

**Extract from Hansard**

[COUNCIL — Wednesday, 12 September 2018]

p5621c-5634a

Hon Dr Steve Thomas; Hon Colin Holt; Hon Simon O'Brien; Hon Diane Evers; Hon Aaron Stonehouse; Hon Darren West; Hon Peter Collier; Acting President; Hon Martin Aldridge; Hon Robin Scott

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**PAYROLL TAX**

*Motion*

Resumed from 29 August on the following motion moved by Hon Robin Scott —

That as an incentive for Western Australians to expand and operate businesses in the productive remote areas of Western Australia, this house calls upon the government of Western Australia to —

- (a) halve payroll taxes from 5.5 per cent to 2.75 per cent for businesses with fewer than 100 employees operating in zone B as defined by the Australian Taxation Office in the Australian zone list for Western Australia; and
- (b) eliminate payroll tax for businesses with fewer than 100 employees operating in zone A as defined by the Australian Taxation Office in the Australian zone list for Western Australia.

**HON DR STEVE THOMAS (South West)** [1.15 pm]: I have a short time available to mostly recap where we got to, unless members would like me to start over!

Several members interjected.

**Hon Dr STEVE THOMAS:** Perhaps not!

This is an excellent motion. Members might remember that the purpose of this motion is to, effectively, stimulate the economy of particularly those remoter regions of Western Australia by seeking a reduction in payroll tax for the regions that are listed for reductions to personal tax through zone rebates by the commonwealth government. Given that the intent of the member's motion is to stimulate business and the economy in his regions, he is to be commended. It is great to see somebody thinking outside the box about how we might provide a stimulus for business and the economy. I am particularly pleased that Hon Robin Scott focused on stimulating business, rather than simply handouts; I think that is absolutely critical, and something we lose track of in Western Australia. We have become very used to people coming cap in hand for grants and handouts. So I commend Hon Robin Scott for his motion and his attempt to actually stimulate business, provide employment and make sure that those communities can build a future by building their own economies and growing off that. Unfortunately, that is a little tricky, and the Liberal Party will not be able to see its way to support this motion, largely for the reasons I outlined last time, but it is very hard for any party that covers the entire state to pick winners and losers in giving rebates.

During my last address, I gave the list of places to which zone rebates apply. That list is available on the commonwealth government's Australian Taxation Office website, and members can look at that to see where they apply. Of course, I have a difficulty at a personal level with a proposal that gives a payroll tax advantage to a company in one area, but does not apply it to the south west, for example. I am sure that other members have a similar problem. I will go a fraction further with that in the little time available.

From a cursory look at where the boundaries might sit, for example—the honourable member may correct me if I have made a mistake in my research—it appears, using the zone rebate proposal, that a business in Southern Cross would get a payroll tax advantage and a business down the road in Merredin would miss out. It appears to me, for example, that a business in Ravensthorpe on the south coast would get a payroll tax advantage and a business in Jerramungup, which is sort of the next town along the strip, would miss out. Ultimately, that is the problem I have with the proposal before the house. As bold and well meant an initiative as it is, in my view the problem remains that it is very difficult for any government or Parliament to pick winners and losers based on a particular geographical area. Historically, I do not think government has done that very well. I remain of the view that we need to reduce payroll tax for everybody, to stimulate business, to have the government live within the means of its expenditure so it has the capacity to provide payroll tax relief, to have government remove itself as an impediment to business growth and development, to make sure it provides the best opportunities for business by minimising the impost of applying for various licences and registration, to make the approvals process as streamlined as it could possibly be, and to remove all those tripping and blocking points that almost every business comes across all the time. That would be a really, really good investment for any government to take on. As I said last time, I have been around long enough to see red-tape reduction programs. To my mind, they have traditionally been a furphy, because no-one was using the bits of legislation that were removed anyway. A genuine attempt to remove the roadblocks and the imposts on business is where I think the focus should be.

The zone rebates apply largely in the Mining and Pastoral Region, and I see some good signs there. I think the mining industry is showing some good signs. The gold industry, with the exploration we see in that area, is great, and the iron ore industry continues to do well. I see a bit of a boom in oil and gas. I am a bit cautious, because I mentioned in my 2008 budget speech as shadow Treasurer that I thought oil and gas would boom a bit more, and that was the part I got a bit wrong. I think there are some good signs there that it is going to do exactly that. I think those regions are going to see significant economic development over the next 10 years, but not the boom we had

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previously. It should not be the boom; the boom is problematic. We need to aim at long-term, sustainable, systemic growth, with two per cent, three per cent or four per cent growth per annum in those regions' economies. Government has to get out of the way and allow that to happen. This is a great motion, but unfortunately I cannot support it.

**HON COLIN HOLT (South West)** [1.22 pm]: I will just make some quick remarks on this motion. I thank Hon Robin Scott for moving it. I think there is broad agreement, at least within the Nationals WA, that payroll tax is in many ways an anti-development tax. We really want to see our businesses grow, especially our small businesses, and to be able to make decisions about future employment and expanding it. There is no doubt that when those companies start to hit some of those payroll tax thresholds, there is a disincentive to employ more people and pay them a bigger wage, because it all adds up to reaching the threshold and paying some of that money back in tax. The Nationals broadly recognise that. We took a policy of raising the payroll tax threshold to the last election in recognition of that fact and to say that we need to stimulate the economy and employment, especially in the small to medium business sector. We need to provide incentives by raising the threshold so they can employ more people and drive the economy. In that policy discussion, we realised that we needed to find a revenue source to pay for it. We suggested that to pay for that, we increased the special lease rental as well as a variety of other mechanisms, including paying down some of the debt. That was in recognition of the fact that when responsible policies such as that one are implemented, we have to find a way to substitute for the lost revenue to government. We are in opposition and Hon Robin Scott is on the crossbench, and that is probably one of the gaps in this motion. Hon Robin Scott is suggesting that the threshold be raised, but if that happens, the government will lose out on some revenue, and how do we pay for it? It is not Hon Robin Scott's responsibility to come up with that plan. That is what governments have to tussle with and balance every time there is a debate about incentivising and investing in the community and how to pay for it. That is the beauty of being on the crossbench: we can come up with ideas, but how they are paid for is someone else's problem. That is not too bad; we can do that from this side of the house and we do it a great deal. When the Nationals were in government, leading up to the last election we had a policy of raising thresholds across the board to encourage that stimulation.

The motivation behind this motion is to improve employment opportunities in regional areas, in this instance remote areas and special tax zones, because there is a recognition that we need to drive employment. Employment is a key factor in any regional development outcome; there has to be employment. Obviously, I would put access to education, good health care and housing into that mix too. When we last sat, there was debate in non-government business about that sort of investment, and I think we were talking about roads. Hon Colin Tincknell might have moved a motion on that. The debate was about transport, and I think I raised the point before that there has to be broader investment to make sure that people and businesses establish themselves and their workforces in Western Australia. Although this motion is fairly narrow in focus and only refers to a payroll tax incentive, it is important to keep those other things in mind, because this is not the only solution that would drive regional development in the sense put in the motion.

I commend Hon Robin Scott for moving this motion. We would expect him to move it as a representative of the Mining and Pastoral Region. He is representing his region and trying to drive outcomes and develop opportunities for the people who live there. On the other side of that, because the motion has such a narrow focus, it means that people like me and Hon Dr Steve Thomas, who represent the South West Region, find it much harder, as Hon Dr Steve Thomas also indicated, to support a motion that will disadvantage or disincentivise investment in the south west of the state. That is the nature of representative politics and policy making, and that is the nature of this place. We need to keep the people we represent in mind and the reasons we represent them. Although I commend Hon Robin Scott for moving this motion, I will not be able to support it for the simple fact that it potentially disincentivises investment and development in the south west and incentivises it in the Mining and Pastoral Region. I have lived in that region too, and this type of investment would be good. We need to expand it and incentivise payroll tax across the board. Something like the Nationals' policy would have been something to adopt. When the government brought payroll tax legislation to this house, we moved an amendment to increase the threshold to \$1 million, if my mind serves me right, for which we got various levels of support in the chamber. On that occasion Hon Robin Scott supported it, because he realised that payroll tax is one of those insidious anti-development taxes that we have somehow found ourselves relying on so heavily. We find ourselves really tied to it and it is hard to change our outlook on it. I note that some other states are looking at it really seriously. There has been a change somewhere just recently, I think in Victoria.

**Hon Rick Mazza:** Tasmania.

**Hon COLIN HOLT:** Yes; is it Tasmania? One of the states over there has really made some sweeping changes. They can, of course, because they have a revenue source called the GST, which helps them out on a massive scale. That is the challenge we have as a government: how do we replace the lost opportunity of government funding in this space? With those few words, I am afraid I cannot support this motion as it stands. If Hon Robin Scott moves

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another motion referring to raising payroll tax thresholds in the whole of regional Western Australia, including the south west, I am sure my support would change depending on how it was worded.

**HON SIMON O'BRIEN (South Metropolitan)** [1.29 pm]: We have already heard that Liberal members will not support this motion, with apology. Regardless of that, I will not support it, without apology. I want to address a few remarks to the mover in a constructive way. I think the sentiments and the motivation behind this motion are admirable and supportable. I take the opportunity, if it is not too bold to do so, to congratulate the honourable member on the way he goes about representing the interests of his region and those who reside and work within it. I certainly congratulate him on that and the motivation behind this motion. What I do say with the greatest respect is that I think, on this occasion, payroll tax is the wrong target. As Hon Dr Steve Thomas said, there are probably better ways of delivering the outcome that the member wants to achieve. So it is in that constructive sense that I offer these remarks now.

Everyone knows that payroll tax is bad, do we not? Yes, we all know that. We all know that payroll tax has to be got rid of or tinkered with or the threshold varied and so on. Why? I would not invite unruly interjection, but I could almost summon up a chorus of "because it is a tax on jobs". Rubbish! It is not, and I will demonstrate to members why. Payroll tax, like any tax, is something that no-one wants to pay and it has the effects that flow from that. That is not the only evil. Not only is it something that people do not want to pay and it affects their bottom line and profitability, but also it is what we have traditionally called in Western Australia one of the three ugly sisters. I am referring to stamp duty, land tax and payroll tax. If they were so bad, we would have contrived a way to get rid of them if we possibly could. But the fact of the matter is that the vertical fiscal imbalance in this nation means that the sources of actual revenue for the state government, quite apart from fees for service and cost-recovery mechanisms, are very restricted and are basically restricted to those that I have outlined. High Court challenges have been upheld in the past when governments have sought to impose levies or duties that in fact were excise and, of course, they were found to be unconstitutional. The capacity to levy income tax was temporarily referred to the commonwealth in 1942 to fight World War II. The feds have turned a blind eye ever since to the fact that World War II finished in 1945. Even if we allow for some transition after 1945, it is well and truly over. I am starting to get the idea that the feds are not going to give us back that power any time soon. I am sorry to be negative, but I think that is about where we are at. We have a vertical fiscal imbalance. Even when we managed to find a growth tax for the states commensurate with the size of their economies, as taxes need to be, in the form of the GST, somehow that was mucked up as well because of the damn centralists and socialists in Canberra and people mucking around with what should have been an enduring benefit for all the states.

**Hon Stephen Dawson:** Didn't the Liberal government sign up to that?

**Hon SIMON O'BRIEN:** No. What happened is the Labor Party and others wanted to pay politics about that. I was intending to be brief, but if the honourable member interjecting wants me to explain a bit more, I will take a bit more time to do that.

Let us come back to payroll tax. State governments of whatever colour have to rely on these forms of revenue, including payroll tax, to fund their operations; and, if there is some other avenue of recourse that anyone can suggest, successive Treasurers would love to hear about it. Unfortunately, we are stuck with, amongst other things, payroll tax. If we did away with payroll tax at this time, we would soon discover that the budget would be in a very unsustainable position.

**Hon Colin Tincknell:** If we stopped spending so much we wouldn't need so much tax.

**Hon SIMON O'BRIEN:** Indeed.

Getting back to payroll tax, I want to make the following observations, and I am trying to be helpful in doing this. I have had ministerial responsibility for the Office of State Revenue. I have been in opposition and I have been in government. I have been involved in debates about taxes on jobs in relation to payroll tax and so on. As Minister for Small Business, I did forums here, there and everywhere with small businesses and we sat down and had round tables and found out what things were occurring that government had control of that were stopping them from expanding and thriving—the sorts of forums that need to be held with any sector for which a minister has responsibility. We got a lot of useful feedback from those forums. Red tape is a generic term, but that is a subject for another day that I have strong views on that are not orthodox views. Dispute resolution and recovery of costs and debts is another one, and that is one reason I brought in the office of the Small Business Commissioner to go with a dispute resolution service that is basically available to small business. That has been a very welcome addition to the small business landscape in Western Australia. I mention that as an aside to my good friend Hon Robin Scott, because I did hold out the view in my opening remarks that there are better ways that we might be able to achieve what we are about. I cite that as one thing that has been done that has delivered benefits and continues to deliver benefits that is not involved with taxation.

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Payroll tax has been presented to me—it may sound like heresy—by the Commissioner of State Revenue as about the purest form of tax there is. I almost choked on what we have been brought up to believe here in the shallow pool of public politics—that it is somehow the most evil form of tax we can have. In fact, I do not believe it is the most evil form of tax that we have. Again, that could lead us on to other matters. In terms of payroll tax, let us deal with a couple of these suggestions that we have heard repeated. Is payroll tax a tax on jobs? That is the orthodoxy: it is a tax on jobs. I put it to members that we perhaps need to change the definition a little. It is, in fact, a tax on payroll, not necessarily a tax on jobs. My experience in talking with small businesses, medium-sized businesses and large businesses in the forums that I mentioned earlier, in other forums and in one-on-ones—a whole range of experiences—is that if the idea of cutting payroll tax, eliminating payroll tax or raising the threshold comes up, that is all seen as a step in the right direction, because it is a tax on jobs and we want to have more jobs. Then go and ask those small businesses that if the rate of payroll tax were to change from 5.5 per cent to five per cent, which would result in the loss of a very large sum of money to the state's coffers, how many more people would they employ. Do members know what the answer will be if they get an answer? It will be zero. When that question is asked, we get a whole lot of glancing down at the ground, because the truth is that payroll tax does not stop people from hiring people. Sure, labour costs in toto will stop businesses from taking on people, but what is involved in labour costs? Straight up, of course, there are wages and salaries, which is a big expense. That is then compounded by on-costs on top of that—that is, providing annual and other forms of leave, and providing uniforms, staff amenities and places in business premises to accommodate staff. I am talking about not only offices and desks, but also the other things that are needed, whether it is uniforms, safety equipment and all that. They are all legitimate expenses and I am not suggesting that they should not be paid, but where else does it go? What else is debated even within this chamber that impacts directly in dollar terms on the cost of every person employed? It is workers' compensation insurance premiums. They are a significant cost for any business. Does anyone say, "No, you can't do that because it's a tax on jobs"? Of course not. For every employee, superannuation has to be paid; that is considerably more than payroll tax. Is anyone saying that superannuation should not be a standard cost for employing anyone? Of course not, but it starts to put payroll tax into perspective. If the rate of payroll tax is changed by tinkering with the percentage, that will cost the state a colossal amount, and I do not believe businesses will employ anybody else.

Look at it from another point of view. Someone who needs to employ an extra person in their business to do a specific job and they have added up the sums—the extra business that they can generate from employing an extra person or persons—will contemplate all the costs I have just enumerated and more. Yes, payroll tax will be there somewhere in the mix, but it is not going to be the make-or-break factor about whether another employee is taken on. Let me make it quite clear: I have never known a small business that has not taken on someone they need because of payroll tax, nor have they let anybody go because of payroll tax. If someone is trying to tell us so, apply the real test and examine it closely. We will find it to be a different case. But that is enough on that matter; I think I have made my point. Some may want to argue with it, but it is a strong argument.

Please do not think I am trying to be weaselly; they are the words of successive Commissioners of State Revenue who have views on these matters. They have been very objective in their views as they have set about implementing the legislation that has been passed in this place. Payroll tax is directly proportionate to the size of a business, because it is an ad valorem rate on payroll with certain exemptions, and a threshold, of course. Those who hate payroll tax might be thinking, "Hang on, you are really trying to gild the lily", but when payroll tax is compared with other forms of taxation, it is, in the purest of senses, equitable and easily administered. However, there is one aspect of payroll tax that causes considerable problems for small or medium-sized businesses in particular, and that relates to the threshold. Members will have noticed that all successive governments and oppositions have wanted to tinker with the rate of payroll tax, and I have already discussed that. If the rate were to change from 5.5 per cent to six per cent, or down to five per cent, there would be a massive change in the state's bottom line. Similarly, sums are often done to raise the threshold for payroll tax so that thousands of small businesses will be exempted. Thousands of businesses would benefit from that, but the losses that would be offset to the state could be applied to businesses at the top by giving them a higher rate to pay, because that would be only the big guys like Woolies, Coles and other major employees, and, heck, they can afford it! That would fail on two grounds. Firstly, the main problem for payroll tax with small to medium-sized businesses—because, let us face it, all small businesses want to become medium businesses—is whether they have to pay payroll tax. That is the point. It is not the quantum. What would happen to a business if it went over the payroll threshold by, let us say, \$50 000, and sales tax is applied at, say, 5.5 per cent? Members can do the calculations. It starts off as a very small impost. That is why I say in those terms that it is not a decider between whether a business employs or un-employs somebody. The big difference is when a business becomes part of the payroll tax regime, because then a business has to be registered with the Office of State Revenue and returns have to be put in monthly, or something like that, then there is the administrative burden. Ironically, businesses find that they have to take on another person as an administrator because of the extra burden of that tax and the regime that goes with that, and the reporting

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requirements and so on, once they have been lifted over the threshold. It means that they have a whole new burden of administration that they did not have before. Then there are the groups—there are thousands of them—that are at about the threshold level. A government might one day decide that it is going to boost small business by raising the threshold. A whole lot of businesses would suddenly go below the threshold and that would leave their administration costs suspended, because they would want to expand anyway and by the time they employ another person it would take them over the threshold again. Conversely, a government that found itself in difficult times might agree that everyone has to put their shoulder to the wheel and decide to lower the threshold, even though a whole lot of businesses—thousands of them—would then be paying payroll tax. Heck, an increase to 5.5 per cent might be only a few hundred or few thousand dollars per annum, but the administrative burden of being in or out of the system remains the problem.

I will move now to the motion and the proposal to halve payroll tax for certain businesses from 5.5 per cent to 2.75 per cent for businesses with fewer than 100 employees operating in zone B. One thing that we can do wrong with payroll tax is introduce multiple levels at which it is charged. That does not do anyone a favour, from state Treasury right through to the employee. It is a fairly marginal thing, but it is difficult to administer. Again, I am not trying to dismiss the member's intent; I am just trying to highlight some of the practical problems that will arise. Firstly, a reduction from 5.5 per cent to 2.75 per cent is an arbitrary figure. Any government that is seriously looking at doing this would work out the actual costs and so on. However, I would be pulling figures out of the air, although there will be costs and they will be in the millions. Administration would get difficult when an Office of State Revenue, as we have in this state, had to administer that in good faith, without fear or favour. What problems could arise? Are we going to see businesses with 101 employees, operating in zone B, suddenly shed two employees to reduce their payroll tax burden? I do not know. Are we going to see some creative accounting from some of those firms? I bet we would. All of that would complicate the job of collecting a fairly straightforward and easily understood tax, and ironically we would end up paying more to employ more officers at the Office of State Revenue to police it and to audit what is paid. There are some real practical difficulties.

Part (b) of Hon Robin Scott's motion is about eliminating payroll tax entirely for certain classes of businesses in certain remote areas. Without going into any detailed view on that, it would actually have a greater prospect of success than halving the rate, as proposed in part (a) of the motion; that is my view, anyway.

To move on to a more positive footing, I would like to echo some of the matters raised by Hon Dr Steve Thomas in his contribution. There are plenty of other ways for incentives to be given to small businesses to operate in remote areas. Some of them have been mentioned here before, but, again, it is about reducing the administrative burden on businesses and letting them get on with the parts of their businesses that actually create product, generate revenue, generate throughputs and get people doing productive things—people on the tools and people operating the equipment, whatever the business or industry might be. That is how we generate prosperity in small businesses and it means that, in turn, they can employ more people, as necessary, in their own growing administrations, hopefully not to be mucked around by what is often referred to as “red tape”.

I will draw my remarks to a close at that point. I think I have succeeded in putting forward my views, but I really wanted to succeed in putting forward the following things. Firstly, I offer a vote of congratulations to the mover of the motion for the dogged way he goes about promoting the interests of his region and his tireless efforts in promoting business and employment in his region. I mean that most sincerely. I also wanted to share with members some of my own observations about the relative merits of payroll tax and to perhaps dismiss some of the things that I, too, have in the past accepted as absolutes. When we examine this issue, the reality is actually a bit different from what we all lead ourselves to believe, but enough on that. Penultimately, I wanted to encourage all members—particularly those in government—to identify other ways of reducing the burdens on small businesses, specifically burdens of pointless regulation. I could give members examples of successfully getting rid of certain elements of red tape, but maybe that is something for another day. Finally, in debating whether payroll tax is or is not a desirable thing in the current climate, I wanted to urge Hon Aaron Stonehouse to debate the issue with me. I know he is probably just busting to, so if he has not already made a contribution, he probably will. Whatever, it is important that we in this place have this sort of dialogue. I hope it improves our collective understanding and is a vehicle to help us focus on what is really important.

I congratulate Hon Robin Scott for moving this motion for debate, and I will conclude my remarks at that point.

**HON DIANE EVERS (South West)** [1.54 pm]: First, I would like to reiterate that the Greens' policy is to reduce or remove regressive taxes such as payroll tax and stamp duty in favour of progressive taxes such as income tax, land tax and corporate taxes, when the percentage of income decreases as wealth decreases. As I said, we believe it would be useful to end up without payroll tax, but getting rid of it in a piecemeal fashion is not the way to do it. We need a complete review of payroll tax and to determine the necessary methods for raising revenue for the state. All of us in this place are, from time to time, asking for more services or more infrastructure, and we cannot have those if we do not have any revenue.

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It is interesting to note that a decrease in state revenue has been suggested by Hon Robin Scott, who also spoke quite enthusiastically against the increase in the gold royalty. Both decreases would greatly benefit his constituents in the Mining and Pastoral Region, but they would also be detrimental to the state and its ability to provide the services the member requests. I also represent a regional area, and in the regions we are always looking for hospitals, roads, the MRI machine that the honourable member was looking for, and aged-care facilities. These have all been mentioned, but to put them in place we need some funding.

I am getting the hang of this idea of government and opposition. The government wants to raise revenue and the opposition does not. The opposition wants to spend it, and the government makes cuts. It is an interesting situation to be in, but I feel we can do better. I feel we could use our collective knowledge—there are a lot of clever people in this house—to maybe work out what revenue we are prepared to raise and what services we know we must deliver, and work forward to that point.

I think Hon Dr Steve Thomas mentioned that this would make so much more sense than handouts. I remind members that when we give handouts to people in need, the money is spent in the community and goes around several times. The multiplier effect is shown to work very much in favour of getting money into the hands of the people who need it, but that is not what we are discussing here. We are looking at a decrease in payroll tax. We may refer to small businesses as those with fewer than 100 employees, but for 100 employees we are looking at probably a minimum payroll of \$10 million, and very likely at least a turnover of \$20 million, and that is not small in the eyes of most people. We are talking about giving these small businesses some tax relief, which they may choose to use by employing more people; by investing in their community; by investing in imported equipment from overseas, which basically sends the money overseas; or they may just decide to keep it amongst the owners and invest it wherever they choose, which could also very likely be overseas. Again, that would not help our community.

There is another way of helping these communities directly, and that is investment by the government in the services and infrastructure items that members of Parliament request. If we invest money in these regional areas, the money stays in those communities. Local suppliers will employ people directly in their local communities to deliver services that are very, very much needed in the regional areas, and bring them up to a level of equity with service provision in the metro area. That is another way we can get this money into the regions on a more equitable basis, rather than giving it to businesses with turnovers of more than \$20 million. I recognise that we need to provide incentives for businesses to establish in the areas indicated in this motion, but one would think that the vast amount of minerals and the associated industry might be sufficient incentive in the regional areas. We have a lot of mining in WA. As the member may recall, I have spoken at length in the past regarding Western Australian resources—the resources of everyone in this state—which are being extracted and exported with great profits to the international corporations that own them. If we want to discuss how we will pay for those services and infrastructure—those roads, hospitals, people and support we want for regional areas—I think we must look back to the mining industry. We have mentioned the gold royalty. Gee! It is excellent that they found a whole lot more gold recently.

**Hon Jacqui Boydell** interjected.

**Hon DIANE EVERS:** Absolutely. Because those owners will get a handsome profit for our gold—the gold that belongs to everyone in Western Australia.

**Hon Jacqui Boydell** interjected.

**Hon DIANE EVERS:** I agree. We need to look at every mining agreement we enter into. There is a lot we cannot do about the agreements established by previous governments. From this point forward, we need to at least agree that whenever we can increase that royalty that we would like to get for our assets being extracted such as for gold, we should be looking at the options available to us. As a state that is about to enter into another boom, another time in our history when we will find lots of money coming in and lots of ore going out, we should find out how we can hang on to some of the value in those mineral resources.

Just one other thing before I finish. As I said before, we should realise that as a boom and bust state, there will be a time ahead of this boom—it could be 10 years from now; who knows—when we should make sure we have held on to some of the royalties that, hopefully, we have increased over that time in some way so that when we come to the next down time, we do not end up the way we did during the last two years with significant falling prices on assets, but go through that time and not be struggling as we are now trying to manage the debt that built up over the past boom.

The Greens will not support this motion. We would strongly support some sort of collaboration among the 36 members in here to work out what we do agree on so that we can address where we will raise our revenue and how it will be spent rather than fighting all the time about the issue.

**HON AARON STONEHOUSE (South Metropolitan)** [2.02 pm]: I was not going to speak on this motion but I felt somehow encouraged to add a couple of points very briefly. I support the motion moved by Hon Robin Scott,

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although I admit that it is perhaps not perfect; some of the numbers in the motion seem a little arbitrary. It reminds me of the special economic zones that other countries have employed with some success, for example, the Iskandar development region in Singapore, established in 2006. In a period of less than six years, more than 3 500 Singaporean businesses have been created in that region. Over 70 per cent of businesses established have been small and medium-sized enterprises. It has certainly worked for Singapore. In China, Shenzhen city was established in 1979. Since its establishment, Shenzhen has gone from a relatively small fishing village to a thriving metropolis. It has been China's fastest growing city for nearly three decades. Between 2001 and 2005, its economy grew by an average of 16.3 per cent annually. These are special economic zones; they are not simply recipients of tax cuts or tax incentives. There is more to it than that. There is obviously a large amount of government investment in infrastructure. Probably more important is the huge cuts to red tape in those regions, combined with the tax cuts, to create an environment conducive to business growth. I think that is something we could learn from. Anyone wanting to invest in Australia, in WA in particular, is looking at the highest payroll tax in the country with one of the lowest thresholds. It is also facing duplication of red and green tape from state and federal government. I would like to see us attracting foreign and domestic investment from other jurisdictions in Australia by creating the right economic environment for businesses to thrive. I think the regions and the whole state generally would certainly benefit from that. Some proposals have been on the table to create a free trade or special economic zone for the shipbuilding facilities at Henderson.

**Hon Alannah MacTiernan:** Have you thought about the impact this would have on the GST if we don't charge payroll tax? You can't just walk away from the tax.

**Hon AARON STONEHOUSE:** That is a good point. I have not done the maths in my head yet, but the minister raises a good point about the GST. However, part of the reason we have such a low GST allocation is that our other sources of revenue are so high. Payroll tax and our royalties are very high.

**Hon Alannah MacTiernan:** It is averaged out with what other states are actually charging.

**Hon AARON STONEHOUSE:** There is a four-year delay.

**Hon Alannah MacTiernan:** No; I am just saying, read them within any one year.

**Hon AARON STONEHOUSE:** I take the minister's point. I would posit that if we want to address our GST allocation, one of the first things we could do is look at easing back slowly over time on our payroll tax rate. As that decreases along with our stamp duty fees and royalties, over four years, GST will be equalised and our GST receipts will increase. I think this is the point Hon Steve Thomas makes from time to time. I agree. I think a lot of the fulminating over GST is often misplaced.

**Hon Alannah MacTiernan:** That is not how it is calculated.

**Hon AARON STONEHOUSE:** I will not speak for long. I want to address one point that was brought up in the debate; namely, the idea that we have to pay for our tax cuts. Tax cuts will cost us and we will have to find the revenue somewhere else. That may sometimes be the case but I feel that perhaps some members are unfamiliar with the Laffer curve. I do not have a degree in economics but I drew a little doodle of what the Laffer curve looks like. This is only on A4-sized paper. I can have this tabled if appropriate. I labelled the axes. The horizontal axis is the tax rate; the vertical axis is tax revenue. Obviously, if a tax revenue is zero per cent of whatever the tax rate is, we would have zero tax revenue. If the tax rate is 100 per cent, we would also have, presumably, zero tax revenue because no-one would establish a business in a state that has 100 per cent tax.

**Hon Simon O'Brien** interjected.

**Hon AARON STONEHOUSE:** We would have achieved perhaps a socialist utopia if we had a 100 per cent tax rate. Therefore, there is a curve and a sweet spot somewhere in this curve where tax revenue is maximised at the right tax rate. It depends on what models we look at and whose research we follow to determine where we think that rate is. I think in the US some people have posited that the sweet spot where revenue is maximised is about 30 per cent for different corporate tax rates. This may be a simplistic model; obviously, other factors contribute to tax revenue. The point is that if we are on the left side of the curve and we decrease taxes, we may actually increase our tax revenue. In some cases, depending on where we are on this curve, tax cuts will not only pay for themselves, but will also increase state revenue. In fact, Arthur Laffer was, I think, the chief economic adviser to Ronald Reagan, "the Gipper", that great President of the United States. During his term as President between 1980 and 1988, he brought in one of the largest tax cuts in US history. Over that period, tax revenue increased. While he passed some of the largest tax cuts in US history, between 1980 and 1988, his tax receipts increased from \$517 billion to \$909 billion.

**Hon Alannah MacTiernan:** You're not falling into the post hoc, therefore propter hoc era are you?

**Extract from Hansard**

[COUNCIL — Wednesday, 12 September 2018]

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Hon Dr Steve Thomas; Hon Colin Holt; Hon Simon O'Brien; Hon Diane Evers; Hon Aaron Stonehouse; Hon Darren West; Hon Peter Collier; Acting President; Hon Martin Aldridge; Hon Robin Scott

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**Hon AARON STONEHOUSE:** No, but he did increase government debt over that time because he also increased spending quite drastically and rebuilt the US fleet and whatnot. So long as we do not engage in any massive spending exercises, we will be okay. The point I wanted to make there is: let us not get caught in the trap of thinking our tax cuts have to be paid for somehow. In many cases, they will pay for themselves through the increased business activity that tax cuts, among other things, can create.

That being said, I am more than happy to support this motion, even if not perfect, merely for the principle behind it; that is, with the right economic settings, we can attract business activity and perhaps more population to our regions.

**HON DARREN WEST (Agricultural — Parliamentary Secretary)** [2.09 pm]: I intended to speak on this motion today and I also acknowledge and thank Hon Robin Scott for moving it. I think it is important to have these economic discussions, whether they be at a microeconomic reform level, which was a great term used by Treasurer Keating in the 1980s, or whether we have them on a broader scale. I would prefer that we kept to the broader economic debates. Today we find ourselves discussing payroll tax, which is a very important issue, especially in the regions. Like Hon Robin Scott, I have some experience in running a business in the regions, although my business is not large enough to be above the threshold required to pay payroll tax. I was recently at the Riverside Hotel in Northam having dinner when I bumped into a friend of mine, David Knipe, and his wife, Leonie, who are farmers in the Northam area who also run the Nissan and Toyota dealerships. We had a chat about which is the better business: the farming business or the car business. The answer was that the farming business is better because the car business is suffering as a consequence of payroll tax. They cited that as a legitimate issue and a constraint on their business. We know of course that payroll tax is a regressive tax. It is seen as a disincentive to employ, although I will touch on that a little more later. I concur with Hon Simon O'Brien that there are many other factors as well.

To be successful in business, one simple rule is to spend less than one earns so that there is a profit. That is the whole idea of business. Under the law, corporations are required to act in the best interests of their shareholders to make profits. I think that is really important. Although government is in the business of providing services for which it charges taxpayers to provide, I do not see why governments should always be looking through general economic times that may be different in really good times or really difficult times. But in general economic times, why should the government not always be looking for that little bit of revenue left over either to provide extra services or to store away for when the headwinds blow and times get tough? That is a major criticism I have of the previous government. Through prosperity, it blundered the finances and Western Australia somehow found itself, after the greatest boom ever seen, buried underneath a mountain of debt with massive budget deficits. Whilst there were some worthwhile projects, there was really not a whole lot to show for it at the end of that time.

I think it is time we moved on from that and started having a broader economic debate about how we can perhaps put finances beyond politics. I know that will be difficult in the highly charged political environment that we are in. I think it was the 1970s when the finances were no longer above partisan politics. Looking back through the increases in state and federal debt, we can see that that is about when the rot set in. The blocking of supply that eventually led to the dismissal of the Whitlam government was a significant event. From then on, I think we have been unable to keep the finances out of partisan politics, which is a shame, and I think it is getting worse. From where I sit and the way I look at the Western Australian finances and economics, it seems to me—I know others will have a view on this—that we have an opposition that is hell-bent on preventing the government from fixing the state's finances that it inherited. It seems we have an opposition hell-bent on blocking revenue measures and insisting on a greater spend by government. I really do not understand why that is. The finances should be above opposition and government. As I think Hon Diane Evers just said, perhaps it is time we all got our heads together and worked out how we can get out of the mess we find ourselves in. It is a fact that the Western Australian economy is ranked eighth in Australia. I will get to the point that I just overheard in a moment. Western Australia should always be in the top three. We should spend most of our time as the best economy in Australia. We have resources that the other states can only dream about and envy, fantastic diversity in our industry, a great agricultural sector and a sustainable rock lobster fishery that is the envy of much of the world.

**Hon Simon O'Brien:** Thanks to Hon Norman Moore.

**Hon DARREN WEST:** Indeed; credit where credit is due. Hon Norman Moore had a major say in that, but ultimately that fishery has been reasonably well managed for quite a long time. Hon Norman Moore did a terrific job in helping sustain that. It is fair to say that he perhaps put the business of the state before party politics and kept the economics out of that. That is a good example, Hon Simon O'Brien.

We all agree that payroll tax is a regressive tax. It is a burden on industry, but it is necessary. The point was made earlier that it is a survivor of successive governments, whether they be coalition governments or Labor governments. There is a reason for that—it is because we need the revenue.

**Extract from *Hansard***

[COUNCIL — Wednesday, 12 September 2018]

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I note that Hon Robin Scott makes a good point and tries to incentivise employment and business in the zones that he talked about, which, of course, I too have an issue with, like Hon Dr Steve Thomas, about where that line is because we will end up with winners and losers on each side. The notion behind the motion is sound and reasonable; it is just that the practicalities are not. I was away at the Dowerin field days last Wednesday, enduring one of the coldest days of my life out there, with the wind billowing into the front of the red Labor tent.

**Hon Martin Aldridge:** Is that because there was no-one in there?

**Hon DARREN WEST:** It did not really matter who was in there; it was freezing. We had the tent in the right direction but the wind changed and there we were, caught in the frigid bluster! I missed the contribution but I have read the *Hansard* of last week. I reiterate the comments made by Hon Stephen Dawson and I do not support this motion. However, I welcome all economic debates about how we can better manage the Western Australian government's finances. I welcome those at any time.

I do not think anyone can argue that this government is not serious about repairing the state's finances. We have a Treasurer who is a graduate of the London School of Economics and Political Science and, more importantly, is a graduate of Laverton primary school. We have somebody who understands regional Western Australia and understands economics and finances. I think we have a Treasurer who gets a little frustrated when he sits down and finds a potential revenue source in the gold industry, which retains 97.5 per cent of its gold revenue, and thinks a reduction to 96.25 per cent would be a fair and reasonable amount to retain when the gold price is over \$1 200 an ounce. He was even happy to raise that threshold to \$1 400 an ounce. When the gold sector is making super profits, I believe 96.25 per cent is enough for the profitable gold miners. That is a reasonable concept. That gold belongs to every Western Australian. I think every reasonable thinking Western Australian quite rightfully would say, "I would like that extra revenue to pay for schools, hospitals, roads and police and things that we need."

**Hon Alison Xamon:** And mental health services.

**Hon DARREN WEST:** And mental health services; thank you, honourable member—all of those things that government is providing. I overheard Hon Colin Tincknell say, "Spend less money." I would ask where that would be. Government has responsibilities to provide services to its people. That is why people pay tax. If we were to continue to collect tax but not provide services, I think the public would have a view about that. So we have to strike that economic balance, and it is not easy. I have never been a fan of Pauline Hanson, but whatever happened to the easy tax? Do members remember that we were going to have the easy tax in the late 1990s? Tax is not easy. It never eventuated, because tax is not easy.

I am an employer, and I employ people because I have tasks that need doing. I find suitable people to do those tasks, and I pay and look after them appropriately because they are a very important part of my business. I do not think that whether payroll tax has to be paid is a major consideration. It may be that if a business is approaching the threshold, it would perhaps resist employing a couple of extra people. That may be an instance when payroll tax may result in an employer not taking on an apprentice or worker. I do not pay payroll tax because I do not have a large enough business. But I think for the larger corporations that are well above the threshold, payroll tax does not even enter their consideration if they need to employ more staff to do a task, and ultimately they do to make the businesses more profitable. So I do not agree with the notion that employers are not employing people because of payroll tax; I do not accept that at all. Many of the areas where the member seeks to make this change have some of the lowest unemployment rates.

So we do not support the motion as moved, but I commend the member for moving a motion that allows us to talk about the state's broader finances and economics. I hope we can return to a time when we can put the financial and economic wellbeing of Western Australia and Western Australians above petty party politics, because that is where we are today. So many campaigns are run on decisions made by government—look, no-one is lilywhite on this—for the right interests, being the best economic outcome for the state. I look at the debt of all the states and that of the federal government, not only that of Western Australia, and it continues to rise; they are continuing to book it up. I do not see that as a sustainable way forward. If we do not change this pattern we find ourselves in, our children and grandchildren will have to fix it for us.

**Hon Colin Tincknell** interjected.

**Hon DARREN WEST:** I would be really interested to hear, honourable member—there will be some time left in this debate—which projects this government should not be undertaking of those it is. I do not think that list is very extensive. I think we have been quite good and reasonable financial managers. It is important that somebody steps up to the plate during these tough times to get Western Australia out of the mess we find ourselves in. It is often said that Western Australia deals with adversity particularly well, but it is not great at prosperity. I think the last 15 years exemplifies that.

**Extract from Hansard**

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So let us be a little more broad about the economic debates in this house. Let us all put the state's finances first and foremost, and come up with new and better ways that we can perhaps evolve the tax system so that it is better and fairer for Western Australians.

**Hon Colin Tincknell** interjected.

**Hon DARREN WEST:** We are all united in thinking that the goods and services tax share is a dud for Western Australia and needs to be fixed, and I think we are close with both sides of federal politics to getting a resolution on the GST. We will always suffer when we get either 34 or 47 cents in the dollar for Western Australia. The system is not good. But we rely on other forms of income, and I encourage members opposite to think again about the changes to the gold royalty proposed by the Treasurer, because I think they are fair. I genuinely believe that 96.25 per cent in a very profitable time for goldminers is enough. I do not think anyone can really seriously argue with me on that; however, that change was blocked in this house. I do not believe that was done for good economic reason; I believe it was for purely political reasons.

*Point of Order*

**Hon PETER COLLIER:** The member is reflecting on a decision that has already been made by this house, so I ask him to discontinue that.

**The ACTING PRESIDENT (Hon Adele Farina):** In relation to that point of order, I think the honourable member has expressed a view about the consequences of the decision, in terms of the consequence on the revenue to the state. He has not actually been critical of the decision itself or the way that the house made that decision, so I will rule that there is not a point of order but I remind members of the house that it is against standing orders to reflect adversely on decisions of the house.

*Debate Resumed*

**Hon DARREN WEST:** I take the Leader of the Opposition's point, and I will move on.

I think it is time that we put the state's finances ahead of our party political views and work together. There will be plenty of occasions for the cut and thrust of debate, but I would really like to go back to a time when we all have the state's financial interests first and foremost.

I commend the member for moving this motion; it is important that we talk about it. It is a big issue for businesses in our regional electorates. I know they would be a lot happier if we could somehow reduce or remove payroll tax, but that is not possible in this economic environment. The government does not support the motion, but I appreciate the opportunity to have the debate.

**HON MARTIN ALDRIDGE (Agricultural) [2.26 pm]:** In the time remaining, I rise to make a contribution to the motion before the house. I thank the mover for bringing this motion. Unlike the previous speaker, I do not mind debating issues such as this. I think the house has considered the issue of payroll tax on a number of occasions during motions on notice, and we certainly have while dealing with legislation, private members' business and non-government business. Many speakers in this debate have spoken about the complexity of payroll tax. One of the points made has been the reliance of this state government—I suspect all state governments—on payroll tax as a primary source of state taxation. Looking at this year's budget papers, we can quite clearly see that payroll tax is singularly the largest form of state taxation received by the Department of Finance. Some \$3.454 billion is expected to be raised in the 2018–19 budget year. The next closest receipt is transfer duty, at \$1.330 billion. A significant amount of reliance is placed on payroll tax. Other speakers have noted that that to some significant extent constrains decision-making around how we can reform and, perhaps over a long period of time, potentially even remove it and rely on other sources of taxation.

From the perspective of the Nationals WA, I think we were one of the only, if not the only, parties to take a policy on payroll tax to the last election. I will not dwell on it, but that policy was canvassed during the contribution of Hon Colin Holt today. It was largely focused on lifting the disclosure threshold, which seems to be the way in which government has reformed payroll tax in recent years. I think in the last two terms of Parliament, we went from \$750 000 to \$800 000 and then from \$800 000 to \$850 000, which is the disclosure threshold today.

**Hon Simon O'Brien** interjected.

**Hon MARTIN ALDRIDGE:** It was to lift the disclosure threshold to a level of \$5 million, and as Hon Colin Holt said, it was linked with the new revenue source through an increase in this special lease rental, which obviously did not come to bear.

Looking at the evolution of the motion before us, the form in which it has been moved is its third form. It is the second amendment to the motion that I think reflects the complexity faced when trying to strike a balance in giving effect to such a measure. That is no criticism of the mover of the motion. It is certainly very difficult to do. In a moment,

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I will talk about some of the jurisdictional comparisons that have been addressed to some extent by other members in the debate so far. Unfortunately, like Hon Darren West, I was not here for motions on notice last week because of the Dowerin field days, which is an important event for members representing the Agricultural Region.

As we can see, the motion before us has evolved. Obviously, it has gone from its first two iterations, which were reflective of a broader arrangement that would have applied to all of regional Western Australia, to one that is more focused on the Australian Taxation Office and Australian tax zone listings, with the key measures being zones A and B. I must admit to the house that I am not that familiar with these zones, but from my very brief look at them, it would appear that generally the south west land division is excluded from zones A and B. I am not sure where the other definition of “special areas” would fit in a motion of this type, because it obviously just refers to zones A and B as the primary boundaries, but perhaps the mover, Hon Robin Scott, might consider that in reply to the debate. Obviously, the other major change to the motion has been the tax rate, as well as the number of employees and distances. It has been an evolutionary process for the mover to arrive at the motion currently before the house, which refers to halving the payroll tax rate from 5.5 per cent to 2.75 per cent for businesses with fewer than 100 employees operating in zone B. The second part of the motion refers to eliminating payroll tax for businesses with fewer than 100 employees operating in zone A. That is the motion before the house today. Since the change of government, some amendments have been made to payroll tax legislation in Western Australia, and for a temporary period there was an increase in the tax rate applied to some businesses. I think that too was canvassed in the contribution by Hon Colin Holt earlier today.

Something I want to turn to now is that when I first saw this motion, the first thing that came to my mind was how such a scheme would be administered and whether there were other examples in Australia. I learnt today of what sounds like a recent example in Tasmania, where a holiday from payment of payroll tax seems to be applied for businesses relocating to regional areas in Tasmania. The time I heard quoted was three years, but I am not sure of the accuracy of that, because I have not researched it myself. It will be interesting to see from the Tasmanian example the extent to which that type of policy is successful and whether payroll taxation, or exemption from it, will be a primary factor in businesses potentially relocating from an urban area to a regional one. That will be interesting. Although Tasmania is an interesting place in its own right, it will be interesting to see the uptake of such a policy in that state.

The only other jurisdiction I am aware of that applies a regional incentive is Victoria, and that has certainly been canvassed in the debate so far. In his initial address, the mover of the motion said that the Victorian payroll tax rate was 4.85 per cent, but 3.65 per cent in regional areas, which is 1.2 per cent less than the standard rate. I was interested in how Victoria might administer this scheme and I learnt that indeed its payroll taxation rate is 4.85 per cent, as the mover suggested, but the rate of payroll tax for regional Victorian employers is 2.425 per cent, not the 3.65 per cent quoted. If this motion was to pass and the government was to implement this policy, it would not make us the lowest taxing jurisdiction in Australia, which was one of the statements made by Hon Robin Scott when he moved this motion. The State Revenue Office in Victoria defines a regional business as a business with an Australian business number registered in Victoria paying at least 85 per cent of its payroll to regional employees. That is how it defines an eligible regional business. It is not clear to me from the information I accessed today on the office’s website how it defines “regional”, but I assume it is similar to Western Australia and some type of planning boundary or perhaps a regional development act would provide for those lines on the map.

There has been some suggestion about administrative burden and I think that is on both sides of the fence. Obviously, if complexity is added to a scheme, whether it is a different rate, threshold, different types of businesses or different locations, that complexity affects not only the administrator of the scheme but also those engaged in the scheme. Some consideration would need to be given to the costs, both from a government perspective and a taxpayer’s perspective. That is why I prefer arrangements in which taxpayers are removed from the taxation system by increasing the annual threshold for payment of payroll tax. If taxpayers paying smaller amounts of tax are removed from the taxation system, there is obviously going to be less administrative cost and burden on both the administrators and taxpayers, noting that others have different views about lifting the disclosure threshold. That has been the tool used by government in recent times to alleviate businesses, particularly the smallest of our businesses, from the payment of payroll tax. I wonder why that was not considered for a policy setting, either with the tax rate or as a different option from the tax rate. If we were to consider it to be good policy that regional business should pay less tax—I will get into that in a minute—perhaps the tax rate is not the right mechanism but maybe the disclosure threshold is for those reasons. Some considerable thought would need to be given to that.

I would be interested to hear from the mover of the motion in his reply, if there is time for that, about the consultation that occurred in developing this very specific policy that we will all exercise a vote on shortly. The mover mentioned some consultation done within the electorate, including with the Newman Hotel Motel, Chicken Treat and Topdrill, which appear to be businesses in the Mining and Pastoral Region. It will be interesting to see what consultation has been done outside of those businesses, such as with business lobbies or, indeed,

government. I know that One Nation remains very close with government at the moment and, in particular, the Treasurer. Perhaps the Treasurer has done some modelling for One Nation or One Nation has asked some questions during question time that have not been raised in the debate so far about what the cost impact might be. If the submission made by Hon Aaron Stonehouse is correct, if tax is lowered, revenue will increase. I am not sure that Treasury's modelling would reflect that in the short term, but it would be interesting to know the amount of forgone revenue we would be talking about if such a measure were to be implemented.

**Hon Stephen Dawson:** I did mention that when I gave my reply on behalf of the Treasurer. We weren't able to access that information, so it wasn't an easy exercise to say that it will cost X amount of dollars. It was just too cumbersome a process, so we don't know.

**Hon MARTIN ALDRIDGE:** So the minister is saying that it cannot be modelled.

We have before us a proposal. Like many speakers, I think there is a general sentiment around payroll tax that we can all agree on. The issue that members have with the motion before us is its specificity. A lot of members have talked about the lines on the map—who is in and who is out. It will always be a dilemma for decision-makers and governments in deciding who will receive a benefit and who will not. Having read the contributions made last week and, in particular, the contribution of the mover of the motion, as well as obviously alleviating financial pressure on businesses, one of the main reasons that have been expressed in support of this motion is the opportunity to pursue a decentralisation agenda. I will be interested to see to what extent the Tasmanian model proves successful. I am not sure that the type of measure before us would be terribly effective in driving businesses or individuals to relocate from urban to regional or, in this case, remote environments. The challenge of decentralisation is much more complex and multifaceted. I do not think tax incentives alone will drive that. In the minister's response, he talked about access to services and quality of services as the main contributing factor to somebody choosing their location to live, which I do not disagree with. We have moved on in the regional development space from the tier 1 thinking of how can government subsidise or provide services of an equal standard to those in another place—often our capital cities—to a much more deeper assessment of the drivers that will contribute to regional growth in particular locations. They will change from region to region, city to city and town to town. That is why I think the regional growth planning processes that have been undertaken over the past few years map out a much stronger medium to long-term plan to grow the economies of our regions outside of Perth, including our remote regions, to help place less pressure on the ever-increasing urban environment that is the Perth metropolitan area on the coastal plain.

For those reasons, the sentiment of the mover ought to be respected. The challenge that I and my party have is with the detail that the motion has gone into in finding those exact landing points within a payroll tax policy setting. Without being able to establish answers to the questions that I have raised, and also being unconvinced about the ability of this initiative, if it were adopted by a future government, to drive the decentralisation agenda that has been talked about, we will not be in a position to support the motion, as was outlined by Hon Colin Holt. Nevertheless, debates like this are good for the house to have. Governments should continue to address initiatives around payroll tax when they are able to. Obviously, we have seen a recent measure, which will have a sunset, for increased payroll tax revenue on larger businesses. Certainly, if the house agrees that payroll tax needs significant reform, the way to achieve that is by either finding a significant revenue source to replace it, which I think is very difficult given the \$3.5 billion that is expected to be received this year, or chipping away at it over time. I think the best way to do that is by alleviating the smallest of our businesses from entering the taxation system in the first place. Others will have different views about that. Indeed, there are other ways in which we can drive that small business support or the decentralisation agenda. New South Wales has what I think is called a facilitation grant. Basically, the government in New South Wales works with businesses that are interested in relocating to a regional environment through a range of incentives. That could be through, in some cases, having accessible and suitable industrial land, it could be power and water requirements or it could simply be the costs associated with relocating a small, medium or even a large enterprise from an urban environment to a regional environment. In the short time that I have been in this place, I have had conversations with metropolitan businesses, particularly businesses involved in the transport sector that require a large footprint in the metropolitan area to operate from and are looking at opportunities for regional locations, often in the outer areas of the Perth metropolitan area and the inner areas of the Agricultural Region, and want to work with government to achieve that.

I think there is some merit in continuing to look at payroll tax but certainly not in isolation. As I have stated, many other things ought to be considered and there are many other things that government can do than to simply look at payroll tax. It is unfortunate that we will not be in a position to support the motion before us. If the sentiments had been captured in a different way, I think we could have found a way to support a motion that has expressed the collective view so far from speakers; that is, continuing to work at payroll tax reforms is a good thing for the state of Western Australia.

**Extract from Hansard**

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**HON ROBIN SCOTT (Mining and Pastoral)** [2.48 pm] — in reply: I thank all honourable members for their contributions. I have certainly learnt a lot in the last couple of days. I feel that I am on a sinking ship, but I have a bucket and I am bailing very fast, and I will continue to bail. How many times can we tax the same dollar? I do not have a problem with tax. I understand that profits and capital gains are taxed, just to name a few. The difference is a business makes its profit first and then it is taxed. But with payroll tax, a business is taxed regardless of whether it makes a profit. I know some business owners who take home less pay than their employees take home due to payroll tax. Hon Rick Mazza fully understands the basis of my motion because he has been fined in his business with the soul-destroying payroll tax. The honourable member brought to the house's attention the Tasmanian government's offer for businesses that move to regional Tasmania. They will have a three-year holiday free of payroll tax. If we want people to move to regional Western Australia, we have to make sure that there are jobs for them—not just temporary jobs, but full-time permanent positions. Why would anyone give up their job in the city to move to the bush knowing that their new job is totally dependent on the whim of the state government, whereby an increase in royalties or taxes could extinguish their position overnight?

Hon Stephen Dawson, sadly, could not support my motion. He mentioned Moora and the difficulties two garages had filling two mechanics positions. People will not move to a town with an uncertain future, and Moora had a very shaky future until the federal government intervened and saved the residential college there. The same applies in my electorate where there are plenty of jobs on offer. But, again, no-one wants to move to an area that has an uncertain future and the threat of rising taxes, such as the gold tax. Why would people move house and home only to find that in six or 12 months' time their position has disappeared? The term "green shoots" has been used at every opportunity. Hon Stephen Dawson also used that expression, and I believe that the Treasurer thinks it is time to start nibbling at those shoots. We should wait until the paddock is covered with clover and then talk to the stakeholders about raising taxes. Jumping in too early would be the equivalent of spraying the paddock with Roundup. I think Hon Stephen Dawson threw me a bone when he said —

... we are simply not in a position to reduce payroll taxes at the moment.

And, again, when he said —

... I have no issue with looking at things such as payroll tax exemptions or other opportunities, but, at this stage, we are simply not in a place financially to do that.

I can only hope that the government will revisit payroll tax in the very near future. I do not share the minister's love for the heat. I start to wither when the temperature goes over 25 degrees. Even though I have spent 35 years in the bush, give me blue skies, red dirt and bush at 18 degrees, a barbecue with no flies and only the sounds of the bush, and a light rain shower on the way home to top off a perfect day.

I have always enjoyed listening to Hon Dr Steve Thomas reply to the many motions presented to this chamber over the last 15 months. His responses have always been well-researched and any numerical contributions have always been spot-on. Sadly, I believe he has it wrong this time. There are no winners or losers in this motion, only benefits to regional Western Australia and its employers. I have run my business in regional Western Australia for more than three decades. I have always had to compete with city-based companies and contractors coming into town and picking up work that could have been done by my employees. The royalties for regions that paid for the upgrade of Burt Street in Boulder where my office is located was completed mainly by out-of-town contractors. The reason for that is simple: their quotes were far cheaper. I will explain why they are cheaper. I could employ an electrician in Perth for \$50 an hour; in Kalgoorlie or Meekatharra, I have to pay \$70 an hour. If I were to give an example by making up a simple contract, the scope of works would include supply of labour for 100 hours. That would not include workers' compensation, public liability, and all the other costs of materials and the licences that I have to maintain to operate in different disciplines. The out-of-town contractor, for 100 hours, would quote \$5 000.

**Hon Alannah MacTiernan:** Can I ask you a question there, because we are working on local procurement and we are concerned about this? Presumably, if they are bringing people up to Kalgoorlie, they have to pay their airfares and accommodation. Surely that is factored in.

**Hon ROBIN SCOTT:** Normally they would drive up, minister.

**Hon Alannah MacTiernan:** But they would have to be paid while they are up there, wouldn't they? You'd be paying accommodation.

**Hon ROBIN SCOTT:** I also have to pay. I have to pay accommodation and messing. There is no difference in it. The only difference is the pay rate.

**Hon Alannah MacTiernan:** Wouldn't the pay rate reflect the fact that they are already living up there and that's why you are having to pay them more money?

**Extract from Hansard**

[COUNCIL — Wednesday, 12 September 2018]

p5621c-5634a

Hon Dr Steve Thomas; Hon Colin Holt; Hon Simon O'Brien; Hon Diane Evers; Hon Aaron Stonehouse; Hon Darren West; Hon Peter Collier; Acting President; Hon Martin Aldridge; Hon Robin Scott

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**Hon ROBIN SCOTT:** As I said at the beginning, I am not including insurance, materials, transport, food, messing and accommodation; I am just talking about wages. The difference in the wages would be \$2 000, so that would make my quote \$2 000 more and it would also put me \$2 000 closer to the payroll tax threshold.

The argument about being favoured by a reduction in payroll tax, I believe, does not pass the pub test. It was my intention to assist the city unemployed as well as regional people so that they can have more confidence and stability in the jobs that they take on. People will move to the regions if they feel secure in their jobs. They will pay higher rents and pay more for food and services—that is part and parcel of living out of Perth. The reason they are willing to pay extra for general living costs is that they will be well paid for living in the regions. The one thing that they will not do is move their families to an unsure future. The service industries servicing the resources companies will be able to alleviate the concerns of many prospective employees if the state government lowers the fine of payroll tax. The excuse that significant legislative, administrative and system changes will be required to implement tax concessions does not hold water. Any company that seeks concessions needs to register its principal business address somewhere in regional WA in tax zones A or B. Most small businesses in the regions employ fewer than 20 people. The government will still be collecting from the big players. The government has a perfect opportunity to open up regional Western Australia. The Premier and the Treasurer have had to reverse decisions made in haste. I can only hope that they reconsider the message given to me through Hon Stephen Dawson.

Hon Colin Holt asked how we would pay for the tax reduction. There is \$1 billion worth of income waiting in the Yilgarn for the government. The south west is not remote. If he were to travel 600 kilometres from his region to Perth, the last 200 kilometres of his journey would be in the water. If we asked people whether they would like to go to Meekatharra or Denmark, 10 out of 10 would choose Denmark. The same applies to a choice between Kalgoorlie and Margaret River. If they could take their pick, Margaret River would be their choice.

Hon Simon O'Brien talked about stamp duty and land tax. Stamp duty and land tax is something that people choose to pay. If someone buys a car or property, they pay stamp duty. If they buy more than one property, they pay land tax. That is a choice. Businesses do not have a choice to pay payroll tax. If the rate of payroll tax dropped from 5.5 per cent to five per cent, there would be no increase in staff, but there would be upgrades in equipment. Hon Simon O'Brien also mentioned superannuation. That is not a tax; it is a pension plan for employees. He reckons Woolies and Coles would be disadvantaged by raising payroll tax. Only a few weeks ago, the Liberal Party agreed to raise the payroll tax for mining companies.

I thank Hon Diane Evers for her comments. Unfortunately, a gold tax increase will cost 3 000 jobs. Most small businesses have fewer than 20 employees. Payroll tax does not stay in the regions; it goes straight into consolidated revenue. Mining companies support all the businesses in the region. Without the mining companies, there would be no Kalgoorlie, Norseman, Southern Cross, Laverton, Leonora or Leinster.

For someone who was not going to speak to the motion, Hon Aaron Stonehouse did a really good job! Unfortunately, neither Singapore nor China is in my electorate. The Liberal Democrats have some good tax ideas; I am still trying to figure out what they are, but I appreciate the honourable member's contribution.

I am not sure, but I think Hon Darren West agreed that payroll tax is a bad tax.

We have every natural resource in this state, and the world wants and needs them, yet we are still struggling to make this state a financially strong one. Unfortunately, the Treasurer has taken the defeat of the gold tax personally. Already, one goldmine closed a couple of weeks ago, at Davyhurst, 140 kilometres north west of Kalgoorlie. Although he started his education at Laverton Primary School and finished at a London university, that means nothing. Ronald Reagan was a B-grade actor, and he managed to lead America for quite some years. Commonsense goes a long way in handling government finances.

Hon Martin Aldridge is right: let us monitor Tasmania. I thank him for correcting my mistake with the rate of 2.24 per cent, I think he said, in Victoria. No consultation was undertaken with the government on the motion. Who is in and who is out is defined by the tax zones.

Madam Acting President, I have never had a problem making a dollar here in Australia, but I am finding it very difficult to make a difference. This motion is good for all of Western Australia; there is no downside in honourable members supporting it. I commend the motion to the house.

Question put and negatived.