

8 April 2020

The Hon. Rob Lucas, MP
Treasurer of South Australia
GPO Box 2343
ADELAIDE SA 5001

Dear Treasurer,

COVID-19 crisis calls for the abolition of payroll tax

I write to you on behalf of the National Electrical and Communications Association (NECA), the peak industry body for Australia's electrical and communications contracting industry, which employs more than 165,000 workers and delivers an annual turnover in excess of \$23 billion. NECA represents the best interests of over 5,200 electrical contracting businesses across all Australian States and Territories.

NECA members make an integral contribution to Australia's economy. Our members are essential from any defining aspect, including: connecting hospitals, communities, schools, businesses and infrastructure across the country. From installing solar infrastructure and batteries for households, to connecting solar farms to the grid and undertaking millions of hours of electrical work on major infrastructure.

The current COVID-19 crisis is having an unprecedented and detrimental effect upon the economy and employment in South Australia. An event which is out of the control of Government.



NECA and our members are keen to ensure that we work proactively with Government to restore the economic and employment levels in South Australia. In doing so employment barriers such as payroll tax must be removed – a mechanism which is within the control of Government.

NECA, as well as other industries, are firmly of the view that any form of payroll tax is both counter-intuitive and counter-productive. Moreover, if the intent of Government is to rebuild and boost the economy in the backdrop of COVID-19, then payroll tax will only serve to impede growth.

NECA welcomes the South Australian Government's recent announcements regarding payroll tax relief measures in light of COVID-19, specifically that:

- Payroll tax relief (annual payroll up to \$4 million) – this will be for returns for March to August 2020 and will be applied automatically. There is a 6 month waiver of payroll tax obligations; and
- Payroll tax relief (grouped annual payroll above \$4 million) – payments will be deferred until October 2020. There is a six month waiver of payroll tax obligations.

However, as the Treasurer, you will also be aware of the strong economic and policy fundamentals that support the abolition of payroll tax. Indeed, Ken Henry outlines in his report to the Treasurer, *Australia's future tax system 2009*, the following:

- That payroll tax on the wages received by employees of large businesses results in each employee now costing the firm more. Demand for labour in the taxed sector therefore contracts, reflecting the extra cost now payable to government (p 296);
- The threshold exemptions operate as a barrier to business growth as the compliance and payroll tax costs provide an incentive to remain small (p 298); and
- Exemptions in the payroll tax base introduce biases into the allocation of labour across the economy and lead to complexity in administration and compliance, particularly when the exemptions differ (even slightly) between States (p 300).



Finally, Governments are expecting business to awake from hibernation. As Treasurer, you will be aware that awakening from hibernation will be challenging in itself and will necessarily require long term vision and decisive action by Government. The abolition of payroll tax would be a very decisive action by Government which would ensure the creation of jobs, stimulate our States economy and support communities in their recovery.

NECA looks forward to your reply in relation to this matter and looks forward to working with you in abolishing payroll tax such that we can together rebuild the economy.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Suresh Manickam", written over a horizontal line.

Suresh Manickam
Chief Executive Officer
National Electrical and Communications Association

CC:

The Hon. Josh Frydenberg
The Treasurer of Australia
Parliament House
CANBERRA ACT 2600