

**Supplementary
Submission
No 7a**

INQUIRY INTO ZONAL TAXATION

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The Legislative Assembly Committee
on Investment, Industry and Regional Development
Parliament House
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SYDNEY NSW 2000

Via email: investmentindustry@parliament.nsw.gov.au

Dear Honourable Committee Members,

Supplementary Submission - Inquiry into Zonal Taxation

AlburyCity is pleased to provide a supplementary submission response to the issues raised in the interim report on the Inquiry into Zonal Taxation.

As a major regional NSW city located at the southern extremity of the state, Albury is a vibrant community situated on the Hume Freeway some 550km from Sydney and 310km from Melbourne. With a population of 52,000 people, Albury is an essential regional capital city providing infrastructure, health and professional services, business, employment, education, culture, sports and recreation to a broader regional catchment of approximately 180,000 people.

The city's liveability and strategic location is evidenced by the presence of many national and multi-national businesses from a variety of sectors; some of which have established head offices in the city. More than 4,000 businesses service regional, national and international markets and the local economy estimated at \$3.67 billion annually, demonstrating the importance of the city to the NSW state economy.

AlburyCity has prepared responses to the following issues outlined in the Interim Report:

Issue 2: *The recently implemented Victorian regional payroll tax rate represents a new approach to payroll tax in Australia. The Committee is seeking further evidence on possibilities for regional payroll tax approaches in New South Wales.*

Located on the NSW-Victorian border, the city of Albury holds a somewhat unique position in the NSW economy. The local implications arising from the city's proximity

to Wodonga, a similarly sized cross-border Victorian city, include competition for investment and a range of state regulatory and taxation anomalies.

Economic factors relating to business and industrial investment, retail and residential development have broad reaching impacts. Factors such as compliance costs, payroll taxes, business incentives, grant funding, vehicle registration, utility infrastructure costs, and a raft of other government fees and charges, significantly favour the Victorian side of the border.

With the regional Victorian payroll tax rate at just 3.65% compared to NSW's 5.45%, Albury's appeal as an investment destination is somewhat diminished. For large business investors, the current variation in rates can mean the difference between establishing operations in NSW or Victoria.

There are a number of recent local examples of Victoria being the preferred investment destination over NSW. This relates not only to more favourable taxation, fees and charges in that State, but also to attractive jobs and investment growth incentive packages offered by the Victorian State Government.

As outlined in AlburyCity's original submission, considerations for the NSW Government specifically include:

- Clear definition and adoption of a more aggressive regional economic growth strategy;
- Implementation of investment and job creation incentive programs in regional NSW that are competitive with programs offered by other states;
- As a minimum, match the Victorian payroll tax rate, even if only applied to a defined Functional Economic Region spanning both Victorian and NSW cities;
- Development of a taxation credits system for start-up or expanding industries to better support growth and/or attract new investment;
- Restructuring state fees and charges that apply to businesses to align with (or better) those applied in Victoria and Queensland.

Issue 3: *Providing a favourable payroll tax scheme to a specific geographic area may disadvantage neighbouring areas and unfairly provide assistance to only some businesses within the state.*

AlburyCity has recently taken part in the development of a Regional Economic Development Strategy (REDS), facilitated by the NSW Department of Premier and

Cabinet. The true economic boundary for the region recognised in the REDS, aligns with competitive advantages, opportunities and risks, and is identified as the Albury Wodonga Functional Economic Region (FER). This zone takes in the Local Government Areas of Albury, Greater Hume and Federation in NSW and Indigo and Wodonga in Victoria. Spanning both NSW and Victoria, businesses operating in the Albury Wodonga FER, are subject to a number of cross-border complications and regulations issues.

To maximise the benefits that could be leveraged from this position, AlburyCity urges the Legislative Assembly Committee to support the investigation of establishing a Special Economic Zone (SEZ) across the FER. This would allow a greater level of autonomy for the FER to make adjustments to business and trade laws to drive investment, job creation and more effective administration within the FER.

SEZs provide businesses with incentives to invest in development and infrastructure through the reduction in tax and regulation. This SEZ will effectively expand Albury's economic base and become the regional gateway to Victorian trade. Further, the establishment of an Albury Wodonga SEZ would enable the provision of special incentives and waivers that would drive business and industry attraction and growth into the two cities from across the country, overcome cross border constraints on business operations and capitalise on the significant freight and transport infrastructure investment already made or planned by Australian and State Governments e.g. Hume Highway, Inland Rail Corridor.

This opportunity is identified in the Albury Wodonga Two Cities One Community Strategic Plan and Action Plan adopted by both Councils in December 2017. It is also identified in the Albury Wodonga REDS.

Issue 5: *The application of different regional payroll tax thresholds and rates within the state could result in additional administrative complexity for businesses that operate across multiple regions.*

Albury Wodonga businesses have been working with the NSW Cross Border Commissioner in relation to simplifying the registration, reporting and collection of payroll tax (and workers compensation premiums) for businesses operating in multiple states.

The added administrative burden that businesses, based on the border, face when they employ staff who live and work in both states is considerable. Reporting and

collection of payroll tax and workers compensation premiums should be incorporated into the preparation of Business Activity Statements, which would enable businesses to report wage figures to the Australian Taxation Office (ATO) once. Current practice for businesses operating in both Victoria and New South Wales can include multiple reporting requirements to multiple organisations, sometimes as many as five times. This number increases for businesses operating in more than two states.

We understand that the Australian Taxation Office's Single Touch Payroll program, to begin roll out in June 2018, will see a number of changes implemented to streamline payroll tax reporting. Most importantly for border businesses, AlburyCity supports the ATO working with State Government departments to implement reporting efficiencies, particularly in relation to the removal of State-based reporting of wages for payroll tax.

A number of benefits will be apparent as a result of removing the multi-channel payroll taxation reporting burden. Business experiencing compounded reporting obligations as a result of geographic location, will be able to realise administrative/accounting costs savings. These cost savings could also be achieved by the State Government departments currently administering and auditing payroll tax collection. It is AlburyCity's assertion that these savings be passed on to businesses by way of payroll tax rates reduction, or increases in thresholds.

AlburyCity urges the Legislative Assembly Committee to actively collaborate with business, Local Government, Industry Groups and the NSW Cross Border Commissioner's office to shape and deliver simplification of payroll tax reporting nationally. The time and cost savings will be significant and will benefit a considerable number of businesses currently impacted by this tax.

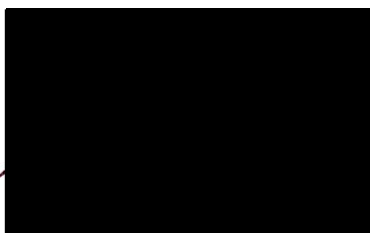
There are a number of specific challenges facing NSW border communities, which require NSW Government support and intervention. Particularly in the Albury Wodonga FER, the ongoing success of the Victorian Government in securing business across the border, primarily due to a lack of responsiveness and program capacity by the NSW Government, cannot be left unchallenged.

AlburyCity is willing and eager to work with the NSW Government to restore the competitive balance to NSW. Investigations into a SEZ for Albury Wodonga, a more aggressive regional growth strategy, alignment with bordering State programs and regulations and a reduction in tax reporting will all make a considerable positive impact on the region's economic sustainability and growth.

We request that the Legislative Assembly Committee consider the proposals in this submission in addition to those made in AlburyCity's original submission made in June 2016.

For further enquiries or assistance, please contact [REDACTED]

Yours faithfully,



Frank Zaknich
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