



Restaurant
& Catering

SAVOUR
AUSTRALIA



6 July 2018

Payroll Tax Review
NSW Treasury
GPO Box 5469
SYDNEY NSW 2001

Email: payrolltax.review@treasury.nsw.gov.au

Re: Review of Payroll Tax Administration

Dear Sir/Madam,

Restaurant & Catering Australia (R&CA) appreciates the opportunity to provide a submission regarding NSW Treasury's Review of Payroll Tax Administration. As the industry representative for over 15,000 cafés, restaurants and catering businesses throughout the State, R&CA is well-placed to provide feedback on the administrative impact of the current payroll tax system on the sector. The café, restaurant and catering sector in NSW consists of 15,646 individual businesses as of the end of the 2016-17 financial year.¹ Of these businesses, 93.7 per cent of these businesses are small businesses employing 19 people or less.² This is highly significant due to the disproportionate impact of red tape such as payroll tax on small businesses who comparatively have fewer resources than larger businesses with which to respond to these regulatory requirements.

R&CA agrees with the overarching objective of the Review as outlined within Treasury's Consultation Guide of identifying '*options to reduce the costs incurred by employers in meeting their respective payroll tax obligations*'.³ R&CA however is disappointed that payroll tax rates and thresholds have been excluded from the scope of this Review, arguing that a critical aspect of the payroll tax burden is the financial impact on businesses and subsequent flow-on effects for jobs and the economy. R&CA does acknowledge the recent commitments outlined by the NSW Government in the 2018-19 State Budget raising the payroll tax threshold from \$750,000 to \$1 million by 2020-21.⁴ Whilst this commitment will undoubtedly relieve some of the financial burden of payroll tax for small businesses, R&CA argues that the threshold should be raised to \$1.5 million as flagged by the South Australian Government.⁵

¹ ABS (2018) 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017.

² Ibid.

³ NSW Treasury (2018) Review of Payroll Tax Administration - Consultation Guide, 23 May, p.1.

⁴ NSW Government (2018) NSW Budget 2018: Payroll Tax Cuts Mean Boom Time For NSW Businesses, Media Release, 16 June.

⁵ Marshall, Steven (2018) Marshall Liberal Government to introduce legislation to scrap payroll tax for all small businesses, Media Release, 20 June.



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Whilst the financial burden of payroll tax is a significant component of the payroll tax burden on business, the administrative burden also has an adverse impact on the profitability and sustainability of businesses within the hospitality sector. The requirement to process payroll tax monthly is a consistent frustration for small business owners, many of whom do not possess the sophisticated accounting systems of larger businesses. R&CA argues that business-owners should have the option of paying payroll tax obligations quarterly to minimise the administrative burden associated with payroll tax. In simplifying this system, R&CA argues that this may also assist in securing improved rates of compliance by businesses.

Although it does not fall explicitly within the scope of this Review, R&CA also argues that the administrative burden of payroll tax is significantly magnified because of the differing rates of payroll tax and threshold across all Australian states and territories. At present, there are no two states or territories which have identical payroll tax rates and thresholds leading to confusion and potentially lower levels of compliance amongst business-owners.⁶ This is particularly problematic for operators who own multiple businesses and are operating across several jurisdictions. This situation is further complicated by individual states and territories differentiating between businesses' payroll tax rates and thresholds *within* state boundaries. R&CA therefore argues that options resulting in a more standardised set of payroll tax systems across Australian states and territories should be pursued.

Once again, R&CA appreciates the opportunity to provide NSW Treasury with feedback on reducing the administrative burden of payroll tax for business-owners in the café, restaurant and catering sector. Should there be any matters raised within this submission that you wish to discuss with me, I may be contacted on 0468 328 513 or at julianap@restaurantcater.asn.au.

Yours sincerely,



Juliana Payne
Chief Executive Officer
Restaurant & Catering Australia

⁶ Payroll Tax Australia (2018) *Payroll Tax Rates and Thresholds* <<https://www.payrolltax.gov.au/harmonisation/payroll-tax-rates-and-thresholds>>