Canberra BUSINESS CHAMBER

6 October 2025

Standing Committee on Public Accounts and Administration
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2601

By email: LACommitteePAA@parliament.act.gov.au

INQUIRY INTO PAYROLL TAX AMENDMENT BILL 2025: SUBMISSION BY THE CANBERRA BUSINESS CHAMBER

Introduction

1 The Canberra Business Chamber is the peak body for business in the Australian Capital Territory (ACT). There are approximately 36,000 businesses in the Territory, who collectively employ nearly two-thirds of all working Canberrans. Our members are broadly representative of the Canberra economy, and includes small, medium and large businesses. Some of our members are liable for Payroll Tax, while others are not. We have consulted our members in preparing this submission.

Overall position

2 We oppose the introduction of the new 8.75 per cent Payroll Tax on large firms, and we oppose the lowering of the Payroll Tax threshold for smaller firms.

3 We recommend that the changes proposed do not proceed.

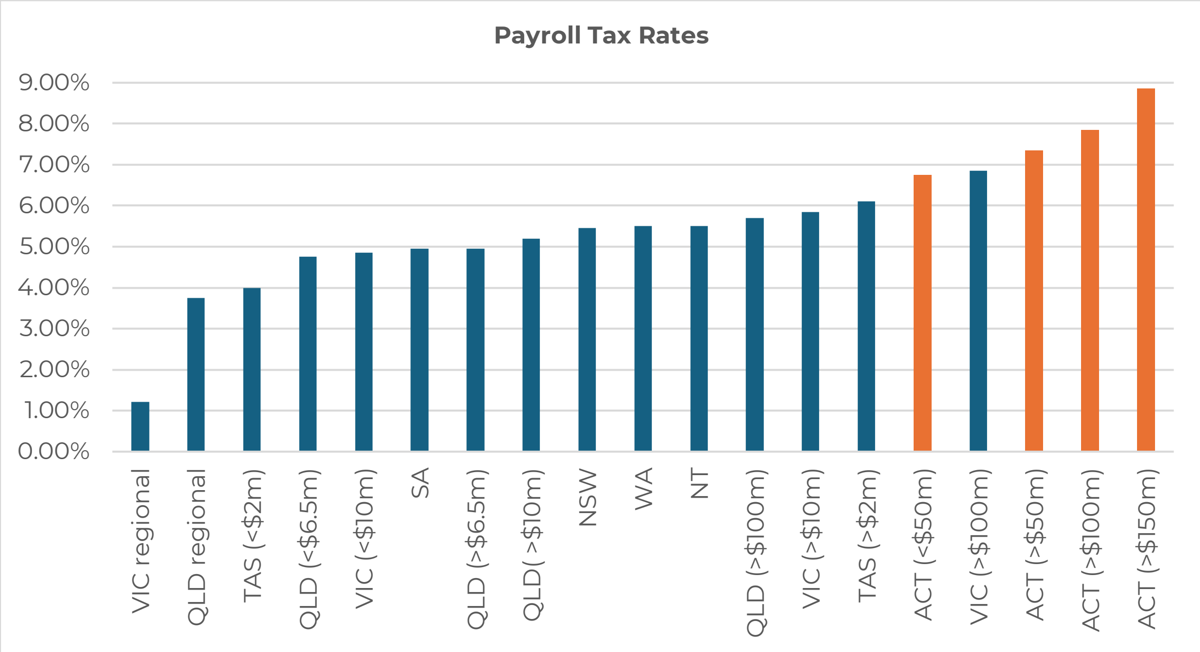
Background

4 Whichever way you look at it, Payroll Tax is a tax on jobs. While the ACT has the highest threshold for payroll tax, it also has the highest rate of payroll tax anywhere in the country.

5 We respectfully submit that this acts as disincentive for employment in the ACT, and encourages businesses to locate their teams elsewhere. This is not a good thing for Canberra as a destination for business, high-paying jobs, or vibrancy.

6 The current standard rate of 6.85 per cent compares unfavourably with other jurisdictions, and surcharges apply for larger firms based on their national or worldwide payroll. In many cases, firms are paying 7.35 per cent or 7.85 per cent and the proposed rate of 8.75 per cent will make the ACT even less competitive.

7 The chart below illustrates this graphically, and suggests that we are out-of-step with other jurisdictions:



What our members have told us

8 We surveyed members about Payroll Tax as part of preparing this submission.

Views of members under the *surcharge* threshold (under $50m wages)

9 Our smaller members told us that Payroll Tax settings, variously:

- make it less competitive to do business in the ACT (62 per cent of respondents);
- mean they charge higher prices to customers than they otherwise would (59 per cent of responses);
- reduce the incentive to grow beyond the $1.75 m threshold (59 per cent of responses);
- encourage business growth outside the ACT (31 per cent);
- encourage jobs to be located outside the ACT (22 per cent).

10 Most small businesses (below the $1.75 million threshold) told us that Payroll Tax settings did not impact their business at all - but *a quarter* of businesses in this category told us that they do - mainly limiting growth prospects and charging higher prices.

Views of members above the surcharge threshold

11 Larger members (paying at least one level of the surcharge) told us that the new higher rates lead to:

- higher prices being charged to customers (75 per cent);

- reduced profitability (75 per cent);
- a gradual shift in jobs from the ACT to elsewhere (50 per cent); and
- reduced competitiveness (50 per cent).

Risks of the 8.75 per cent rate

12 High rates of payroll tax disproportionately impact those firms which employ the highest number of people: of the 36,000 businesses operating in the ACT, just 1,087 employ more than 20 people. Decisions by this small number of firms about where they operate could have, over time, a significant impact on the Canberra economy.

13 We do not suggest that the 8.75 per cent rate will have led to a mass exodus of jobs from Canberra. However, over time, it will reduce the incentive for large firms to operate here, and encourage them to locate their employs in other jurisdictions. It is particularly important to note that a firm setting up an operation in Queanbeyan or Jerrabombera is effectively operating in a suburb of Canberra - but owing to the border would save 3.3 per cent on its Payroll Tax bills by shifting.

14 This is unlikely to be an immediate outcome, but it does make the comparatively high Payroll Tax rate(s) here ultimately unsustainable and a disincentive to business retention and attraction.

15 In our member survey, nearly 60 per cent of small businesses said they are likely to do business with larger firms. This suggests that any contraction in large business activity in the ACT will flow through with negative impacts to smaller firms.

16 It has been suggested by the ACT Government that the impact of the 8.75 rate on jobs in the ACT will be negligible because of the size of these firms. We reject that assertion. It is true that a high tax rate in the ACT may be small in the context of a global business's payroll but the decisions on where employees are located are not typically made at a corporate or global headquarters. Instead, the costs of employing staff typically fall to cost centres on a business unit or geographic unit basis. Individual managers, far-removed from corporate payrolls are therefore incentivised to reduce the costs of the operations of their own unit or site.

Making Canberra the best place to do business

17 At the Canberra Business Chamber, our vision is to make Canberra the best place in Australia to do business.

18 There is a number of positive settings for businesses within the ACT, including our highly educated workforce, high living standard and proximity to Federal Government.

19 In the recent Canberra Business Chamber podcast, Chief Minister Andrew Barr likened Canberra to ‘the Singapore of Australia’. He also noted that the economic goal was not necessarily to raise taxes, but to see how we can grow the economic pie.

20 We agree with the goal of growing the economic pie. In our vision of Canberra as the greatest place to do business, we would like to see the attraction of more businesses to Canberra, including incentivising national and global businesses to locate their Australian headquarters to Canberra.

21 There will be a vast array of benefits to Canberra businesses and our economy from such settings, including greater business to business transactions, increased economic dynamism, employment opportunities, greater tax revenue, and subject to the business - products and services that we do not currently have locally.

22 We pose that the payroll tax settings do not encourage the economic conditions for the retention or attraction of business.

23 We wish to appear before the Committee to present our submission.

Yours sincerely

Greg Harford
Chief Executive