

**PAY-ROLL TAX ASSESSMENT AMENDMENT BILL 2019**

*Introduction and First Reading*

Bill introduced, on motion by **Mr B.S. Wyatt (Minister for Finance)**, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR B.S. WYATT (Victoria Park — Minister for Finance)** [12.23 pm]: I move —

That the bill be now read a second time.

The Pay-roll Tax Assessment Amendment Bill 2019 seeks to amend the Pay-roll Tax Assessment Act 2002 to remove the payroll tax exemption for new worker trainees, with effect from 1 July 2019. The savings from this change will be used to establish a new employer incentive scheme that will assist a broader range of businesses to train our future workforce by taking on an apprentice or trainee.

Members may recall that amendments were made in 2018 to remove the payroll tax exemption for existing worker trainees and to limit the exemption for trainees to new workers earning up to \$100 000 per annum. The amendments took effect from 1 December 2017 and closed a loophole that saw companies avoid paying their fair share of payroll tax. Those savings were redirected to fund training places to help offset a reduction in commonwealth funding, following the cessation of a previous national partnership agreement in 2017.

As announced on 30 November 2017, the government has worked with industry to develop an employer incentive scheme that is proposed to replace the exemption for new worker trainees, better target skill gaps in the economy, and be accessible by all employers, not just those paying payroll tax. In accordance with the commitment given by the government during debate on the previous amendments, wages paid to apprentices will continue to be exempt from payroll tax. The review was undertaken in consultation with key stakeholders, including industry peak bodies, group training organisations, industry training councils and training providers.

It is proposed to introduce an employer incentive scheme with effect from 1 July 2019, with the following design features. Employers below the payroll tax exemption threshold will be eligible for an incentive for both their apprentices and new worker trainees. Employers paying payroll tax will be eligible for an incentive payment for new worker trainees only. The payroll tax exemption for their apprentices will still apply. All group training organisations registered with the Department of Training and Workforce Development will be eligible for incentive payments for both their apprentices and new worker trainees. Extra loadings will apply to industry priority areas, determined in consultation with industry. Extra loadings will apply for Aboriginal workers, regional areas, people with a disability and people aged between 21 and 30 years undertaking an apprenticeship or traineeship.

There will be an online payment system linked to existing administrative processes that will minimise red tape for employers. Transitional arrangements will apply, whereby businesses that have registered a new worker training contract with the Department of Training and Workforce Development before 1 July 2019 will continue to receive the payroll tax exemption, rather than the employer incentive scheme, for the nominal duration of that training contract. The employer incentive scheme will be administered within the current framework of the Vocational Education and Training Act 1996. The proposed scheme addresses a key recommendation in the State Training Board's 2018 report, "Strategies to grow apprenticeships and traineeships in Western Australia", to reduce the costs for employers who are prepared to train an apprentice or trainee. The scheme is a more transparent and equitable approach to providing assistance to employers. A major benefit of the employer incentive scheme is that it will provide much needed financial assistance to small businesses that fall beneath the payroll tax threshold.

Through the Building and Construction Industry Training Fund levy, the state government provides funding for employer incentives in construction trades and the resources sector. To ensure a targeted and equitable allocation of the new employer incentive scheme, apprentices and trainees eligible for the Building and Construction Industry Training Fund grant will not be eligible for the employer incentive scheme. Some employers are unable to commit to the direct indenture of apprentices and trainees but are still prepared to take on someone for a shorter period. Group training organisations bridge this gap by hosting out their apprentices and trainees to these employers, which expands the number of employers that can offer valuable on-the-job training to help people get qualified. Group training organisations also assist employers to navigate the administrative processes involved in taking on apprentices and trainees. For these reasons, all group training organisations will be eligible for the employer incentive scheme. As a condition of eligibility, these organisations will be required to pass on the incentives to host employers and meet nationally agreed standards for group training organisations.

The scheme will extend the reach of financial assistance to a greater number of Western Australian employers, from approximately 2 600 employers currently receiving payroll tax exemptions to potentially 5 900 employers, who will receive either the payroll tax exemption for apprentices or the new employer incentive scheme for apprentices and trainees. The scheme will be funded through redirecting the savings from the removal of the new trainee worker payroll tax exemption, estimated to be \$109 million over the period 2019–20 to 2022–23, as well

as additional commonwealth funding. Importantly, the commonwealth government has recognised the redirected funding as Western Australia's matching contribution under the National Partnership on the Skilling Australians Fund. This will result in additional funding of \$110 million to the state for the period 2018–19 to 2021–22.

In closing, an employer incentive scheme is a more transparent and equitable approach to providing assistance to employers. A major benefit of the employer incentive scheme is that it will make assistance available to small businesses that fall beneath the payroll tax threshold. Furthermore, it will provide a more effective use of government funds by targeting real skill gaps in the economy. Finally, removing the payroll tax exemption for new worker trainees will see \$110 million from the national partnership flow into the state's economy. This money will pay for the increase in training delivery costs from the anticipated growth in apprenticeship and traineeship commencements, and will also contribute to the employer incentive scheme. The associated explanatory memorandum contains further details on the amendments. I commend the bill to the house.

Debate adjourned, on motion by **Ms L. Mettam**.