

PAY-ROLL TAX AMENDMENT (DEBT AND DEFICIT REMEDIATION) BILL 2017
PAY-ROLL TAX ASSESSMENT AMENDMENT (DEBT AND DEFICIT REMEDIATION) BILL 2017

Cognate Debate

Leave granted for the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 and the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017 to be considered cognately, and for the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 to be the principal bill.

Second Reading — Cognate Debate

Resumed from 7 November.

HON SIMON O'BRIEN (South Metropolitan) [9.32 pm]: The Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 and the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017 we are contemplating cognately are the machinery necessary to implement changes to payroll tax arrangements announced in the government's recent budget. Although these bills are at first glance daunting documents to contemplate, particularly if members have not had much to do with payroll tax in the past, the impact of them is relatively simple, even though the wording and the construction of the amended provisions may seem quite mind-boggling and confusing at first glance. Basically, the proposed changes will introduce measures to gather further revenue for the state over the period 2018–19 to 2020–21, raising an estimated \$435 million in excess of what was previously forecast.

The explanatory memoranda to the bills are self-explanatory, and the opposition notes all that. What I want to do in my brief contribution this evening is offer further comments about the nature of payroll tax for members to contemplate. Payroll tax was introduced into this state in 1971. It was a creation of the commonwealth 30 years before that. When the responsibility was passed to the states, the rate was 2.5 per cent and the exemption threshold was \$20 800. We have certainly seen how times have changed.

I think payroll tax is misunderstood and abused in political circles. I want to spend just a few minutes discussing that and asking members to contemplate how we treat and view payroll tax in the political sphere. Across the state budget are a number of sources of revenue of all sorts, some of which are purely matters of taxation while others are fees for services and so on. The state claims for itself a number of major sources of income—royalties come to mind—plus, of course, a number are administered by the commonwealth, but I am not going to go there. There are any number of minor taxes but generally the state has three significant tax revenue sources to draw from at its own discretion. It is a very narrow tax base and the options are strictly limited. Those three major revenue sources are often referred to in the public sector as the three ugly sisters. They are land tax, stamp duty and payroll tax. Land tax and stamp duty have their pros and cons. Apart from the advantages of providing revenue sources for government to do what it needs to do, it is more con than pro because it distorts markets and impacts—I think, unfairly—on various discrete industry or market sectors. Changes in those areas can have a significant impact on retiree investors, for example, that are not shared by the rest of the community. Indeed, I think the Liberal Party paid a very heavy price for some of the initiatives it took on land tax a few years ago. We will probably get to make our peace with people who perhaps have been former supporters. That is another debate for another occasion; this is about payroll tax.

Payroll tax is generally viewed in the political sphere as a political football to be argued about. There are strict rules. I know Hon Martin Pritchard wants to know about this, so I will briefly mention them. I have seen them from different perspectives. When in government, payroll tax is a vehicle by which the government can either regretfully raise some further revenue by minor adjustment, or give relief to thousands of good family businesses who employ Western Australians. When in opposition, payroll tax is a tax on jobs and therefore it is terrible! The truth is rather different. I offer that observation because from the point of view of the Minister for Environment, I am the most inconvenient thing to have in the house at this time: a member who knows a little bit about the subject up for debate, or thinks he does. I do not know whether anyone else here has been responsible for the Office of State Revenue as a minister, but I have, so, unfortunately, I do know a bit about payroll tax and, more to the point, I have contemplated it. Who knows, minister? Will I be his nightmare in the course of this debate or will I be a dream come true? Hopefully, I will be the latter, because it is my party's position that it will not be opposing the measures that are contained in the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 and the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017, which are enunciated in the documents that have been provided. I am also aware of the realities of time, so I will not spend excessive time rehashing the proposed changes. I will honour my pledge to Hon Martin Pritchard and make a few brief observations, before I conclude in a few minutes, about the nature of payroll tax.

When my friend opposite becomes Minister for Finance in the next six months or so, when whoever is doing it at the moment falls over, he will find, particularly if he is also Minister for Commerce and Industrial Relations; Small Business at the same time, that he will receive representations from people saying that payroll tax is to be

done away with because, “It’s a tax on jobs, don’t you know!” The McGowan Labor government, as it calls itself, is all for jobs, so there cannot be a tax on jobs. When the minister goes around and holds forums with small and medium-sized businesses and asks them how it is going and how the government can get off their backs, before they start telling him about red tape, they will tell him that payroll tax is, “A tax on jobs and it’s holding us all back.” The minister might want to ask them, “If we lower the payroll tax rate by half a cent, how many people are you going to employ?” They will tell him none. If the minister says he is going to raise it by half a cent, which is a lot in the scheme of things, and asks them how many people they are going to lay off, the answer will be none. That is the reality of it. It is actually a tax directly related to a payroll, and in a sense—I am quoting the former Commissioner of State Revenue, Bill Sullivan—it is probably actually one of the most equitable forms of taxes there is, if we have to have taxes. In contemplating the sorts of impositions on employing someone, payroll tax generally does not figure prominently in the list of considerations. There are all sorts of costs—compulsory superannuation, workers’ compensation insurance, and the administrative burden. Probably 15 per cent of the cost of employing additional employees is other administrative costs making up the payroll, such as arranging for them to have uniforms and somewhere to sit or work and all the rest of it.

Interestingly, the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017 and the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 do not necessarily seek to appeal to those small to medium businesses. They will actually go after what is called the “big end of town” to raise \$400 million. They will target employers with massive payrolls and will raise some very significant funds from them. I do not have all the time I might like, but I will come directly to the point. The point is this: if a business or employer is about to be hit for millions in payroll—it is not the tuppenny–ha’penny stuff that would have applied in that small business forum that the minister might have attended—or perhaps tens of millions, the employer will have a response to that and the response might well be to prune its workforce. That is something that members perhaps need to consider when thinking about payroll tax; the rhetoric is often quite different from the reality.

Nonetheless, the government made its decisions, the budget was passed, and we will examine this measure a little more when a supplementary notice paper is contemplated. But for now I conclude my remarks on these two bills by indicating that the government will not oppose the passage of this legislation—the opposition will not be and I hope the government will not either! Her Majesty’s loyal opposition will not actively oppose these measures. I am sure the government acknowledges it is always regrettable to have to put taxes up, and we recognise that as well. I also indicate that we will not be pushing to run the government from opposition by moving various amendments. We will get to that in due course, and I conclude my second reading remarks at that point.

Debate adjourned, on motion by **Hon Martin Pritchard**.

The PRESIDENT: Are there any members’ statements tonight? Hon Ken Baston. Hon Ken Baston!