll, a tax on jobs by any other name. This levy targets the businesses that employ the most Australians and it diminishes Victoria's standing as a place to do business and employ people."

Rob Scott, CEO Wesfarmers, 20 May 2021, *Australian Financial Review*

Businesses in Victoria paid **\$185 billion of wages and super in 2020.**

Victoria will move from the lowest to the fourth highest rate of payroll tax across Australia.

Top payroll tax rates across Australia

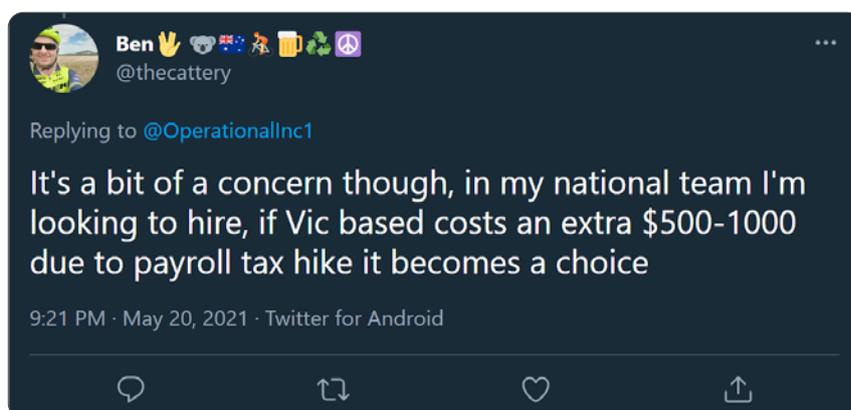


“Any sane Victorian medium or large business will now consider shifting their hiring interstate. And any foreign business looking to open an office locally will have yet another reason to choose NSW, Queensland or South Australia over Victoria.”

Adir Shiffman, Chairman, Catapult Sports 21 May 2021, *SmartCompany*

It’s a myth that businesses just ‘absorb’ payroll tax increases

The costs are felt by employees through slower wages growth, consumers through higher prices, super funds through lower dividends and jobseekers who can’t find work.



“In the long run, the burden of a stable labour income tax, such as payroll tax, is likely to fall on workers rather than on capital.”

Henry Review (*Australia’s future tax system report*), December 2009

Businesses employ around three million people in Victoria.
That's six out of every seven jobs.

So, what's the solution?

Having a job, being productive and having a purpose is important for good mental health. If mental health is the issue, a tax on jobs is not the right solution.

The business community stands ready to work with the Victorian Parliament on a better solution to the mental health challenges. This should include a better understanding of what each stakeholder already does, including business, and working towards a more enduring solution for the benefit of all Victorians.

"Victorian vice-chancellors were surprised to learn that the payroll tax levy will apply to local universities given our charitable status and given we already spend a great deal of money doing so much work in mental health."

Prof. Duncan Maskell, Vice-Chancellor University of Melbourne and Chair of VIC Vice-Chancellor's Committee, 23 May 2021, *Australian Financial Review*

“ Victoria has become a relatively poor state. It is ahead only of SA and, amazingly, less even than in Tasmania.

Victorians will face more tax hikes than other states and territories because of their budget position. ”

Leading economist Saul Eslake,
31 May 2021

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