

PAYROLL TAX-FREE THRESHOLD

982. Hon COLIN TINCKNELL to the minister representing the Treasurer:

In an interview with the ABC yesterday, the Chamber of Commerce and Industry of Western Australia chief economist, Rick Newnham, once again highlighted the main issues the government has with the budget. In his expert analysis he highlights that the government does not have a revenue problem; it has a spending problem. WA has the highest spending per person in the nation and the government has increased spending by \$700 million since the budget was announced. The gold royalty increase was going to plug only a \$100 million gap in its first year—\$400 million over four years.

- (1) From where did the government think it would get the additional \$600 million to spend?
- (2) Will the government implement the CCIWA's recommendation to raise the payroll tax threshold from \$850 000 to \$950 000 or more?
- (3) Is the government aware that this measure is estimated to create 880 jobs and would generate over \$200 million for the economy while reducing the government's revenue by only \$37 million in the first year?
- (4) Is the government willing to consider implementing a discounted payroll tax rate for regional businesses in an effort to help stimulate our regional economies?

Hon STEPHEN DAWSON replied:

I thank the honourable member for some notice of the question.

- (1) The 2017–18 budget reported that this government reduced total general government expenditure by \$884 million relative to the *Pre-election Financial Projections Statement*. The assertion that government expenditure has increased by \$700 million since the 2017–18 budget is speculation regarding the 2017–18 midyear review outcome. The midyear review will be released on 20 December and it will provide updated estimates to the budget time projections, including for recurrent expenditure. The focus of the government's budget repair task will continue to be around managing expenditure growth.
- (2) As the Treasurer has answered on number of occasions, this will be considered as part of the 2018–19 budget. The Treasurer has noted that the solution proposed to resolve the state's financial predicament by the Western Australian Chamber of Commerce and Industry, and now advocated by the member, is to permanently erode the state's tax base. This is in addition to the member voting to disallow a 1.25 percentage point increase in the royalty rate for an industry that demonstrably does not return its fair share to the Western Australian community. The Treasurer also notes the answer provided yesterday to a question without notice that showed that total general government salaries were \$11.6 billion in 2016–17. This means the whole Western Australian public sector would need to cease for around three years in order to pay down the debt left by the former government. The problem is an expenditure and revenue mismatch and both need to be addressed. This remains the focus of this government.
- (3) The Treasurer has commissioned the Department of Treasury to estimate not only the costs but also the economic impacts of changes to the payroll tax-free threshold. The Treasurer has indicated that he is sceptical of research from an interest group that purports economic benefits from tax breaks that will directly benefit its members.
- (4) No. The proposal would further erode the state's revenue base and worsen state finances.