WHAT THE 2019–20 QLD STATE BUDGET MEANS FOR YOUR BUSINESS

Key points

- Budget includes welcome relief for small and medium businesses.
- Jobs growth outside the south-east corner of Queensland is a key focus.
- Small and medium businesses advised to invest in people and capital equipment.
- Payroll tax for large business increases.

RELIEF FOR **SMALL AND MEDIUM BUSINESSES**

Jobs growth a key focus

PAYROLL TAX INCREASE for large businesses

SUMMARY

The just-released Queensland 2019–20 budget is a mixed bag with positive news in the form of tax rate reductions for small and medium businesses (SMBs), and organisations with a large proportion of their workforces based in regional Queensland. On the other hand, big businesses and those with a workforce concentrated in the south-east Queensland corner will be hit with tax rate increases that could put the brakes on growth.

Benefits for all businesses despite a tax hike for big business

The government has stated that its focus is on driving jobs growth, which is a significant challenge in the current economy where growth is low. It's debatable whether raising taxes for large businesses will help drive jobs growth in that sector. However, there are some across-the-board measures that may make it easier for businesses of all sizes to create more jobs.

For example, significant infrastructure expenditure flagged in this budget will benefit businesses in the infrastructure sector as well as other businesses in the areas where infrastructure will be improved. This is particularly true of regional Queensland, where spending has been flagged for hospitals, education, and infrastructure. It's encouraging to see that spending will extend outside the south-east corner of the state.

Unfortunately, big businesses will bear the brunt of higher taxes, especially an increase in payroll tax.

Benefits for small business

Small businesses are the lifeblood of the state, so it's encouraging to see measures in place that will help them grow. This includes payroll tax relief for small businesses which, coupled with the federal government's $30,000 instant asset write off, could help these businesses invest in both people and assets.

With a lower headline corporate tax rate from the federal government, lower payroll tax, incentives to invest in capital equipment, and further opportunities to save for businesses in regional Queensland, now is the time for SMBs to invest in growing their businesses.

Budget surplus will soon turn to debt

2020 will see a modest budget surplus of $189 million but debt is forecast to blow out by 2023. This isn't healthy in the current economic environment, and a focus on reducing debt would potentially be a better use of government resources.

On a macro level, the government will need to move away from relying on royalties from commodities. Prices have been relatively strong recently even given China's waning reliance on Queensland coal. However, with coal prices still high, royalties are correspondingly high. This is unlikely to last over time and there is a possibility that coal prices could drop significantly in the long term. The global economy is already suggesting a shift away from coal and other fossil fuels, so the government needs to focus on where it will earn revenue in the longer term.

STRATEGIC AND OPERATIONAL CONSIDERATIONS FOR BUSINESS

Payroll tax

- The exemption threshold for payroll tax has been increased to $1.3 million.
- Businesses that can show a net gain in staff numbers will receive a $20,000 tax rebate per employee.
- A one percentage point reduction in payroll tax for businesses with more than 85% of their workforce located in regional Queensland will benefit smaller businesses.
- The more than 6,000 businesses with a wage bill higher than $6.5 million will be hit with a 0.2% hike in payroll tax.

These measures clearly benefit SMBs more than large businesses and are aimed at creating jobs growth in Queensland, with a specific focus on regional areas. The resulting tax burden on big businesses could stymie this effort, however.

Lowering the payroll tax burden for Queensland's 438,000 small businesses will help drive employment and productivity in small businesses across the state, not just in the south-east Queensland corner.

Investment in health and education

- The government has budgeted $19.2 billion for health, up $929 million on last year's budget.
- $147.5 million has been set aside for 400 'nurse navigator' positions and 100 midwives from 2021-22.
- Total spending on education will increase to $13 billion.
- $136 million has been earmarked to hire 240 new teachers and aides to help students with disabilities in Queensland schools.

Increased spending on health and education is positive for Queensland residents and businesses across the state, particularly given that the investment isn't necessarily concentrated in south-east Queensland. It also creates opportunities for businesses in the construction sector as well as those in the health and education sectors.

New schools and healthcare facilities also contribute to Queensland's liveability, which will help attract further business investment and population growth to the state. Given the government's focus on boosting jobs in regional Queensland, these measures are likely to have a measurable effect.

Higher taxes for larger businesses

- Businesses with a wage bill higher than $6.5 million will see a 0.2% rise in payroll tax.
- Land taxes for companies and trustees with landholdings with more than $5 million will increase by 0.25 cents for every dollar over $5 million.
- Royalties in the LNG sector will rise from 10% to 12.5%.

A significantly larger tax burden for big businesses won't be offset by any savings. For example, a decade ago there were robust discussions around abolishing stamp duty and possibly offsetting this with an increase in GST. Non-realty conveyance duty was proposed to be abolished by 2011 but this has been deferred indefinitely. Therefore, large businesses are paying more tax without much relief in sight. This is likely to put the brakes on growth for these organisations, at least in the short term.

Significant infrastructure spending

- $49.5 billion will be allocated to infrastructure across the state, with 60% of the jobs in regional Queensland.
- A $70 million boost to regional infrastructure projects will occur through the Building our Regions program.
- The government has flagged $80 million in concessions to make the Mt Isa rail line cheaper for companies that use it.
- $30 million towards a new container terminal at Townsville Port will give trains better access to port.
- For one year, mining companies won't be hit with a hike in royalties.

Any increase in infrastructure spend is good news for regional Queensland both in terms of liveability and jobs. While much of the spending flagged in the budget were already committed to, it's still a positive confirmation that the government remains committed to drive spending in infrastructure, which will be positive for jobs growth.

The Building our Regions program has already supported the creation of 2,400 jobs, making it a relatively successful initiative. With regard to specific infrastructure projects such as those in Mt Isa and Townsville, any measures that make it easier to do business will be welcome. While these investments aren't significant, they will go some way towards improving productivity, particularly for organisations in the mining sector.

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It's important to note that, while royalties won't be raised in the immediate term, the terms of a potential freeze for future years is yet to be agreed on.

Tax avoidance squad

- A newly-established tax avoidance squad will target tax dodgers over payroll tax, land tax, royalties, and transfer duty.
- This is expected to claw back approximately $220 million in unpaid taxes.

It's unsurprising to see the Queensland government follow the federal government's lead when it comes to chasing down unpaid tax debts. Businesses that aren't meeting their tax obligations should be hit with the full force of the law and made to pay what they owe.

Investing in a tax avoidance squad to enforce collection of existing tax debts is arguably more useful than simply raising the tax base. Businesses that haven't been paying their fair share of tax are on notice that they will be brought to justice.

PERSONAL CONSIDERATIONS

Foreign landowners tax increases

- Foreign landowners will see land tax increase from 1.5% to 2%.

These taxes had applied to Australian citizens who lived overseas for six months of the year but this won't be the case anymore. This measure is expected to yield an extra $500 million for the government over the next four years.

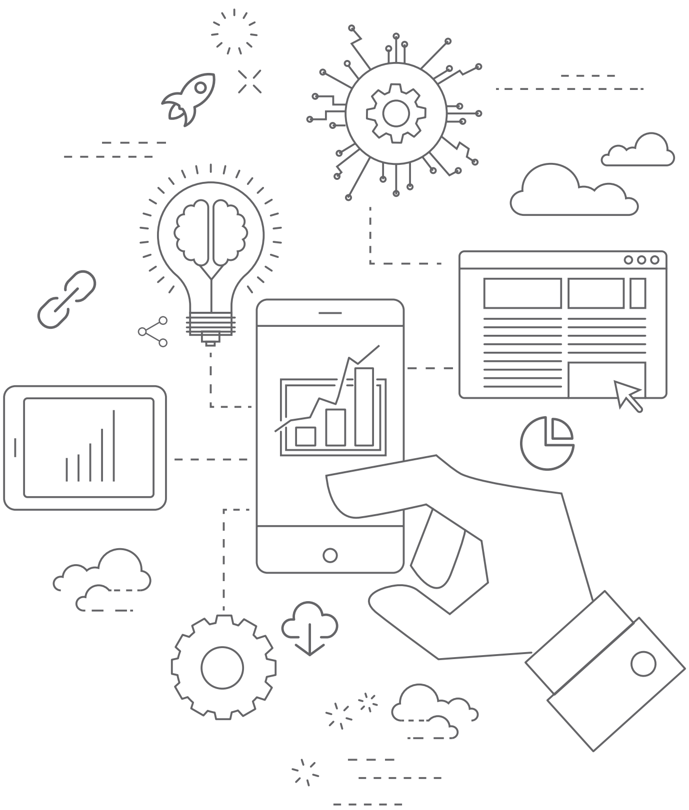
Australia in general and Queensland in particular rely on inbound capital. Foreign investment is therefore desirable. However, there are objections to foreign investment from some in the community who are concerned about too much of Queensland's land being in foreign hands. Increasing the tax on foreign landowners will potentially discourage foreign investment, which may not be a positive in the long term.

Increases to car registration and fines

- Car registration and speeding fines will increase by 2.25%.
- $3.9 million will be spent on new speed cameras.

The government initially decided to raise the cost of car registration and speeding fines by 2.25% in line with inflation. However, even though inflation is now predicted to be only 2%, the 2.25% increase remains.

The government expects to make an extra 7.9% in revenue from fines and forfeitures resulting from the new camera and additional 'enforcement hours'.



NEXT STEPS

Small and medium businesses are set to benefit from this budget and may find that it's the perfect time to invest in expanding the business, especially if there are opportunities in regional Queensland.

Meanwhile, higher taxes aimed at foreign investors and large enterprises could prevent Queensland from feeling the full benefit of measures designed to boost jobs and productivity.

Before acting based on any of the measures in this budget, business owners and individuals should seek personalised advice from their tax professional or business adviser.