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WHAT THE 2019–20 SOUTH AUSTRALIAN STATE BUDGET MEANS FOR YOUR BUSINESS

Key points

- The South Australian state budget is geared towards creating jobs.
- More resources will be dedicated to compliance activities as the payroll tax threshold increases and rate reductions will make it easier for small businesses to employ more people.
- Spending on infrastructure, health, and education will contribute to making South Australia more liveable.
- Changes to land tax laws may change the way people view property investments.

SUMMARY

In handing down its most recent budget, the South Australian government has flagged that its focus is on creating jobs through infrastructure projects and payroll tax relief. It's an ideal budget for people and businesses in construction, civil services and civil engineering, and equipment manufacturing. And, limited changes to other conditions means most businesses can continue operating as usual without having to make significant strategic changes to how they operate.

Some changes to taxation rules will bring South Australia in line with other states. For example, changes in the land tax laws will bring South Australia in line with New South Wales, where those who have large landholdings in sophisticated structures will no longer be able to access more than one tax-free threshold.

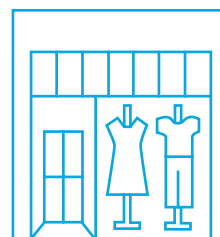
A budget characterised by minor tweaks rather than significant initiatives, this one should pose little or no cause for alarm among South Australians.



CREATING JOBS SA BUDGET MAIN FOCUS

✓ More small business job opportunities

Due to payroll tax threshold increases and rate reductions



Spending on infrastructure, health and education to make SA more liveable



Changes in land tax laws may change the way investment properties are viewed





CONSIDERATIONS FOR BUSINESS

Payroll tax relief

- The payroll tax threshold has more than doubled, rising from \$600,000 in 2018 to \$1.5 million from 1 January 2019.
- Businesses with a wage bill between \$1.5 million and \$1.7 million will benefit from a reduced payroll tax rate.

Raising the payroll tax threshold so significantly provides a real advantage for small and medium businesses that have been holding off adding more employees due to the high payroll tax bill they faced. This will help create more jobs across the board, which is a positive move for South Australian businesses.

Additional funding has been dedicated to expand compliance activities and so whilst South Australia now has the most generous payroll tax threshold in Australia, it's important for businesses to be aware of their exemptions, including what constitutes an employee for payroll tax purposes, to avoid unwittingly exceeding the threshold.

Funding for infrastructure projects

- The budget includes \$11.9 billion for infrastructure projects.
- \$1.1 billion will be provided over eight years for regional road projects and transport infrastructure upgrades.
- \$834 million will be spent on road safety measures over the next four years.
- \$692 million will be spent on roads in general.

Road and infrastructure improvements throughout the state will be welcome, especially for the businesses that will benefit directly from the increased work available. Roadworks will include resurfacing key highways, duplicating Victor Harbour Road, and developing a north-south corridor between the River Torrens and Darlington.

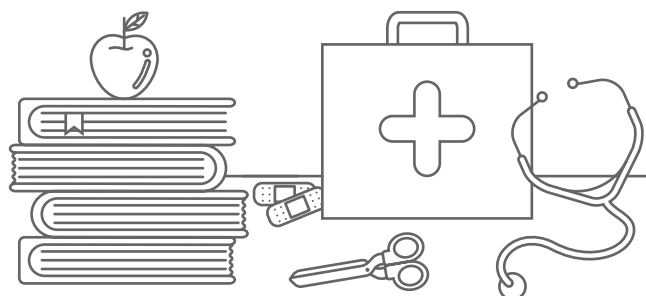
Unfortunately for commuters, public transport fares are set to rise by 10 cents for a single ticket and seven cents for

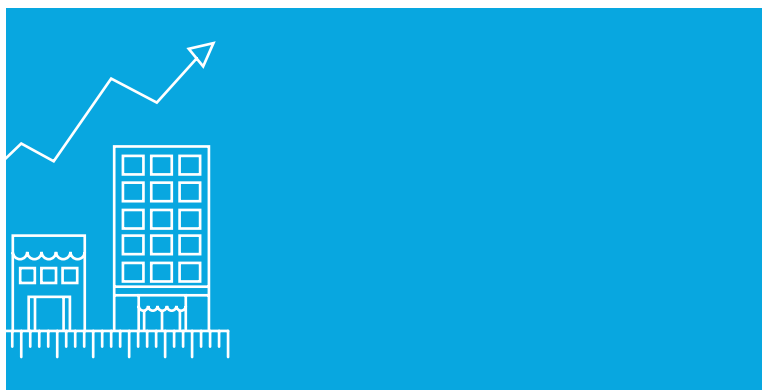
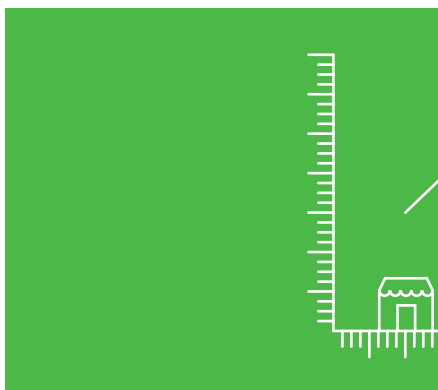
a single fare using a MetroCard. While these increases are incremental, they will add up over the course of a year for regular commuters. This could have a knock-on effect for businesses that employ staff members who rely on public transport to get to work.

Spending on health and education

- \$550 million has been earmarked for the construction of the new Women's and Children's hospital, which will be finished in 2025 at the earliest.
- The government will spend nearly \$70 million to reactivate the Repatriation General Hospital site as a health precinct, including a state-wide eating disorder service to be located there.
- \$264 million will be spent redeveloping the Queen Elizabeth Hospital.
- The government will invest \$1.4 billion in school and Vocational Education and Training (VET) infrastructure over the next four years.
- Year 7 will become the first year of high school in 2022, attracting an investment of \$185.3 million to upgrade state schools.
- State schools will be connected to high-speed internet.

These services will directly benefit the lives of everyone living in South Australia. As more services are provided, more people benefit, which also provides opportunities for businesses in all sectors to grow.





CONSIDERATIONS FOR INDIVIDUALS

Housing

- A \$104.5 million housing stimulus package will support construction and low-income earners.
- An Affordable Housing Fund will offer an interest-free deposit-gap loan of up to \$10,000 for two years from 1 September 2019.

While South Australia doesn't see the same housing affordability issues as Sydney or Melbourne, these measures will be welcomed by many lower-income families and will help attract more workers to South Australia.

Land Tax

- Changes to land tax laws will see those with significant landholdings in sophisticated structures unable to access more than one tax-free threshold.

The government is aiming to ensure equity between taxpayers by changing the aggregation provisions in the land tax law and adding a surcharge to certain trusts. In line with other state governments including New South Wales, the South Australian government is removing the ability for land owners to access multiple tax-free thresholds by owning land through different structures. The new approach will aggregate all the landholdings regardless of composition, and apply the land tax accordingly. Similarly, by placing a surcharge on property owned by trusts, the government is looking to ensure that members of the trust don't benefit from an additional tax-free threshold.

This will be offset by a reduction in land tax rates over the next eight years but will potentially cause some investors to rethink their property investments, at least in the short term.



NEXT STEPS

While reducing tax for the most part, this budget also includes provisions to crack down on non-compliance, so it's important for businesses and individuals to ensure they understand the rules and abide by them.

The South Australian budget is clearly aimed at creating jobs and making it easier for businesses to operate in the state, which will be a welcome approach, especially for small businesses. However, apart from the possible exception of adding more staff members, these businesses are unlikely to make major strategic changes in light of this budget.

The South Australian economy remains stable if somewhat subdued and this budget is unlikely to change that.

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.

For further information, please contact your local RSM office

Adelaide

Level 4
191 Pulteney Street
Adelaide SA 5000
T: 08 8232 3000



Port Lincoln

9-11 Mortlock Terrace
Port Lincoln SA 5606
T: 08 8682 2077