



# Does payroll tax affect firm behaviour?

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# General results

- Payroll tax generally does not affect firm behaviour near thresholds
  - Exceptions
    - Victoria and Western Australia in certain years
- Firms generally do not use contractors to avoid payroll tax

# Outline of presentation

- Background on payroll tax
- Data (administrative population data)
- Bunching
- Results
- Discussion

# Background on payroll tax

- What is payroll tax?
- Distortionary
- Policy prescription

# Payroll tax thresholds

State	2001-02 Threshold (\$)	2014-15 Threshold (\$) Nominal	2014-15 Threshold (\$) Real*	Annualised Growth rate (%) Nominal	Annualised Growth rate (%) Real*
Victoria	515,000	550,000	355,532	0.5	-2.8
WA	675,000	800,000	482,634	1.3	-2.5
Tasmania	1,000,000	1,250,000	803,125	1.7	-1.7
NSW	600,000	750,000	491,206	1.7	-1.5
Queensland	850,000	1,100,000	699,168	2.0	-1.5
SA	456,000	600,000	383,223	2.1	-1.3
ACT	1,250,000	1,850,000	1,209,975	3.1	-0.3
NT	600,000	1,500,000	950,826	7.3	3.6

# Payroll tax rates

State	2008–09 Headline	2008–09 Effective marginal	2014–15 Headline	2014–15 Effective marginal	Headline change	Effective marginal change
Victoria	4.9500	4.9500	4.8500	4.8500	-0.1000	-0.1000
SA	5.0000	5.0000	4.9500	4.9500	-0.0500	-0.0500
NSW	5.8750	5.8750	5.4500	5.4500	-0.4250	-0.4250
WA	5.5000	5.5000	5.5000	5.5000	0.0000	0.0000
Queensland	4.7500	5.9375	4.7500	5.9375	0.0000	0.0000
Tasmania	6.1000	6.1000	6.1000	6.1000	0.0000	0.0000
ACT	6.8500	6.8500	6.8500	6.8500	0.0000	0.0000
NT	5.9000	5.9000	5.5000	6.8750	-0.4000	0.9750

# Data

- Business Longitudinal Analysis Data Environment (BLADE)
- Key data source:
  - Business Activity Statement
  - Business Income Tax
- BLADE Conditions of use
  - *“research and statistical purposes and acknowledge that data cannot be used for compliance or regulation purposes”*

# Bunching

Figure 1A

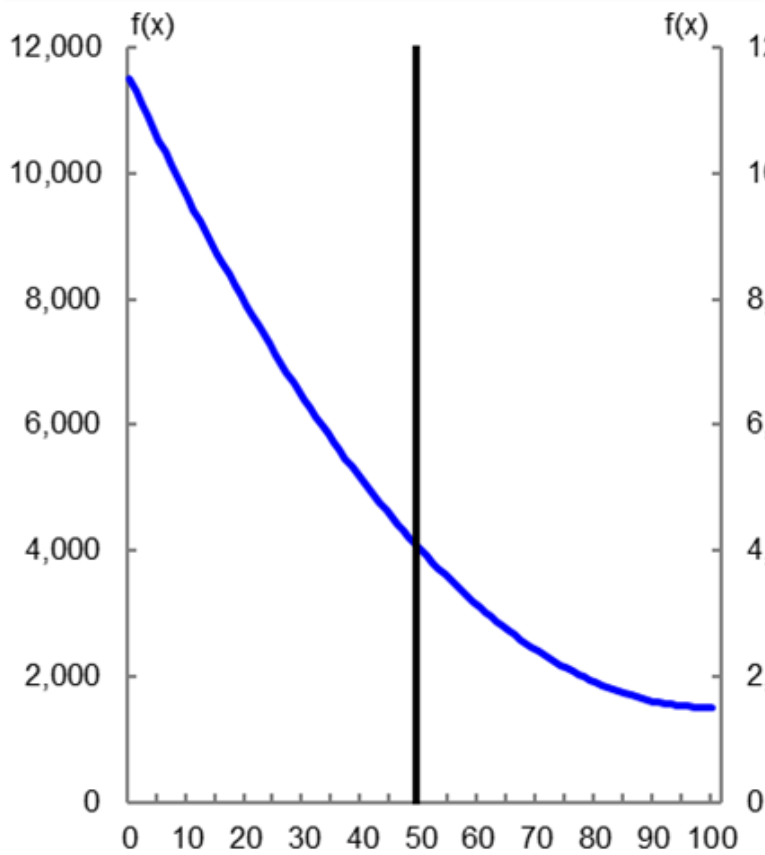
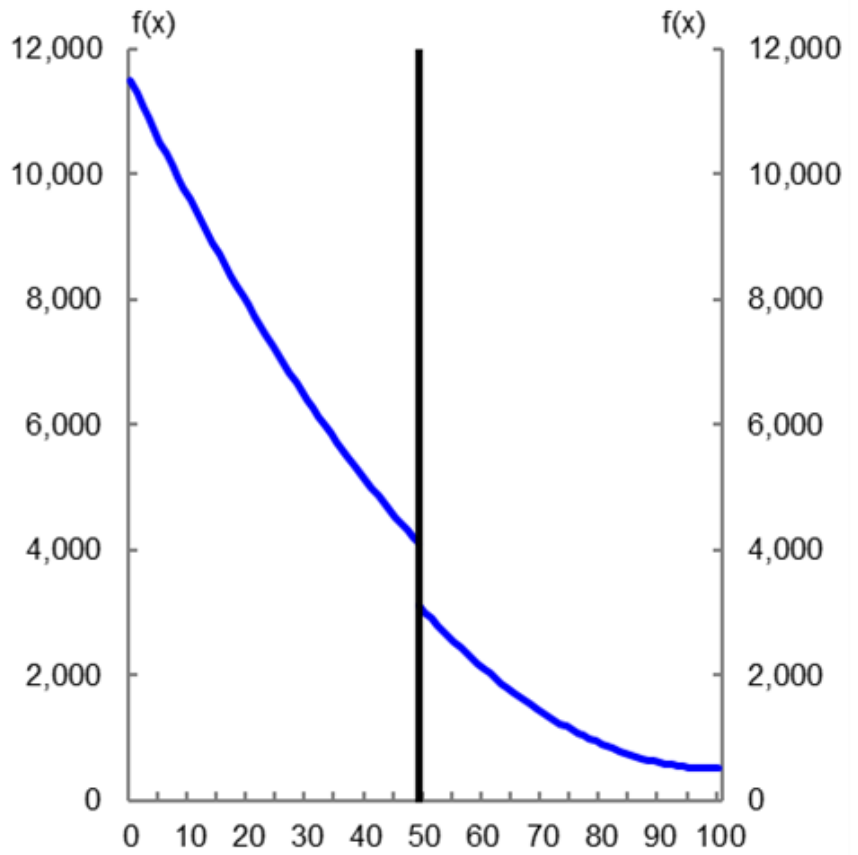
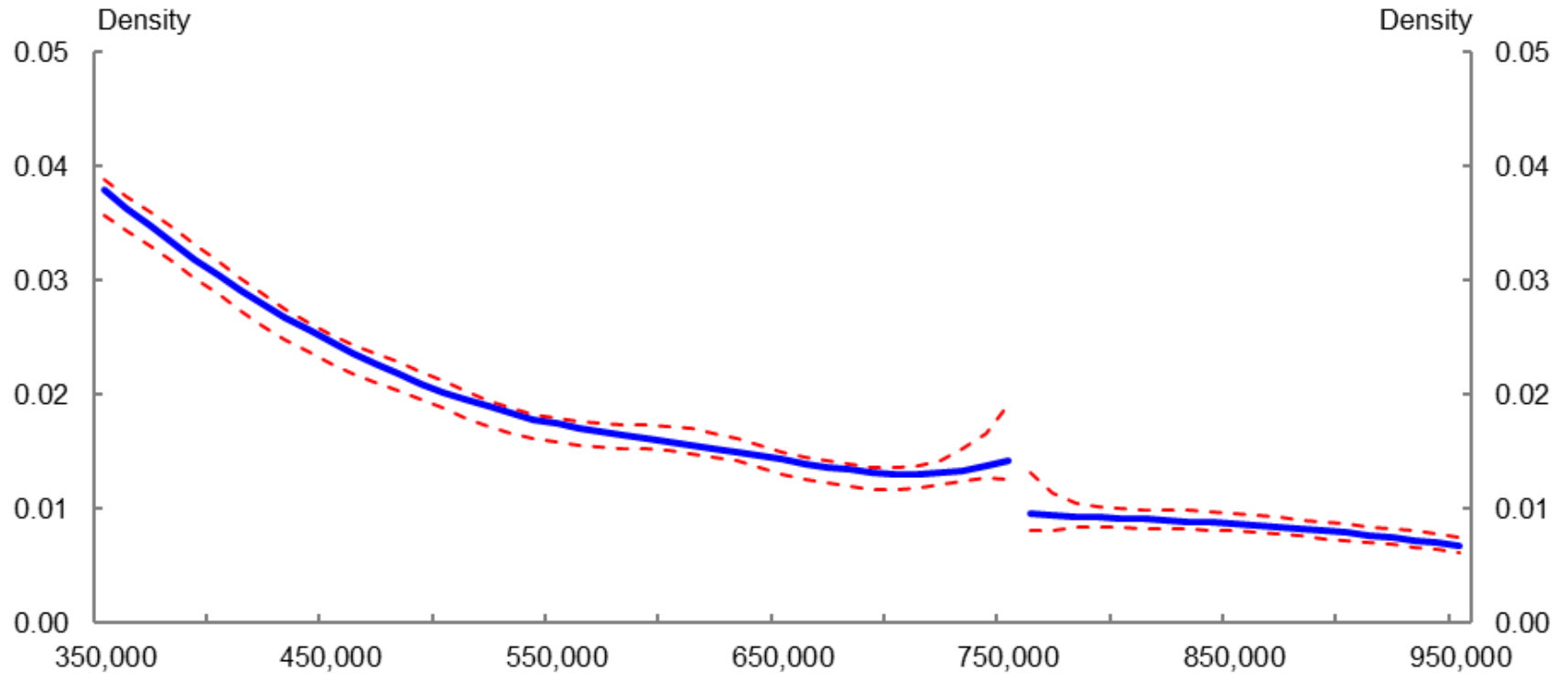


Figure 1B





# Bunching – WA 2013-14



# Results

State	No. of tests	No. found significant*
New South Wales	14	2
Northern Territory	9	0
Queensland	14	0
South Australia	14	0
Tasmania	12	2
Victoria	14	4
Western Australia	14	4
<b>Total</b>	<b>91</b>	<b>12</b>

\* 95 per cent confidence interval.

# Further testing

- Test Victorian and Western Australia threshold in other states
- Firms could be different near threshold

# Discussion

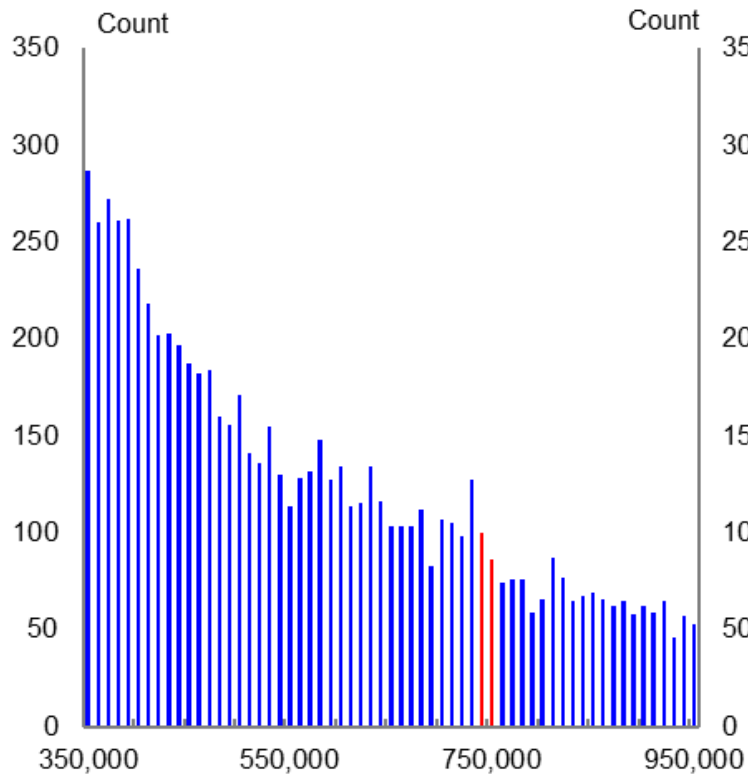
- No completely satisfactory explanation
  - Stagnant thresholds?
  - Incidence of the tax
  - Low impact on decision making of firms
- Caution
  - Payroll tax could lead to other distortions
  - Results hold for period examined

# Questions?

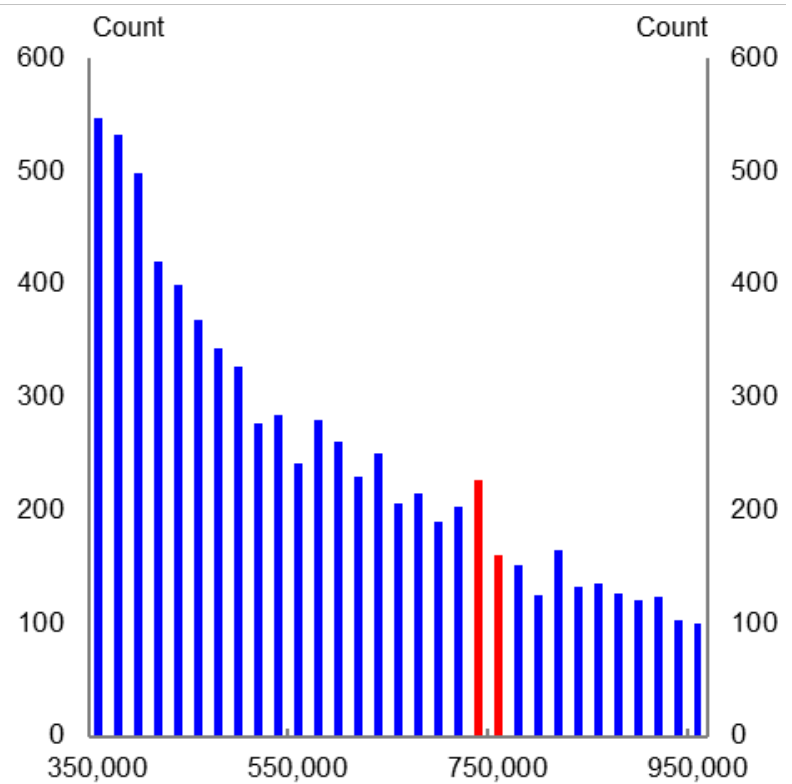
# Back pocket material

# Taxable wages in WA 2013-14

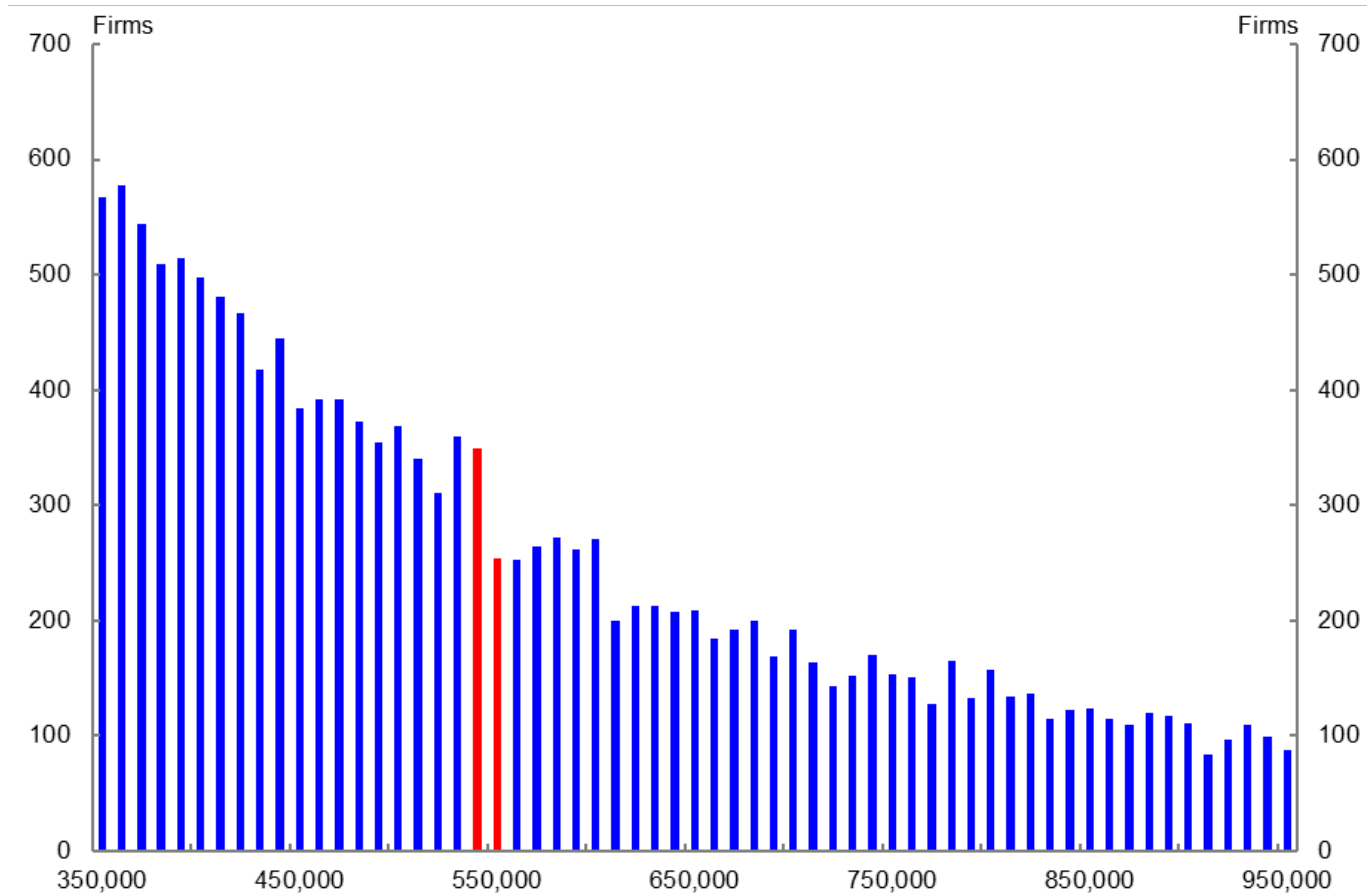
**Chart 2A: Bin size \$10,000**



**Chart 2B: Bin size \$20,000**

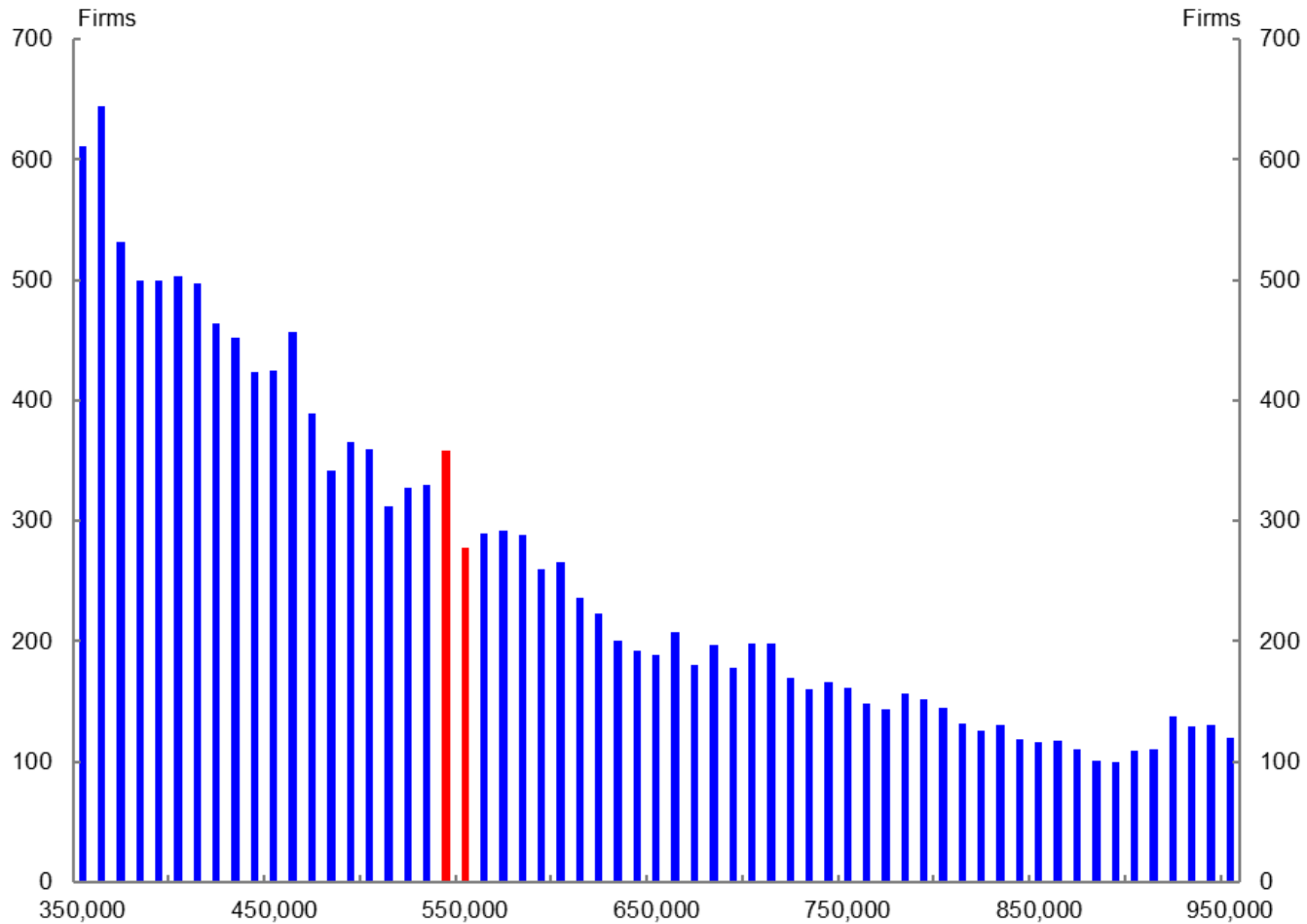


# Taxable Wages – Victoria 2010-11

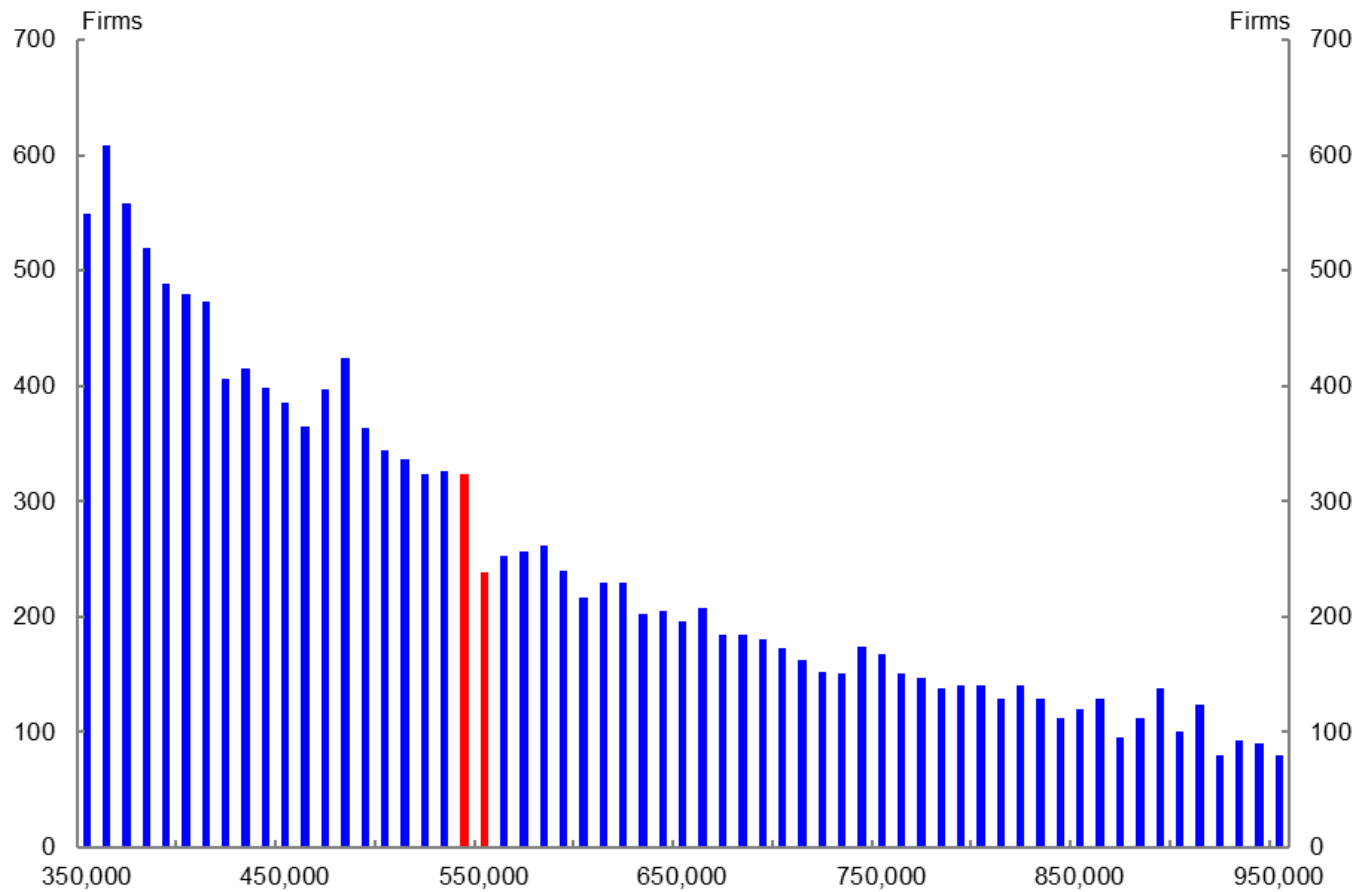




# Taxable Wages – Victoria 2011-12



# Taxable Wages – Victoria 2012-13



# Bandwidth reduced - 25 per cent

State	No. of tests	No. found significant*
New South Wales	14	3
Northern Territory	3	0
Queensland	14	1
South Australia	14	0
Tasmania	10	1
Victoria	14	2
Western Australia	14	3
Total	83	10

# Bandwidth increased - 25 per cent

State	No. of tests	No. found significant*
New South Wales	14	2
Northern Territory	14	1
Queensland	14	0
South Australia	14	0
Tasmania	13	1
Victoria	14	5
Western Australia	14	3
Total	97	12

# Victorian threshold applied to other states 2010-11 to 2012-13

State	No. of tests	No. found significant*
New South Wales	3	0
Northern Territory	3	0
Queensland	3	0
South Australia	3	1
Tasmania	3	0
Western Australia	3	0
Total	18	1

# WA threshold applied to other states 2012-13 to 2014-15

State	No. of tests	No. found significant*
New South Wales	3	0
Northern Territory	3	0
Queensland	3	0
South Australia	3	0
Tasmania	3	0
Western Australia	3	0
Total	18	0

# Increasing the threshold by 10 per cent

State	No. of tests	No. found significant*
New South Wales	14	1
Northern Territory	7	0
Queensland	14	0
South Australia	14	0
Tasmania	11	0
Victoria	14	0
Western Australia	14	0
Total	88	1

# Decreasing the threshold by 10 per cent

State	No. of tests	No. found significant*
New South Wales	14	1
Northern Territory	14	0
Queensland	14	0
South Australia	14	2
Tasmania	12	0
Victoria	14	1
Western Australia	14	1
Total	96	5