

PAY-ROLL TAX ASSESSMENT AMENDMENT BILL 2019

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Sue Ellery (Leader of the House)**, read a first time.

Second Reading

HON SUE ELLERY (South Metropolitan — Leader of the House) [9.41 pm]: I move —

That the bill be now read a second time.

The Pay-roll Tax Assessment Amendment Bill 2019 seeks to amend the Pay-roll Tax Assessment Act 2002 to remove the payroll tax exemption for new worker trainees, with effect from 1 July 2019. The savings from this change will be used to establish a new employer incentive scheme that will assist a broader range of businesses to train our future workforce by taking on an apprentice or trainee.

Members may recall that amendments were made in 2018 to remove the exemption for existing worker trainees and to limit the exemption for trainees to new workers earning up to \$100 000 per annum. The amendments took effect from 1 December 2017 and closed a loophole that saw companies avoid paying their fair share of payroll tax. Those savings were redirected to fund training places to help offset a reduction in commonwealth funding, following the cessation of a previous national partnership agreement in 2017.

As announced on 30 November 2017, the government has worked with industry to develop an employer incentive scheme that is proposed to replace the exemption for new worker trainees, better target skill gaps in the economy, and be accessible to small business, not just those paying payroll tax. In accordance with the commitment given by the government during debate on the previous amendments, wages paid to apprentices will continue to be exempt from payroll tax. Consultation on the new employer incentive scheme included industry peak bodies, group training organisations, industry training councils and training providers.

It is proposed to introduce the employer incentive scheme from 1 July 2019, with the following design features. Employers that pay wages below the payroll tax exemption threshold will be eligible for an incentive for their apprentices and new worker trainees. Employers paying payroll tax will be eligible for an incentive payment for new worker trainees only. The exemption for their apprentices will still apply. All group training organisations registered with the Department of Training and Workforce Development will be eligible for incentive payments for apprentices and new worker trainees. Extra loadings will apply to industry priority areas, regional areas, Aboriginal workers, and people with a disability. People aged between 21 and 30 years undertaking an apprenticeship will also get a much higher commencement payment. There will be an online payment system linked to existing trainee registration processes that will minimise red tape for employers.

Transitional arrangements will apply. Businesses that have registered a new worker training contract with the Department of Training and Workforce Development before 1 July 2019 will continue to receive the exemption, rather than the employer incentive scheme, for the nominal duration of that training contract. The employer incentive scheme will be administered within the current framework of the Vocational Education and Training Act 1996. The proposed scheme addresses a key recommendation in the State Training Board's 2018 report, "Strategies to grow apprenticeships and traineeships in Western Australia", to reduce the costs for employers who are prepared to train an apprentice or trainee. The scheme is a more transparent and equitable mechanism to provide assistance to employers. A major benefit of the scheme is that it will provide much-needed financial assistance to small businesses that do not pay payroll tax because they fall beneath the payroll tax threshold.

The scheme will extend the reach of financial assistance to a greater number of Western Australian employers, from approximately 2 600 employers currently receiving payroll tax exemptions to potentially 5 900 employers, who will receive either the payroll tax exemption for apprentices or a payment under the new employer incentive scheme for apprentices and trainees. A major benefit of the scheme is that it will make assistance available to small businesses that fall beneath the payroll tax threshold. This provides for a more effective use of government funds by targeting real skill gaps in the economy.

During consultations, some stakeholders raised concerns that for some employers the value of the benefit they get from the payroll tax exemption for an apprentice may be lower than the value of the new scheme payment. The government acknowledged these concerns. To ensure parity between the new scheme and the existing exemption for apprentices, employers will be able to apply for a top-up payment when the apprentice completes their training. Employers that cease to be able to claim the exemption because they drop below the threshold will also be eligible to claim the incentive for the balance of the training period.

The scheme will be funded through redirecting the savings from the removal of the exemption for new worker trainees, estimated to be \$109 million over the period 2019–20 to 2022–23. Importantly, the commonwealth government has recognised the redirected funding as Western Australia's matching contribution under the National Partnership on the Skilling Australians Fund. This is expected to deliver additional funding to the state

of up to \$110 million for the period 2018–19 to 2021–22, most of which will pay for training costs associated with the national partnership growth targets.

Pursuant to standing order 126(1), I advise that this bill is not a uniform legislation bill. It does not ratify or give effect to a bilateral or multilateral intergovernmental agreement to which the government of the state is a party; nor does this bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the commonwealth.

I commend the bill to the house and I table the explanatory memorandum.

[See paper 2656.]

Debate adjourned, pursuant to standing orders.