

PAY-ROLL TAX REBATE BILL 2012
PAY-ROLL TAX (INDIGENOUS WAGES) REBATE BILL 2012

Cognate Debate — Motion

On motion by **Hon Simon O'Brien (Minister for Finance)**, resolved —

That leave be granted for the Pay-roll Tax Rebate Bill 2012 and the Pay-roll Tax (Indigenous Wages) Rebate Bill 2012 to be dealt with cognately.

Second Reading — Cognate Debate

Resumed from 14 August.

HON KEN TRAVERS (North Metropolitan) [5.47 pm]: The opposition will support the Pay-roll Tax Rebate Bill 2012 and the Pay-roll Tax (Indigenous Wages) Rebate Bill 2012. The minister in his second reading speeches outlined the purposes of the bills in some detail. As we are dealing with the two bills concurrently, I will summarise them both.

The bills introduce a number of changes to provide for payroll tax rebates, some of which will be of an ongoing nature. The Pay-roll Tax Rebate Bill provides for a one-off rebate and the Pay-roll Tax (Indigenous Wages) Rebate Bill provides an ongoing rebate. As part of the package of these bills, in the 2012–13 financial year, businesses will be given a rebate if their total Australia-wide payroll is below \$3 million. The Pay-roll Tax Rebate Bill provides that businesses with a payroll of up to \$1.5 million will get a complete payroll tax rebate. Businesses with a payroll of between \$1.5 million and \$3 million will have a phased rebate on their payroll tax obligations. The Indigenous wages rebate bill provides, for the first time, that businesses that employ Indigenous people who receive the Indigenous wage subsidy paid by the commonwealth will be eligible for a payroll tax rebate for the proportion of their payroll tax for those employees. Again, it is limited to those companies that have an Australia-wide annual payroll of up to \$1.5 million.

It is not mentioned in the second reading speech for the Pay-roll Tax Rebate Bill 2012, but I note that the government sought to claim that this bill honoured the Liberal Party's commitment prior to the last election to provide \$250 million in tax cuts during this term of government. Apart from all the other commitments of the Liberal–National government to make changes to taxation during this term of government, this government has not delivered the election commitments that it made, despite receiving record revenue of, I think, some \$6 billion, which is more revenue than at the time of the last election and consistently higher than the revenue projected in the pre-election financial statements. This payroll tax rebate will not deliver those election commitments either. Employees in Western Australia will not get the benefit of this rebate until after the Leader of the House, four National Party members of this chamber and, I suspect, many other members of this chamber have gone.

Hon Norman Moore: Is there any prospect that you might be one of them?

Hon KEN TRAVERS: No, I do not think there will be, Hon Norman Moore. Does he want to form a business together if we retire at the same time; is that what he is offering me? Is the Agent General's job in London still available?

Hon Norman Moore: I was just wondering whether there was any prospect that you might be joining the list of people you just read out.

Hon KEN TRAVERS: No; I am enjoying myself. I am looking forward to being the Minister for Transport, the Minister for Finance and the minister for suburbs in the Labor government on 10 March next year, Hon Norman Moore.

Hon Norman Moore: Heaven help us!

Hon KEN TRAVERS: I can tell Hon Norman Moore that whatever we commit to, we will implement when we get elected, unlike his government, which leads people down the garden path. Amazingly, the conservatives in this state pretend that they are good economic managers, that they want small government and that they will lower imposts on small business, yet they do exactly the opposite. They made a range of commitments. There was a very specific commitment for \$250 million in tax cuts over and above what was in the budget at the time of the last election, and they have failed to deliver on it. That is the first point that needs to be made very clear. It would be a great world if a political party could make election commitments and then not deliver them for two or three terms after it made them and still claim that it had honoured its election commitments! When a party makes a commitment that it will do something during the next term of government, it needs to do it.

It is my view that the way in which this rebate has been structured by the government has been done to suit the government, not small business. Anyone who talks to small business people, who knows people in small

business or who has run a small business will know that one of the big issues, particularly at the bottom end when a small business starts to incur payroll tax for the first time, is cash flow. Once a small business goes over the payroll tax threshold of about \$62 000 a month, it has to start paying money to the government. That can impact on its bottom-line profitability. The biggest restriction for many small businesses is on their cash flow. This bill will not help them in that regard. The government will still require small businesses to pay that money. After 12 months, they will get a reconciliation and if their payroll falls below \$1.5 million, their money will be returned to them. I will be interested in whether the Minister for Finance can tell us how much payroll tax that will represent for a small business with a basic payroll of \$750 000. How much will that business have to pay to the government? How much will the government collect in cash flow over those 12 months as a result of this decision? The government could have changed this structure. It could have put in place a scheme whereby businesses that expect to be under the \$1.5 million threshold do not have to pay that money until they go over the threshold—instead of \$60 million, which is based on a \$62 000 monthly income for \$750 000 a year, it could be taken up to \$1.5 million—so the business would not have to pay payroll tax on \$120 000 in any month. It would not be that hard; we do it already for employers whose wages bill is below \$750 000. We could have extended the scheme and allowed for a reduced payment for those between \$1.5 million and \$3 million. This government chose not to do that because it wants to get hold of and use the cash flow—cash flow that could have assisted small businesses. That at least would have taken the government a bit closer to meeting the commitments it made at the last election. The government made many other commitments on tax reform that it has not implemented, but it continues to tax and spend in record amounts. Never before has a government increased expenditure growth at the rate we have seen from this Liberal–National government over the past couple of years. It has the trifecta. It has not reduced taxes in line with its promises; in fact it has increased expenditure at record amounts. On top of that it has increased debt at record levels whilst receiving record amounts of revenue. In basketball terms that is a triple crown. Those are the comments I wanted to make about the Pay-roll Tax Rebate Bill 2012.

We support the Pay-roll Tax (Indigenous Wages) Rebate Bill 2012, which contains provisions to provide a full rebate of payroll tax for small to medium businesses for wages paid to new Indigenous employees over the first two years of employment, as well as an exemption for wages paid to new employees with a disability. I note that the revenue implications are not particularly large but they are very good initiatives for encouraging the employment of Indigenous people by removing them from payroll tax, particularly for small companies that employ fewer than 15 people, and for encouraging employers to employ people with disabilities. The opposition supports both measures. I will put on the record that I am happy to congratulate the government on introducing those measures. They are worthwhile and good measures; it is just a shame that the rest of this package does not implement the commitments the government made at the last election.

HON GIZ WATSON (North Metropolitan) [5.56 pm]: I will make a very short speech on these two bills. We support the two bills and concur with Hon Ken Travers' comments that the provisions to assist Indigenous employment and the employment of people with disabilities are very welcome.

HON WENDY DUNCAN (Mining and Pastoral — Parliamentary Secretary) [5.56 pm]: I add to the record that the Nationals support these bills.

HON SIMON O'BRIEN (South Metropolitan — Minister for Finance) [5.57 pm] — in reply: I would like to thank members who have contributed to the debate for their support for these measures. I certainly concur with the sentiment that they are worthwhile measures being delivered by a government that is determined to deliver on its undertakings, even in adverse financial circumstances.

Hon Ken Travers: What is adverse about record revenue?

Hon SIMON O'BRIEN: I would like to address one of the questions raised by Hon Ken Travers about the practicalities of employing a deliver-as-you-go payroll tax benefit to small businesses rather than what is proposed in the bill. That, of course, is a rebate to be applied after the financial year and after the payroll taxes that would normally have been paid, and there are some good reasons for that. Although I will not take forever to narrate them, I note the time, and a little bit of complexity is involved, so perhaps this might be an appropriate time to leave the chair, Mr Deputy President (Hon Matt Benson-Lidholm), and I will resume my remarks after the dinner break.

Hon Ken Travers: He obviously has to filibuster.

Sitting suspended from 6.00 to 7.30 pm

Hon SIMON O'BRIEN: Prior to the break, I thanked members who had participated in the second reading debate for their support of the bills. I acknowledged some of the comments that had been made. There are one or two outstanding matters that I propose to deal with quite briefly. Hon Ken Travers asked quite matter-of-factly why this payroll tax measure is being given as a rebate rather than as an ongoing concession, delivered upfront or at least on a monthly basis. The government would have liked to have made the rebate payable throughout the

2012–13 assessment year but it simply was not possible to deliver either the required legislation or the necessary system changes within the Office of State Revenue between the date of the announcement of the rebate as part of the 2012–13 budget and 1 July 2012. The system changes that would have been necessary to implement the payment of a monthly or quarterly rebate rather than a single rebate at the end of the year were far more complex and costly, significantly boosting the cost associated with delivery of a one-off rebate, and we felt it was better for the benefits of the rebate to flow directly to businesses that employ Western Australians and pay payroll tax in other circumstances.

There were further concerns about the payment of a rebate over the course of a year based on estimates. A large proportion of the tax base is grouped or it pays interstate wages, requiring the threshold for exercises such as this to be apportioned. That means that the exact amount of payroll tax payable over the course of the year cannot be determined until the end of the year has arrived, which would then require adjustments, and a number of adjustments necessitate repayments again by employers, all of which is undesirable. That, in short, is the reason for it.

I note also the honourable member's comments about election promises and \$250 million in relief. He made his observations about that. I do not propose to get into an argument or a slanging match over any of that at the moment. The fact is though that, even in a relatively short period between an election campaign and forming a government, some major matters can arise such as the global financial crisis, affecting our capacity to deliver on what we had contemplated and undertaken to —

Hon Ken Travers: Minister, do you not accept though that your total revenue is higher than what was shown in the pre-election statements distributed by Treasury prior to the election?

Hon SIMON O'BRIEN: I acknowledge the interjection. Mr Deputy President (Hon Col Holt), as you know, often governments tend to say that with a certain budget they have the biggest capital works program ever delivered in the state. In the case of our government indeed that is true, but in fairness it has been upwardly trending since the year dot. Similarly, the member would also know that receipts of revenue inevitably trend upwards as years go by. It is offset, of course, by the inexorable upward trend in corresponding expenditure. But all of those things are matters for other days, and I am sure they will be taken out, dusted off and debated publicly when the election comes up in the new year. For now, I am glad to see that the measures contained in these two bills are, by and large, welcomed. I acknowledge with respect that some members, if they had had the controls of government, might have delivered a slightly different package—or indeed a radically different package. However, I think it is quite clear from the tone of the second reading debate that all sides see the merits in these measures; therefore, I hope they will be passed forthwith.

Questions put and passed.

Bills read a second time.

Leave granted to proceed forthwith to third reading.

Third Reading

Bills read a third time, on motions by **Hon Simon O'Brien (Minister for Finance)**, and passed.