

2006-07 VICTORIAN BUDGET



PAY-ROLL TAX CUTS

The 2006-07 Budget provides pay-roll tax cuts worth **\$533 million over four years**, which will contribute to Victoria being one of the most competitive states in Australia.

Over the next three years, the rate will be cut in stages to:

- 5.15% from 1 July 2006;
- 5.05% from 1 July 2007; and
- 5.0% from 1 July 2008.

The pay-roll tax cuts will cost \$61 million in 2006-07, \$128 million in 2007-08, \$168 million in 2008-09 and \$176 million in 2009-10. Over 20,000 businesses in Victoria will benefit from the pay-roll tax cuts.

Since 2000, the Government has reduced the pay-roll tax rate from 5.75% to 5.25%. Victoria's pay-roll tax rate is the second lowest in Australia, second only to Queensland. However, from July 2008 (as shown in the table below), Victorian businesses with pay-rolls between \$1.95m to \$11m will have a lower pay-roll tax burden than Queensland.*

| Pay-roll (\$m) | Queensland | Pay-roll tax payable | | |
|----------------|------------|----------------------|-----------|-----------|
| | | NSW | Victoria | |
| | | | 5.25% | 5.00% |
| 2.0 | \$72,833 | \$84,000 | \$76,125 | \$72,500 |
| 3.5 | \$166,250 | \$174,000 | \$154,875 | \$147,500 |
| 5.0 | \$237,500 | \$264,000 | \$233,625 | \$222,500 |
| 10.0 | \$475,000 | \$564,000 | \$496,125 | \$472,500 |

(*This occurs because Victoria does not phase out the tax free threshold, and pay-roll up to the threshold remains tax free for all pay-roll levels. Queensland has the lowest tax rate, but phase out their tax free threshold by \$1 for every \$3 of additional pay-roll.)

The table below demonstrates how much cutting the pay-roll tax rate will benefit businesses which are subject to the tax (pay-roll exceeding \$550,000 in a year).

Annual savings for medium-sized businesses, by size of pay-roll

| Pay-roll (\$m) | 5.15% | 5.0% |
|----------------|---------|----------|
| 2.0 | \$1,450 | \$3,625 |
| 3.5 | \$2,950 | \$7,375 |
| 5.0 | \$4,450 | \$11,125 |
| 10.0 | \$9,450 | \$23,625 |

For further information, contact the State Revenue Office by telephone 13 21 61, or visit the SRO website at www.sro.vic.gov.au.