

NTCOSS Submission on the NT Government Revenue Review Discussion Paper

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PO Box 1128
Nightcliff NT 0814
(08) 8948 2665
admin@NTCOSS.org.au
www.ntcoss.org.au

Written by Caitlin Perry, Project Officer, Northern Territory Council of Social Service, with assistance from the South Australian Council of Social Service (SACOSS). Sections of this submission are adapted from the SACOSS Submission to SA Revenue Review 2015 prepared by Dr Greg Ogle, Senior Policy & Research Analyst, SACOSS.

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Introduction

As a peak non-government representative body for the health and community services sector in the Northern Territory, NTCOSS wants to see a fair, well-functioning and sustainable long-term taxation system which provides sufficient revenue to government to fund vital services.

NTCOSS welcomes the review of revenue and in particular the objectives set out in the Discussion Paper. The objective of ensuring an adequate revenue base to pay for vital services and infrastructure is imperative, although we also note the important role taxation can have in providing incentives for behavioural change and achieving public policy goals. We believe that these are important and legitimate objectives for the tax system, and accordingly in this submission, we put forward a number of proposals designed to promote behavioural change, as well as proposals to raise revenue more fairly.

The NT taxation and revenue raising system must be both effective and fair. It should not place undue burden nor have undue impact on low income and disadvantaged Territorians.

In any planning for the future of the NT, it should be acknowledged that cutting social and community services is not the way to achieve budget sustainability. Social and community services are vital for the economic and social development of the NT.

Government revenue is necessary for funding basic services including transport, police health and education. Without these essential services – or if essential services are underfunded – economic and social activities do not thrive.

NTCOSS endorses the comments and recommendations in the NT Shelter submission in response to the Discussion Paper.

NTCOSS' tax concerns

As a peak non-government representative body for the health and community services sector in the Northern Territory, the NT Council of Social Service (NTCOSS) believes in justice, opportunity and shared wealth for all Territorians. NTCOSS' core activities include analysing social policy, advocating on behalf of vulnerable and disadvantaged Territorians, providing independent information and commentary, and assisting the ongoing development of the health and community services sector.

NTCOSS has an interest in taxation issues because government revenue is necessary for funding services which assist vulnerable and disadvantaged Territorians, including many of the services provided by the social services sector.

NTCOSS also wants a fair tax system, both as an ethical imperative and because the fairness of the tax system is crucial to maintaining public acceptance for the system and support for the services its funds. In short, NTCOSS wants to see a fair, well-functioning and long-term-sustainable taxation system which provides sufficient revenue to government to fund vital services.

The Non-government Health and Community Services Sector and Taxes

While the key driver of our concern and commentary is the needs of vulnerable and disadvantaged Territorians, as a representative body we also argue for the concerns and joint interests of our member organisations and our sector.

The non-government health and community sector is a significant player in the Northern Territory economy. With a combined annual income of \$952m, 450 registered charities work in the NT, 68% of which are categorised as small to medium, and 51% are small organisations (with income of under \$250K p.a.). Further, according to ABS data, there are approximately 550 economically significant not-for-profit organisations on top of the 450 registered charities working in the NT. The sector employs 7,600 Territorians – about 8% of the NT workforce, and more than mining and manufacturing combined.

While this is a significant economic presence in the NT, it is important to acknowledge the difference of our sector organisations from for-profit organisations. As charities, most of our sector organisations enjoy a range of tax concessions and exemptions and so do not pay a number of the taxes referred to in the Discussion Paper. Importantly though, the cost of any taxes that are paid can't be passed on to consumers or shareholders.

Accordingly, any proposal which sees community sector organisations paying more tax will result in a loss of services to the community, or alternatively, will require an increase in government funding to ensure the same level of servicing. Either way, any such proposal would undermine the goal of attaining adequate revenue for vital services. Further, given that the recipients of these services are among the most vulnerable and disadvantaged people in our community, any tax changes which result in service cuts would fail the fairness test.

Commonwealth Taxes and Levies

While the focus of the NTG's Revenue Review discussion paper and this submission in response is on NTG's own revenue raising, it is still relevant to make some comments about Commonwealth taxes and the NT. NTCOSS commends the NTG commitment to continue to advocate for an equitable share of GST and tied grants. NT is home to some of the most disadvantaged Australians yet has the least capacity to fully fund appropriate responses to alleviate disadvantage. For example, as noted in a recent Commonwealth report, 50% of current remote housing needs are in the NT, yet the NT has nowhere near the capacity to fund the required housing – NTCOSS supports NT Shelter's submission in relation to this issue.

As well as advocating for an equitable share of GST and other commonwealth revenue, NTCOSS urge the NTG to work with other states and territories in relation to commonwealth tax reform including but not limited to the following:

- Removal of negative gearing
- Ensuring private trusts and companies pay their fair share of taxes
- Reduction in the discounting of Capital Gains Tax
- Other tax reform initiatives outlined in the ACOSS 2018/2019 Budget Submission

NTCOSS policy positions and recommendations

1. Framework/Objectives

NTCOSS recommends that another benchmark in reviewing the tax system be a projection of the future revenue needed to fund future services.

2. Consultation process

NTCOSS welcomes the opportunity to respond to the NT Government Revenue Review Discussion, and we commend the Department managing the consultation process for production of both the detailed and summary Discussion Papers and conducting public information sessions well before submissions are due.

NTCOSS calls on the NTG to commit to further consultation with stakeholders in the lead up to any decisions being made as a result of this process. NTCOSS recommends NTG hold a stakeholder round table before finalising its proposals arising from this process and again when proposals are finalised and implementation of a tax reform program is being planned.

3. Structure and Limitations of NT revenue sources

As noted elsewhere in this submission, the NT has limited capacity to raise its own revenue, yet is home to some of the most disadvantaged Australians. We appreciate that the focus of the Discussion Paper is own-source revenue, but note that any reduction in Commonwealth funding to the States and Territories will have profound implications for the capacity of the NT Government to provide services. This is particularly acute given the extent to which the NT relies on Commonwealth payments.

4. Key fiscal and economic challenges facing the NT

See comments in response to Question 3 above.

5. Northern Territory own-source revenue

See comments in response to Question 3 above.

6. Payroll Tax

NTCOSS urges the NTG Revenue Review not to heed business calls for payroll tax to be cut or support any proposal which would see less payroll tax collected.

The Northern Territory has the 2nd highest (after the ACT) tax free threshold for payroll tax. Given the majority of businesses that do pay payroll tax in the NT are large national or international firms, small local businesses will generally not be affected by a reduction of the threshold.

NTCOSS supports a reduction in the tax free threshold and an increase in the rate of payroll tax, possibly with a rebate for employers just over the threshold.

Another option is to introduce different and progressive scales of payroll tax, rather than simply one threshold and a flat rate. For example, a different rate for small and big business

would be fairer, would assist small businesses and recognise the huge impact big businesses have on local/NT infrastructure.

Exemptions and/or incentives could be used to achieve non-revenue policy goals, including reducing proportion of FIFO workforce. For example, a surcharge on payroll tax could be imposed on employers on non-Territorians.

NTCOSS is opposed to any proposal to remove payroll tax exemptions to charities as any such proposal would simply result in cuts to services. This is the case for any charities operating in the NT, whether part of a national charity or an independent NT charity.

7. Property Taxes

NTCOSS supports the replacement of conveyance duties with a broad-based land tax that includes the following features:

- Ease of payment – monthly (or at least quarterly) billing
- Protection for low income earners through adequate concessions and provisions for deferred payment and/or reverse mortgaging
- Fair transition arrangements that do not leave householders out of pocket
- Progressive
- exemption from land taxes for land used for charitable purposes
- Exemptions for Aboriginal owned land
- Protection for community housing providers

NTCOSS acknowledges any transition from conveyance stamp duty to an annual land tax with options to pay quarterly may have an initial one-off negative effect on NT revenue. We note that most proposals involve a longer term transition which would limit the impact. For instance, the transition from conveyancing duty to land tax in the ACT is being done over 20 years, while other options could be to have land tax only apply to future sales of certain properties (ie no change to existing properties) or as a voluntary opt-in (with any property sold conveyance-duty free being made permanently land taxable). These still have a short-term budget impact, but it is more limited than for instance if all conveyance duties are lost to the budget in one year.

Replacement of stamp duty with an annual land tax as above is NTCOSS's preferred proposal.

8. Gambling Taxes

All gambling activities carried out in the NT should be taxed. All gambling activities carried out in the NT should be subject to the Community Benefit Levy.

There needs to be more transparency in how and how much gambling providers are taxed, including taxes and charges as per agreements between NTG and gambling providers. For example, publication of information on an annual basis, including how much gambling services paid in taxes and other charges, risk minimisation and harm minimisation measures undertaken.

NTCOSS recommends lifting or removing the cap on wagering tax, which is currently set at the extremely low amount of \$575,000. Any competitive advantage that may have previously arisen as a result of this extremely low cap will be undermined by the introduction of point of consumption gambling taxes being introduced in other jurisdictions.

NTCOSS recommends that clubs be subject to the Community Benefit Levy. While clubs can provide a range of benefits to the communities in which they operate, there are still risks of social harm as a result of gambling.

Bookmaker tax should be paid on gross profits made on all forms of gambling – including betting on sports events which has grown significantly in recent years and is currently excluded in calculating gross monthly profit.

The NTG should be prepared well in advance to re-negotiate agreements with casinos and better agencies operating in the NT.

9. Motor Vehicle Taxes

NTCOSS would prefer to see taxes based more on vehicle usage than ownership and we reject any proposal to replace stamp duty with an increase in annual registration fee. However, due to great distances travelled by many Territorians and the absence of many or any transport options throughout the NT, a tax based on vehicle usage would have to be progressive and possibly include a range of exemptions.

A more efficient alternative could be the introduction of a car park tax. Another option to consider is a form of congestion tax.

NTCOSS believes that the NT government should consider a car park tax as a better targeted form of transport tax, and that the revenue could be used to provide a cut to vehicle registration or stamp duty on vehicle sales.

A green vehicle rating scheme – as in the ACT – which provides concessional rates of duty based on lower carbon dioxide emissions per kilometre should be considered.

While driverless cars may be some time off in the NT, the NTG would be well placed to start considering how to replace revenue raised from current motor vehicle practices in the context of driverless cars.

10. Insurance Duty

Insurance duty contributes to underinsurance by increasing the cost of insurance. NTCOSS supports phasing out insurance tax if the revenue lost is off-set by increases to existing taxes and duties or introduction of new taxes, for example an Estate Tax or a Disused Buildings Tax.

11. Banking Taxes

The NTG should consider introducing a state bank levy as proposed in some other Australian jurisdictions. The risk that a state tax levy would lead to increased interest charges on loans would be offset by the increased revenue available to government to fund improved community services and infrastructure.

12. Mineral royalties

Extraction of non-renewable resources is widespread and profitable in the NT.

The current NT system of profit based mineral royalties is good, but should be amended to include a value-based minimum royalty. This would ensure that all mines – including small, short term or unprofitable – would pay at least some royalties. This is appropriate as miners benefit from NTG expenditure on physical and social infrastructure, and mining has a significant impact on communities and environments.

NTCOSS recommends increasing the headline mineral royalty rate by 1 – 2%.

NTCOSS supports clarification of the definition of operating costs and of mineral value.

We support amending rules about negative net value transferability. NTCOSS does not have any particular suggestions about how to achieve this and the previous point.

We recommend a combination of value based and a profit based royalties approach. This would mean that unprofitable ventures still contribute to NTG revenue. This is essential as it will assist NTG to offset negative impacts of the economic activity in question.

13. Petroleum Royalties

Petroleum royalties should include a minimum value based component. This would provide a consistent revenue stream, and acknowledges that even uneconomic and unprofitable activities have a financial, social and economic impact on people and communities.

NTCOSS recommends revising petroleum royalties legislation to include issues currently dealt with by way of agreement with producers operating in the NT.

14. Other own-source revenue bases

Below are a range of options the NTG could consider. The list is not exhaustive.

NTCOSS recognises that there are difficulties with some of these taxes, including constraints imposed by Intergovernmental Agreements or that some are simply better levied at the federal level or require national agreement. The NTG should look beyond taxes it can act on unilaterally now – including changes to the GST carve up, and working through COAG to ensure a fair national tax system.

However, in focusing simply on the taxes which the NT government can act on unilaterally now, the Discussion Paper limits the breadth of the review and may exclude from discussion

key initiatives which may assist in building a fair and sustainable tax base. We think these options should be on the table.

Liquor Licence Fees

NTCOSS supports recommendations in the 2017 Riley report in relation to liquor licencing fees. The cost of a liquor licence should be increased and there should be a risk-related annual fee.

Disused Buildings and Vacant Land Tax

NTCOSS believes that the NTG should look at imposing a surcharge or escalating rate of land tax on buildings or city/suburban land that is not being utilised after a set period (perhaps two years). This has been proposed in South Australia by our colleagues at SACOSS, and has been adopted by the Victorian government for residential properties in Melbourne.

Congestion tax

Impose a charge on drivers using roads at certain time and/or in certain places

Carpark tax

Impose a charge on owners of car parking spaces

Estate Duties

NTCOSS urges the NTG to seek agreement from all states through COAG and/or as part of the national tax review for the introduction of state-based estate duties across the country. Such estate duties could be used to off-set less fair and less efficient taxes, or could be paid into a legacy fund to provide an ongoing revenue stream for government.

Other options for reform

Finally, as noted above, despite the terms of reference of the tax review being quite broad, the Discussion Paper largely deals with the main existing taxes. As such, it does not give consideration to other possible taxes including environmental taxes, hotel bed taxes, and road usage taxes.

15. Recent state taxation reforms

We have mentioned some recent reforms or proposals for reform in other jurisdictions. Some current and proposed reforms in other jurisdictions may have an impact on NT own-source revenue and should be considered when developing reform proposals for the NT. For example, with point of consumption gambling taxes being introduced in other jurisdictions, there is even less reason for the NTG to keep the extremely low cap on wagering tax.

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