

# 2008-09 budget

## Cutting the cost of doing business

Since 1999 the Victorian Government has announced more than \$5.5 billion in tax cuts to benefit Victorian businesses, including announcements made in the 2008-09 Budget. These reforms include the abolition of eight state taxes under the GST agreement and numerous cuts to payroll tax and land tax. WorkCover premiums have also been reduced over the last five consecutive years, including the 2008-09 Budget.

### Land Tax

The Victorian Government has announced more than \$3 billion worth of reforms to Victoria's land tax regime since coming to office in 1999, with over \$2.5 billion of reforms announced in the last four Budgets.

A further \$490 million worth of land tax reforms have been announced in the 2008-09 Budget including a 10 per cent adjustment to all thresholds and a reduction in the top rate from 2.5 per cent to 2.25 per cent from the 2009 land tax year.

The top rate reduction is less than half the rate that applied when the Government came to office in 1999. Further, the top rate will now only apply to those taxpayers with taxable land valued above \$3 million (up from \$2.7 million).

As a result of these reforms, almost all businesses with land values between \$400 000 and \$5.7 million will pay less land tax than they currently would in New South Wales or Queensland. This represents over 72 per cent of Victorian land taxpayers.

### Example of land tax savings

Land Value	NSW 09	QLD 09 (Companies)	Victoria 08 (Current)	Victoria 09 (New)	Savings (\$)	Savings (%)
\$225 000	\$0	\$0	\$250	\$0	\$250	100%
\$500 000	\$2 196	\$4 000	\$800	\$775	\$25	3%
\$1 million	\$10 196	\$12 500	\$3 480	\$2 975	\$505	15%
\$2 million	\$26 196	\$29 500	\$13 380	\$11 975	\$1 405	11%
\$2.7 million	\$37 396	\$40 500	\$22 480	\$21 075	\$1 405	6%
\$3 million	\$42 196	\$45 000	\$29 980	\$24 975	\$5 005	17%
\$4 million	\$58 196	\$60 000	\$54 980	\$47 475	\$7 505	14%

## Payroll Tax

Since 1999 the Victorian Government has reduced the payroll tax rate from 5.75 per cent to 5.05 per cent. This includes the 2006 State Election commitment to introduce a reduction in the payroll tax rate from 5.15 per cent to 5.05 per cent on 1 January 2007 - six months earlier than originally scheduled.

In the 2008-09 Budget, the already scheduled reduction in the payroll tax rate from 5.05 per cent to 5 per cent will be reduced by a further 0.05 percentage points to 4.95 per cent, effective from 1 July 2008. This is the first time in 34 years the rate has been lower than 5 per cent.

These cuts reaffirm Victoria's payroll tax rate as the equal second-lowest in Australia, behind only Queensland, and brings the total payroll tax cuts announced by the Victorian Government since 1999 to around \$1.2 billion.

More than 28 000 businesses in Victoria will benefit from the payroll tax cuts. Victorian businesses operating with payrolls valued between \$4.9 million to \$13.6 million will be subject to amongst the lowest payroll tax in Australia.\* In South Australia, taxpayers are paying broadly the same amount as Victoria

### Comparison of payroll tax payable

Payroll	Queensland	NSW	Victoria	
			Current Rate 5.05%	New Rate in July 08 4.95%
\$2.5 million	\$89 063	\$112 620	\$98 475	\$96 525
\$2.65 million	\$97 969	\$121 620	\$106 050	\$103 950
\$3 million	\$118 750	\$142 620	\$123 725	\$121 275
\$4 million	\$178 125	\$202 620	\$174 225	\$170 775
\$5 million	\$237 500	\$262 620	\$224,725	\$220 275
\$10 million	\$475 000	\$532 620	\$477 225	\$467 775
\$13.6 million	\$646 000	\$778 620	\$659 025	\$645 975

(\*This occurs because Victoria does not phase out the tax free threshold, and payroll up to the threshold remains tax free for all payroll levels. Queensland has the lowest tax rate, but phase out their tax free threshold by \$1 for every \$4 of additional payroll.)

## WorkCover

The Victorian Government has announced a further 5 per cent cut in WorkCover premiums, delivering a saving of \$88 million in 2008-09 to Victorian employers.

This is the fifth year in a row that the average premium rate will be reduced, taking the average to 1.387 per cent of an employer's payroll from 1 July 2008. This is an historic

low and the second lowest among the states. As a result of five successive cuts, Victorian employers will benefit from accumulated savings of \$775 million in 2008-09.

The new rate is the lowest in WorkCover's history and is a result of the scheme's improved financial position over the past five years, in addition to significant improvements in administrative practices. The average premium in New South Wales is 27 per cent higher than in Victoria.

The savings will be shared across employers according to their industry's claims performance – and for larger employers, their own claims performance. While many industries and employers will enjoy reductions of greater than 5 per cent, some with poor recent claims performance will get smaller rate reductions or, in some cases, rate increases.

For further information about the WorkCover premiums, visit the Victorian WorkCover Authority website at [www.worksafe.vic.gov.au](http://www.worksafe.vic.gov.au).

### Stamp duty on land transfers

The 2008-09 Budget provides an adjustment of around 10 per cent to the stamp duty on land transfers thresholds

This reform, worth \$332 million over the next four years, provides a degree of relief to over 11 000 business property purchases per year and represents the first major revision of the thresholds in 10 years.

The corporate reconstruction exemption will also be extended to provide relief to listed property trusts in circumstances that are consistent with the Commonwealth Government's arrangements concerning Capital Gains Tax rollover relief.

The Government will continue to levy stamp duty on the real component of business property transfers only (eg. value of land, building and goodwill attached to the land). Unlike some other states, Victoria does not levy duty on the non real component (eg. value rights, licenses, trading stock etc) of a business property transfer, leading to a lower duty liability than in some other states, as demonstrated below.

#### Hypothetical comparison of business stamp duty on land transfers payable

State of Property Purchase	Total Value of Property Transfer	Value of Real Component	Value of Non-Real Component	Dutiable Value	Duty Paid
Victoria	\$1 million	\$500 000	\$500 000	\$500 000	\$25 070
NSW	\$1 million	\$500 000	\$500 000	\$1 million	\$40 490

The threshold adjustments will apply to contracts entered into on or after Budget day and the corporate reconstruction exemption will apply from July 1, 2008..

## Examples of tax cuts for business

### Large Regional Food Processing Business

Large regional Australian owned food processor and marketer. The business has 600 employees, assets worth \$215 million and annual turnover of \$298 million.

	Value*	Old tax**	New tax	Change	Change
	\$	\$	\$	\$	%
Payroll tax	46 227 500	2 628 469	2,261,036	-367,433	-14.0%
Land tax	3 677 188	103 739	40,212	-63,528	-61.2%
Stamp duty					
Lease duty	462 275	2 774	0	-2,774	-100.0%
mortgage duty	3 151 875	12 572	0	-12,572	-100.0%
rental business duty***	3 362 000	25 215	0	-25,215	-100.0%
Bank taxes	2 731 625	109 265	0	-109,265	-100.0%
<b>Total taxes</b>		<b>2 882 033</b>	<b>2,301,248</b>	<b>-580,785</b>	<b>-20.2%</b>
WorkCover charges		1 825 374	1,366,027	-459,347	-25.2%
<b>Total taxes &amp; charges</b>		<b>4 707 407</b>	<b>3,667,275</b>	<b>-1,040,132</b>	<b>-22.1%</b>

\* 2008

\*\* Old tax - 1999

\*\*\* Abolished on 1 January 2007

### Medium Metropolitan Communications Manufacturer

Medium sized metropolitan developer and manufacturer of telecommunication management systems operating in both the domestic and international market. The business has 68 employees and assets worth \$19 million.

	Value	Old tax*	New tax	Change	Change
	\$	\$	\$	\$	%
Payroll tax	5 778 438	302 648	258,808	-43,840	-14.5%
Land tax	1 196 092	10 823	4,544	-6,279	-58.0%
Stamp duty					
Lease duty	164 000	984	0	-984	-100.0%
rental business duty**	16 810	126	0	-126	-100.0%
land transfer duty***	420 250	20 875	20,285	-590	-2.8%
Motor vehicle duty****	126 075	5 043	3,152	-1,891	-37.5%
Bank taxes	199 619	7 985	0	-7,985	-100.0%
<b>Total taxes</b>		<b>348 483</b>	<b>286,788</b>	<b>-61,695</b>	<b>-17.7%</b>
WorkCover charges		72 613	53,941	-18,672	-25.7%
<b>Total taxes and charges</b>		<b>421 096</b>	<b>340,729</b>	<b>-80,367</b>	<b>-19.1%</b>

\* Old tax - 1999

\*\* Abolished on 1 January 2007

\*\*\* Assumes one-off property purchase

\*\*\*\* Assumes 3 new vehicles purchased at around \$41 000 per vehicle

### Small Regional Tyre Business

Small regional tyre-retread business operating in the motor vehicle industry. The business has 18 employees, assets worth \$5.6 million and annual turnover of \$4.1 million.

	<b>Value</b>	<b>Old tax*</b>	<b>New tax</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Payroll Tax	830 250	18 127	13,872	-4,255	-23.5%
Land tax	735 438	2 159	1,652	-507	-23.5%
Stamp duty					
land transfer duty**	300 000	13 660	13,070	-590	-4.3%
Lease duty	84 050	504	0	-504	-100.0%
Bank taxes	26 266	1 051	0	-1,051	-100.0%
<b>Total taxes</b>		<b>35 501</b>	<b>28,595</b>	<b>-6,907</b>	<b>-19.5%</b>
WorkCover charges		32 183	28,671	-3,512	-10.9%
<b>Total taxes and charges</b>		<b>67 684</b>	<b>57,266</b>	<b>-10,419</b>	<b>-15.4%</b>

\* Old tax - 1999

\*\* Assumes one-off property purchase

### Further Information

For further information, businesses should contact the State Revenue Office (SRO) at 121 Exhibition Street, Melbourne, 3000, telephone 132 161, or refer to the SRO website at [www.sro.vic.gov.au](http://www.sro.vic.gov.au).