

2004-05 BUDGET REVENUE MEASURES

Payroll tax reductions

The Government will increase the payroll tax tax-free threshold from \$600 000 to \$800 000 from 1 July 2004, and then further increase it to \$1 million from 1 July 2005.

The increase in the payroll tax threshold will provide about \$4 million in payroll tax cuts for businesses in 2004-05 and an additional \$3.2 million in 2005-06.

These changes are on top of payroll tax reductions already made by the Government in this term that reduced the tax rate from 6.5 per cent to 6.2 per cent, saving about \$1.5 million a year for all businesses paying payroll tax.

HIH levy abolished

The HIH levy is abolished on all workers' compensation insurance policies expiring or written on or after 18 May 2004. This is 8 years earlier than scheduled.

A 4 per cent levy on workers' compensation insurance premiums was introduced on 1 July 2002, to raise funds to meet workers' compensation claim liabilities of the collapsed insurer, HIH. The levy affected all businesses with workers' compensation insurance as well as businesses that self-insured and the Government.

This will benefit all Territory employers (excluding the Government) who would have paid, collectively, \$2.7 million in HIH levy in 2004-05. From now on, the Territory Government will bear the cost of outstanding HIH workers' compensation insurance claims in full.

Debits tax to be abolished

The Government will abolish debits tax from 1 July 2005. Abolishing this tax will save Territory householders and businesses about \$6.2 million a year.

This follows the abolition of financial institutions duty, stamp duty on quoted marketable securities and tourism marketing duty in recent years, also as part of national tax reform. These taxes raised in excess of \$20 million a year, which are no longer payable by Territory businesses and householders.

Tax decision review

A new independent taxation and mineral royalty administrative appeals tribunal is to be established in 2004-05. The tribunal will provide another avenue for taxpayers to appeal taxation and mineral royalty objection decisions.

Simplicity, Efficiency and Equity Measures

The Government has approved a package of changes that enhance simplicity, efficiency and equity of the Territory's taxation and mineral royalty regime. These measures:

- clarify the operation of some aspects of the payroll tax grouping provisions;
- provide a stamp duty exemption for conveyances arising from the addition of trustees to a trust, subject to certain conditions;
- provide a stamp duty exemption for a statutory vesting that occurs under the *Administration and Probate Act*, the *Associations Incorporation Act* or the *Local Government Act*;
- provide a stamp duty credit for an acquisition that has been exempted from land rich stamp duty under the corporate reconstruction provisions, when a further dutiable interest is acquired; and
- other minor changes that clarify the operation of the payroll tax and mineral royalty legislation.

These measures commence from 1 July 2004.

Integrity and Anti-Avoidance Measures

In order to maintain the integrity of the Territory's taxes, the Government has approved measures that:

- condition the stamp duty exemption available on the change of a trustee to instances where the property being transferred was acquired by the retiring trustee by virtue of an instrument for which stamp duty has been paid, exempted from duty, or was not otherwise subject to duty;
- limit the stamp duty concession applying to compromises and arrangements under the *Corporations Act* to Court-approved compromises and arrangements made with a corporation's creditors or a class of creditors, which the Commissioner of Taxes is satisfied are not made for the purpose of avoiding tax;
- clarifying that the land rich stamp duty provisions do not apply if the land to which a company is entitled could have been conveyed without incurring conveyance stamp duty; and
- rectify a deficiency in the land rich stamp duty definition of "acquisition" by aligning it with the definition provided for direct conveyances.

These measures commence from 18 May 2004.
