

PAY-ROLL TAX ASSESSMENT AMENDMENT BILL 2019

Second Reading

Resumed from an earlier stage of the sitting.

HON ALISON XAMON (North Metropolitan) [5.07 pm]: As I was saying before the debate was interrupted, as part of expanding the Jobs and Skills WA national partnership funding, we have agreed to create a new enterprise training program, which will focus particularly on workers in allied health and social assistance to support the rollout of the NDIS. That has been valued at \$1.2 million. I am not entirely sure what that amount of money will do, given the size of need in this area, but I certainly look forward to finding out. The government has also agreed to a work placement program to provide employment-related training at certificate III and IV level, which is \$8.6 million, and to an expanded pre-apprenticeship program, which is \$21.7 million.

For the 30 April 2019 milestone, WA should have provided the feds with a short report detailing the development of the design of a new incentive scheme and also an outline of information on the industry consultation, design and implementation for the enterprise training program and the expansion of the pre-apprenticeship program. I would very much like to see a copy of that report tabled. I note that this is listed as an element of project 1 of WA's commitment to the national partnership. I look forward to seeing any additional projects under this partnership.

As I stated in the past and I will undoubtedly state on many more occasions, I believe that training is one of the best avenues to assist people to access broader and brighter futures and, as such, I think we have an obligation to ensure that good and targeted training is available to the people who most need it. The employer incentive scheme should result, I hope, in a larger number of businesses taking advantage of the program to employ new trainees. I think that this is a very good thing. It should open up the benefits of this program to more industries and businesses than have been able to access the payroll tax exemption. I hope that the government not only tracks the number of new trainees and apprenticeships, as per the requirement of the feds, but also looks for growth in the uptake of the program across the estimated 5 900 businesses that will now be able to access this scheme. Of course, the Greens also believe that education and training should not cost the student. I understand that the commonwealth funding will cover the tuition costs of the trainees and apprentices enrolled through this program. The revenue regained through lifting the payroll tax exemptions will be used to fund the employer incentive scheme. This is something that we not only support, but also applaud. The loadings for the incentive scheme that assist priority groups to be employed and recognise the difficulty faced by employers and employees in the regions are also welcome. As earlier stated by my colleague, the Greens will support this Pay-roll Tax Assessment Amendment Bill and look forward to further training initiatives that make more training available and affordable for more people.

The PRESIDENT: The minister in reply.

HON SUE ELLERY (South Metropolitan — Leader of the House) [5.09 pm] — in reply: I thank everybody for their contribution to —

The PRESIDENT: Halt for a second, if you would, minister. Hon Rick Mazza?

Hon RICK MAZZA: I want to speak on the second reading.

The PRESIDENT: You have come very close. I had given the call to the minister. I am not sure —

Hon RICK MAZZA: I thought there was another speaker behind me—sorry, Madam President—and that is why I did not rise immediately, but there was not.

Hon SUE ELLERY: I do not want to stop anyone from having a say but it would be helpful if it was a very quick say.

The PRESIDENT: The minister is being very generous here. Hon Rick Mazza.

HON RICK MAZZA (Agricultural) [5.10 pm]: Thank you, Madam President. I appreciate the minister's indulgence in allowing me to make a contribution to the second reading debate.

As described by speakers before, this Pay-roll Tax Assessment Amendment Bill 2019 is a relatively simple, small bill of five pages, which seeks to remove the payroll tax exemption for trainees from the Pay-roll Tax Assessment Act 2002. In December, there was the removal of the exemptions for existing staff who wanted to undertake training. Employers were therefore not able to put them into training and receive the exemption. This bill will remove the ability for new employees or trainees to receive that exemption. Fortunately, apprentices will still be exempt, so they will continue to receive the payroll tax exemption.

As has been mentioned earlier, there is a sliding scale on payroll tax. The first \$850 000 is payroll tax free. If a company employs a number of employees who do not exceed the \$850 000 threshold, payroll tax is not payable. However, it is interesting to note that payroll tax is not assessed on just their direct salary. There are add-ons such as superannuation payments, fringe benefits or other payments or bonuses which may be paid to an employee and which make up the total amount. A business that has a number of employees may have exceeded that threshold and be paying a high rate of, say, 5.5 per cent—that is one of the scales. It must be remembered that when we

remove the exemption, we are removing it from the amount on the top. When people are eligible to be exempted from payroll tax, the exemption is removed based on the top amount. If five employees are each paid \$100 000 and they will no longer be exempt, they will no longer receive an exemption on 5.5 per cent of the \$500 000. Many businesses will now have to pay a substantial amount of money, given that their employees will no longer be exempt from those amounts. The impetus behind it is that the money raised by the additional tax charged to businesses because they will not receive an exemption, which is estimated to be around \$109 million, will be used for the employer incentive scheme. That is to be matched with up to \$110 million by the federal government, giving a total of \$218 million over the next few years.

What is interesting about that is that the administration costs of running the employer incentive scheme will be around four per cent, so there will be an \$8.75 million expense in the administration of this scheme. Moneys currently put into direct staff training through companies that were able to manage or direct their own training will now be administered by the government at a cost of four per cent. If someone wants to apply for a building licence for anything over \$20 000, they have to pay a percentage of the building contract to the Building and Construction Industry Training Fund, and that money is reinvested into training. Those businesses that receive that amount of money for their trainees or apprentices will not be able to get the employee incentive scheme.

The proposed scheme provides that for trainees on a 12-month traineeship, an employer can claim up to \$1 063; on an 18-month traineeship, \$1 559; and on a 24-month traineeship, \$2 125. Incentives for employers will be paid on a 50–50 basis—50 per cent on commencement and another 50 per cent on completion. Employers can receive up to \$2 550 for apprentices who have a three-year apprenticeship, and for a four-year apprenticeship, \$3 400. Forty per cent of those moneys will be paid at commencement, 30 per cent at midterm, and 30 per cent on completion. Employers will be able to claim those incentives. There is a 10 per cent loading for a state priority occupation list, which Hon Diane Evers tabled; a 10 per cent loading for identified equity groups; a 20 per cent loading for north regional apprentices and trainees; and a 50 per cent commencement loading for apprentices aged between 21 and 30, which is all cumulative. Employers will be able to claim all of those added together, along with the incentive fund.

I have always been a critic of payroll tax. It is a very obnoxious tax, but it is something that is with us. I am sure that many state governments around Australia would like to get rid of payroll tax. I would be very interested to see whether any research has been done in any state on the impact of payroll tax on enterprises and the economy and whether it is a barrier to people wanting to employ staff. I am unaware of any research ever being done. However, if the government wanted to undertake that, I am sure it would be interesting to see how many extra jobs would be produced by not having a payroll tax system within Western Australia.

I will not oppose the bill. I will be interested to see how it rolls out over the next few months.

HON SUE ELLERY (South Metropolitan — Leader of the House) [5.17 pm] — in reply: I had hoped we would be able to progress the Pay-roll Tax Assessment Amendment Bill 2019 today but that will not happen. I will work my way through addressing each issue that has been raised by honourable members. I thank everyone for their contributions to the debate.

I wanted to debunk an issue raised in a couple of contributions around whether the decline in the number of apprenticeships and traineeships had been halted. Some reference was made to different sets of figures. The information provided to me indicates that there certainly was a significant dip—no question about it—between 2016 and 2017 in apprenticeship and traineeship commencements. The total number of apprenticeships and new-entrant traineeships in 2016 was 18 036. That dipped in 2017 to 16 177. However, it increased in 2018. This is measured on the 12 months to the end of February. In 2018, it went up to 16 915, and at the same point in February this year it has gone up again to 17 174. It is heading in the right direction. It constitutes a six per cent increase in the number of apprenticeships and new entrant traineeships that commenced over that period.

One of the other issues that was raised was that the scheme effectively takes away a benefit by lifting the exemption. In fact, what we intend to do through the employer incentive scheme is to increase the number of employers that receive assistance from the government to take on new employees in the form of apprentices and trainees. The scheme will extend the reach of financial assistance to a greater number of employers. Currently, 2 600 employers benefit from payroll exemptions. This will go up 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.

Hon Aaron Stonehouse put the proposition that the employer incentive scheme is not referred to in the legislation. That is quite deliberate; employers made it clear to the government that they want flexibility.

Debate interrupted, pursuant to standing orders.