

IPA MEDIA RELEASE

Institute of Public Affairs | Australia's leading free market think tank

Monday, 16 January 2012

RESOURCES STATES STEAL MARCH ON LOW STATE BUSINESS TAXES

The mineral-rich jurisdictions of the Northern Territory and Western Australia are maintaining a low-tax gap compared to states on the eastern seaboard, in particular New South Wales and Queensland, according to the free market think tank the Institute of Public Affairs

In the 2011 update of the IPA's annual state business tax benchmarking report *Business Bearing the Burden*, the NT is assessed to have the lowest state business taxes in Australia at about 19 per cent below the average of all states and territories.

The NT is followed by WA, which imposes the second lowest level of business taxes, at about two per cent below the state average.

At the other end of the scale, South Australia is the highest taxing jurisdiction for the third year in a row. SA business taxes are about eight per cent above the average, and about 33 per cent above those in the NT.

Other high taxing jurisdictions include the ACT and NSW, Australia's largest economy.

The author of the report, IPA Research Fellow Julie Novak said, "SA takes the unwanted title of Australia's high tax state for the third consecutive year."

"An onerous property tax regime plays a major role in driving SA's anti-competitive tax position for 2011."

"This is on top of an underperforming state economy, and a projected budget deficit for this financial year due to weak expenditure controls."

In a tale of two property tax regimes, the NT's position as the lowest taxing jurisdiction is driven in part by imposing no land taxes. The second lowest taxing state, WA, also has low land tax imposts.

"Low taxes encourage private sector investment and growth. The resources states of NT and WA are in the box seat by maintaining among the lowest taxes on commercial property in the country," Ms Novak said.

"However tax policy pressures from other states, particularly Victoria and Queensland, and strong growth in government spending, pose key future risks for low taxing states in their quest to maintain an unrivalled business-friendly tax environment."

The IPA report shows that there is significant variation in the tax mix between states, providing opportunities for business to set up operations where tax structures are more amenable to their circumstances.

“There are significant differences in interstate tax liabilities, and every government should prioritise tax reform to help kick-start business in an economy still showing signs of weakness,” Ms Novak said.

“While some business groups and academics decry the time involved in making an informed locational choice amongst states, the interstate tax diversity is a product of competition existing in federal systems of government.”

“States can further empower these choices by building on their low-tax strengths and reducing their high-tax limitations,” Ms Novak said.

The IPA study sheds light on tax burdens imposed by states. This helps business make decisions about where to invest, and assists the community in understanding how state taxes affect business conditions around Australia.

State tax on a medium-sized business

State	Tax liability	Ranking 2011	Ranking 2010
Northern Territory	\$225,729	1	1
Western Australia	\$273,523	2	2
Victoria	\$273,581	3	3
Queensland	\$283,937	4	4
Tasmania	\$283,966	5	5
New South Wales	\$285,436	6	6
Australian Capital Territory	\$297,429	7	7
South Australia	\$299,703	8	8

Figures are based on tax liabilities borne by a reference business. State tax liability rankings are scaled from 1 to 8 (1 being the lowest liability to 8 being the highest).

Source: IPA State Business Tax Calculator

For media and comment:

Julie Novak, Research Fellow, Institute of Public Affairs, 0437 646 045 or 03 9600 4744

Full report *Business Bearing the Burden 2011* available at www.ipa.org.au.