TAXATION LEGISLATION AMENDMENT BILL 2015

Introduction and First Reading

Bill introduced, on motion by **Mr W.R. Marmion (Minister for Finance)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR W.R. MARMION (Nedlands — Minister for Finance) [10.54 am]: I move —

> That the bill be now read a second time.

The bill primarily seeks to amend the Pay-roll Tax Assessment Act 2002 to introduce a gradual diminishing payroll tax threshold from July 2015. It also seeks to make minor amendments to the Duties Act 2008 and the Land Tax Assessment Act 2002.

The state's finances are facing very challenging fiscal conditions. The revenue outlook is being affected by slower growth in the state's tax base as the economy transitions from growth driven by business investment to export-driven growth, and reductions in goods and services tax revenue. More recently, there has been a dramatic reduction in iron ore and oil prices, which is having a substantial impact on Western Australia's mining revenue. These pressures are evident in the unprecedented downward revision of the state's revenue projections in the 2014–15 *Government Mid-year Financial Projections Statement*, relative to the May 2014 state budget. As a result of the significant fall in iron ore prices, royalty income was revised down by $7.1 billion over the four-year period to 2017–18. Projected taxation revenue was also revised down by just over $800 million over the same period, reflecting moderating domestic economic conditions. In response to these challenges, the government is making the difficult and necessary decisions required to ensure that the state's finances remain sustainable, while at the same time delivering the high quality services and infrastructure required by the Western Australian community.

Since handing down the 2014–15 state budget, the government has announced new revenue and savings measures totalling $3.8 billion over the forward estimates period. The introduction of a diminishing payroll tax exemption threshold is consistent with the approach in Queensland and the Northern Territory. Under the proposed arrangement, the benefit of the tax-free threshold for employers or groups of employers in Australia with annual taxable wages between $800 000 and $7.5 million will gradually phase out. Large businesses with payrolls of $7.5 million or more will pay payroll tax on their entire payroll from 2015–16. The diminishing tax-free threshold is expected to raise approximately $397 million over three years. Approximately 17 000 employers will be affected by these amendments. Of those employers, around 5 000 will have payrolls in excess of $7.5 million and will therefore be required to pay up to an additional $44 000 a year in payroll tax. The saving of $397 million represents about 10 per cent of the announced $3.8 billion savings measures, with the majority of the remaining amount of savings to be achieved through expenditure restraint. The government will continue to work hard to control public expenditure growth and to ensure the tax burden placed on employers is minimised.

The bill also contains amendments to the Duties Act to extend a duty concession to the custodian for a trustee of a superannuation fund in certain circumstances. Under the Duties Act, nominal duty of $20 applies to the sale of property by a person to the trustee of a superannuation fund when only that person can be the member of the fund or the property is held solely for the benefit of that person. Previously, a superannuation fund could not finance the purchase of property with debt. However, the commonwealth has changed its Superannuation Industry (Supervision) Act 1993 to permit purchases of property with debt if the property is purchased and held by a custodian for the trustee of the superannuation fund. As the property is purchased by a custodian, rather than the trustee, the current duty concession does not apply. Accordingly, this bill amends the Duties Act to permit a concession for the custodian on the same terms that apply to a direct purchase of property by a trustee of a superannuation fund. These amendments commence from the day after royal assent and will have a minimal financial impact.

The Land Tax Assessment Act has for some time included clawback provisions that apply when land that has been subject to a residential, primary production business or dwelling park exemption is subdivided. The clawback of tax applies for a period of five years, including the year the land was subdivided. The act currently provides an exclusion from the clawback provisions for primary production business or dwelling park land that is compulsorily acquired. The bill contains amendments to exclude private residential property that was subdivided as a result of a compulsory acquisition, bringing it into line with the existing provisions. The amendments apply from the day after royal assent and will have a minimal financial impact.

Further amendments to the Land Tax Assessment Act contained in this bill restore the policy intent of anti-avoidance provisions aimed at preventing persons from disaggregating the value of their landholdings for land tax assessment purposes by transferring minor interests in the properties to third parties. The amendments allow the commissioner to make a retrospective determination of the tax liability, generally limited to five assessment years, disregarding the interests of the minority landholders. The amendments commence from the day after royal assent and will have minimal financial impact. The bill also includes other minor amendments to the Land Tax Assessment Act. The associated explanatory memorandum contains further details about the amendments.

I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.