

Interest has been shown in this Bill only because of the interest that is shown in environmental protection. I fully agree with that attitude. In view of the fact that there is a considerable quantity of underground water in the area where the Pacminex refinery is to be established, it is understandable that people should be apprehensive about their water supplies being polluted. One can also understand that farmers who are in the vicinity of the refinery area who rely on the underground water supply are no doubt fearful that their water supplies could be reduced to some degree.

As far as pollution is concerned, I agree with the Deputy Leader of the Opposition when he says he is quite confident that no leakage will occur from the clay membrane, or whatever material is used to prevent the leakage of water. I am a layman and if I were to choose whom I should believe—an expert belonging to Environment 2000 or some similar group which grasps at air pollution, water pollution, or anything else to substantiate the claim that the refinery should not be established at Upper Swan, or a qualified officer in the Water Supply Department whose sole object is not to worry about air pollution or problems relating to forestry, but to concern himself only with the duty of ensuring that the water supply is kept potable—I would choose the qualified officer employed by the Water Supply Department.

As a layman I would certainly be guided by an officer who is concentrating on one subject only, rather than by a so-called expert whose knowledge is spread over many fields and who is merely trying to grasp at various straws in an endeavour to bolster up his main argument against the establishment of the refinery.

I believe the farmers in the area have every reason to be suspicious that their water supply could be reduced. Some of these farmers are relying on bores which are down to 500 feet, and others are drawing water from bores at a lesser depth. With an anticipated draw of 1,000,000 or 1,500,000 gallons of ground water a day, it is possible that the underground water supply on which the farmers rely could be reduced. It is possible that this problem could be covered by subclause (9) of clause 35 of the agreement which reads as follows:—

Any reference in this Clause to a licence is a reference to a licence under the Rights in Water and Irrigation Act, 1914 . . .

Referring once again to my initial remarks when I said that the Bill is much larger than the Bill to establish the Pinjarra refinery, it is obvious to me that the officers of the Water Supply Department have taken care to ensure that if the establishment of this refinery should prove

to be detrimental in any way to the farmers who are adjacent to the works they have the authority to make recommendations for compensation to be paid to those farmers. In view of the lateness of the hour, may I request that I be granted leave to continue my speech at the next sitting of the House?

Leave granted to the member for Toodyay (Mr. Moiler) to continue his speech at the next sitting of the House.

*House adjourned at 6.11 p.m.*

## Legislative Council

Tuesday, the 21st September, 1971

The PRESIDENT (The Hon. L. C. Diver) took the Chair at 4.30 p.m., and read prayers.

### TIMBER RIGHTS QUESTION

*Discrepancy in Answer: Urgency Motion*

The PRESIDENT: Honourable members, I have received the following letter:—

Dear Sir,

I desire to inform you that at the commencement of the sitting of the Legislative Council today, it is my intention to move under Standing Order No. 62 for the adjournment of the House to discuss a matter of urgency, namely:—

This House views with grave concern the discrepancy which occurs between the answer given to a question on Wednesday, 15th September, 1971, regarding timber rights and the information supplied to a constituent of mine in a letter signed by the Minister for Agriculture and dated 20th August, 1971.

Yours faithfully,  
F. D. Willmott.

Before the honourable member may proceed with the motion, it will require the support of four members.

Four members having risen in their places,

**THE HON. F. D. WILLMOTT** (South-West) [4.41 p.m.]: I move—

That the House at its rising adjourn until 3 p.m. on Friday, the 24th September, 1971.

Before I proceed with the subject matter I wish to put before the Council—that is, the discrepancy which occurs in the answer to a question put by me—I think I should make it quite clear that although the answer was given in this House by the Leader of the House it is my certain belief that the Leader of the House is in no way

concerned with that discrepancy because the question does not concern his department and the answer to the question would have been supplied to him by a Minister in another place. I think it is only fair that I should make it quite clear that I do not think the Leader of the House was in any way aware of the discrepancy which occurred.

In order that I should make quite clear what has taken place, I will need to go back over questions which started on the 22nd July. On the 22nd July I asked this question—

- (1) Has the Government given any consideration to the matter of immediate abolition of timber rights to the Crown on freehold and conditional purchase land, thus allowing the timber to become the sole property of the landholder?
- (2) If the answer to (1) is "no" will the Government give favourable consideration to this suggestion?
- (3) If not, why?

The answer I received was—

- (1), (2) and (3) Reservation to the Crown of marketable timber existing on Crown land is provided in the Regulations to the Land Act, and is designed to enable the earlier release for selection of land that would otherwise be withheld from selection until the marketable timber had been removed. The reservation lapses at the expiration of a period of 20 years from the date of the issue of the Grant. Consideration is currently being given to a request to change Policy in this regard.

That was the first question. On the 3rd August I followed that with another question on the same matter. That question was—

With reference to the reply to my question on the 22nd July, 1971, regarding the reservation of timber rights to the Crown on alienated land, can the Minister advise in what year the regulations, under the Land Act, referred to, were gazetted?

The reply was—

The Regulations at present in force were gazetted on the 1st August, 1968. The Regulation expressing reservation to the Crown of all marketable indigenous timber was first gazetted on the 2nd March, 1934. Prior to that date, reservation was effected by special conditions inserted in the forms of Crown Grants and Crown Leases.

The day following that question, on the 4th August, I spoke at considerable length, in the Address-in-Reply debate, on this matter of timber rights.

The reason I make these points at this stage is to make it quite clear there was nothing new or sudden about the final question I asked last Wednesday. This matter had been ventilated by me quite considerably in this House. Last Wednesday I asked this question—

Further to my question on the 22nd July, 1971, concerning Timber Rights, has any decision yet been made, and if so, what is the nature of that decision?

The answer I received was—

No. The matter is still under review. That was on last Wednesday, the 15th September. It seems to me there was nothing complicated or ambiguous about my question, and one could say the same about the answers—that there was no ambiguity or misunderstanding. One would think it was a perfectly simple question requiring a simple answer, which I apparently received.

However, I have since come into possession of a letter signed by the Minister for Agriculture, Mr. H. D. Evans, who is, of course, also the Minister for Lands. As the matter of reservation of timber rights is under the control of the Minister for Lands by regulation under the Land Act—as clearly demonstrated by the previous questions and answers—he would naturally be the person to supply the answers, although I think the decision as to whether or not timber rights should be any longer reserved to the Crown mainly lies with the Forests Department.

I remind members that my last question was asked on the 15th September. This letter is dated the 20th August, 1971, and reads—

Dear Bob,

I have approached the Hon. Minister for Forests in regard to removing Timber Reservation conditions on all land subject to Conditional Purchase Lease for which a Crown Grant has been held for less than 20 years.

My colleague, the Hon. Minister for Forests, has agreed that removal of these restrictions shall apply as from the 1st of February, 1972. The reason for his deferment is, that a number of current timber operations need to be finalised and this no doubt involves contracts and agreements of various kinds.

I was pleased with the reaction of the Minister, and I hope that this will be of some advantage to you, knowing your concern about this in the past.

The letter is signed by the Minister for Agriculture who, I repeat, is also the Minister for Lands, and he would have supplied the answer to my question.

Where does this leave me, Mr. President? As I have said, my questions were simple—there was nothing involved or ambiguous

about them—and one would expect to receive the same sort of reply in which there was nothing involved or ambiguous. Apparently that has been done but it is not in line with the letter which was written on the 20th August. The reply is anything but in line with that letter because it is quite apparent from the letter that a decision has been made, and I do not think I was given the exact truth in the answer to my question.

In fact, if the answer to my question were completely correct and truthful, then the information supplied in this letter is completely wrong and misleading. I have been told this is not the only letter; that a number have been sent out. This matter is of considerable concern to me and I have been involved in it for a long time. It causes me great concern to receive an answer to a question which is not in line with a letter sent by a Minister; and which is apparently not completely truthful.

I feel this situation leaves members of Parliament in the position where from now on they will not place any reliance upon answers received in Parliament—answers which are supplied by the Minister for Lands. I cannot help but feel I will always be suspicious—unless I receive a sound explanation in connection with this matter—about the complete truth or otherwise of answers which are received in future.

I was in my electorate over the weekend when this letter was handed to me. I feel another serious aspect of the matter is that the contents of the letter appear to be common knowledge in the area. In fact, unless I misunderstand things I think it is highly likely the letter will appear in the *Manjimup-Warren Times* tomorrow. Once again, I am concerned that this should be so in view of the answer I received in this House last Wednesday: "No. The matter is still under review."

This is a very serious matter indeed. The situation is quite contrary to what I believe members in this Parliament have come to expect; to be able to rely on answers to questions being factual. Perhaps in a case where the question is most involved some ambiguity might creep into the answer and some misunderstanding arise. In such a case I think it is understandable.

However, my questions were not of that order; they were perfectly simple requiring only simple answers. I received the answers, but unfortunately they are not in line with information contained in a letter issued by the Minister concerned.

I do not wish to delay the House at great length. I realise that I cannot expect the Leader of the House to reply off the cuff to what I am saying. It would not be reasonable to expect him to do so. I am also aware that at the conclusion of this

debate I will have to withdraw my motion. However, I would suggest to Mr. Willesee that, having investigated this matter to the best of his ability—and even though I will be forced to withdraw this motion; it is simply the machinery to allow me to bring the matter forward—he could seek an opportunity at a future date to give me an explanation of what has occurred. I cannot help but treat the matter very seriously indeed because it seems to me to constitute contempt of Parliament when a member is supplied with an answer which is quite contrary to information given by way of a letter to people in the electorate over three weeks previously. Having said that, I will resume my seat and let the matter rest.

**THE HON. V. J. FERRY** (South-West) [4.55 p.m.]: I wish to support the motion moved by my colleague, Mr. Willmott, and I do so with a great deal of regret. I regret the necessity for this motion. I regard the matter raised by Mr. Willmott as one of extreme seriousness. We in this Parliament have been accustomed to have truthful answers supplied to members who genuinely seek information. On the evidence produced by Mr. Willmott, it would appear that one of two things has occurred: either the answer that the release of timber rights has not yet been approved by the Government for the benefit of private land owners is not, in fact, truthful; or the Minister for Lands in his letter to one of his constituents—and the same gentleman is also a constituent of Mr. Willmott and myself—stated the position incorrectly. Both sources of information cannot be correct.

On the one count the information may be correct, and on the other count it cannot be correct. What media do we believe; the letter signed by the Minister as Minister for Agriculture and member for Warren saying that certain things have been approved in principle by the Government and will become effective from the date quoted—the 1st February, 1972,—or are we to believe the answer supplied in Parliament—the home of democracy in Western Australia—that no decision has yet been made?

Mr. Willmott pointed out—quite correctly, I believe—that in giving the answer to this House, Mr. Willesee, as Leader of the House, would have been conveying an answer supplied to him by the Minister in another place. I concur with Mr. Willmott that Mr. Willesee cannot be held responsible. But I cannot think very kindly—and I am sure members, generally, will not think kindly—of a Minister who must have had knowledge of the situation and who may have authorised the answer supplied to Mr. Willmott in one context, while perhaps, with the same pen, signing his name to a letter providing contrary information.

What confidence can we have in a Government which apparently condones this sort of action? I wonder whether it does condone such action. It is terribly disturbing to me to have to speak in this manner. I find the train of events disappointing, disturbing, discourteous, and deceiving. There has been deception of Parliament. It might be contempt of Parliament—I will leave it to members to form their own judgment. Was a Cabinet decision made? Was there a Cabinet leak of information? Who are we to believe?

Did the Minister in his letter advise a constituent of his, of mine, and of Mr. Willmott's, of certain information for political advantage? I hope not. I think members of this House will realise that over a period of time both Mr. Willmott and I have taken a keen interest in the timber industry in this State and in the question of timber as it applies to private properties. It is well known that we have both spoken on several occasions—and, at times, at great length—on these matters and we have a very deep interest in the subject.

That is why from time to time questions are asked genuinely and in good faith, with a view to seeking the truth so that, as representatives of the people, we might know the answers. I agree with Mr. Willmott that because of what has happened we will be entitled in the future, to doubt answers given to questions.

The Hon. J. Dolan: Are you insinuating this is a common occurrence?

The Hon. F. D. Willmott: Once is more than enough.

The Hon. V. J. FERRY: I am indeed hurt to think this could happen. I have a high regard for the gentleman concerned; after all he is a Minister of the Government. I am quite upset in having to mention these things, because what Mr. Willmott has pointed out is a fact, and this is supported by the evidence he has placed before us. Last weekend I was down south, and it appears to be common knowledge that as from next year timber rights to private properties will be made available for the full benefit of the landowners: yet the members representing this province have apparently been given the wrong information. I regret the necessity to register my unhappiness that this occurrence has been brought before us in Parliament.

**THE HON. G. C. MacKINNON** (Lower West) [5.02 p.m.]: It may be presumed by some members that this is a light matter over which the two members for the province concerned are getting steamed up. I agree that certainly this affects their area more than it does other areas. Perhaps I can speak about this matter in an objective way, and explain why the

two members who have just spoken are perfectly entitled to be greatly upset by the answer that has been given.

No doubt members are aware that the old South-West Province took in the region from Mandurah to Walpole. This has since been split up, and today Mr. McNeill and I represent the upper half of that area, now known as the Lower West Province; while Mr. Ferry and Mr. Willmott represent the bottom half, now known as the South-West Province. In the main it is in the South-West Province where these rights to timber on conditional purchase land exist. This is a problem which is very difficult of resolution, and the phrase which Mr. Willmott has used is the key to the situation: the land was released with the timber rights remaining to the Crown, so that it could be released earlier and at a lower price. This is the difficulty which must be overcome. The Crown can move in and take the timber from the land.

There are serious problems associated with the release of the land on those conditions, because sometimes the farmers want to utilise the land. Because they cannot market the timber they push it over. So we have the constant argument about marketable timber being destroyed, and this is a matter which is difficult to resolve. On this question tempers have become frayed and feelings have run high. Over recent years, Mr. Ferry and Mr. Willmott have been in the firing line in respect of this matter. In the more recent years I have not been so concerned, because the lower section of the old province is not now represented by me. I now represent an area in which this problem is not as acute.

Mr. Ferry has been dealing with this difficult matter with the two previous Governments: and Mr. Willmott with the three previous Governments—the Hawke Government, our own Liberal-Country Party Government, and the present Labor Party Government. Different Governments and different Ministers have held different views on this question; and all sorts of accusations have been made against Ministers, departments, and so on. This is not a light subject, but Mr. Dolan might have had that idea when he made the interjection that a fuss was being made about nothing.

The Hon. J. Dolan: I did not imply that. I resented the fact that Mr. Ferry classed me along with other Ministers, as likely to give wrong information; and that is a thing I never do.

The Hon. G. C. MacKINNON: I got the impression that when the two previous members spoke they were at pains to indicate that no blame was attaching to Ministers in this House. They made that statement in the full knowledge of the collective responsibility of Cabinet, and

they were justified in making it knowing full well the characters of the people involved.

I repeat that this is not a light matter. Rightly or wrongly the inference I drew from Mr. Dolan's interjection was that he thought it was a light matter and not worth fussing over. I am glad he has now assured us he does not think that way. I am happy that the Minister is helping to convince members and the public that this is not a light matter.

This is a question on which feelings have run very high. It affects the townspeople and the farmers. When a farmer uses a bulldozer to clear the country, frequently he cannot make an immediate sale of the timber and he pushes it over. The townspeople see him doing this and they become very irate over the wastage of the timber. Mr. Willmott and Mr. Ferry have been fighting a battle with the Government over these timber rights. I know that a large number of people think it would be better to give the timber to the landowners. The previous Government decided to do this after the land had been occupied for 20 years. Previously those rights remained with the Government for much longer. I think they remained for ever. Working together we were successful in getting an amendment made, and this involved a tremendous amount of correspondence and hard work by the members concerned. The period was reduced to 20 years, and the policy was to remove the restriction for all time.

The members for the province have worked hard on this question, and they have been accepted by their community as being authorities on the matter; as having a knowledge of all the ins and outs and every stage of the battle; and as being aware of even the numbers of the files, and the contents of the letters on those files. Consequently when any of their electors asked them a question on this matter they were able to say that this or that happened, and their word was accepted as authoritative.

All of a sudden an answer to a question is sent down to those people, in which the Minister said certain things. What is the reaction of the local people? They laugh their heads off, because they have a letter which contains certain information. The local people could say, "I do not care what you have intimated the Minister has said. We know what the Minister has said, because here is the evidence over his signature."

It should be borne in mind that Mr. Willmott has been fighting this battle for the last 16 years, and for eight or nine years I joined with him in the fight. Now he finds the authority cut from under his feet, and he is entitled to be tremendously upset.

I want to impress on members that this is a serious matter to the members representing the province, to the electorate itself, and to the integrity of the members. I have no intention of delving into the ethical aspect of the questions and answers, because we are all aware of the context. It was not what Mr. Profumo, a former Minister in the British Government, did that led to his downfall; it was the fact that he told a lie in answer to a question. As members of Parliament we know that was the reason, but people who are not members of Parliament generally think his downfall was brought about because of the revelations of his behaviour.

I do not want to go into the ethical side of this matter. Knowing the problem, and being in the position of no longer being involved, I can stress the point of view of Mr. Willmott and Mr. Ferry; this has a very serious repercussion on them personally. I am aware of the great fight they have put up on this question; and I am also aware of the impact which the Minister's answer can have on their handling of matters of concern to their constituents.

**THE HON. W. F. WILLESEE** (North-East Metropolitan—Leader of the House) [5.10 p.m.]: It was with some deep concern that I listened to what the three previous speakers said; and in particular to the remarks of Mr. Willmott. The information he has supplied seems to be drastic in respect of contradiction. It would appear to me that he is entitled to take a very serious view of the situation as he sees it; and members who have supported him are equally entitled to share his views of the situation as they see it.

I have great regard for my colleague, the Minister who supplied the answer that has been the basis of this motion. I feel that upon examination a reasonable explanation of the matter could be given, but at the moment I cannot say that authoritatively. Mr. Willmott was good enough to suggest that I be given the opportunity to reply on behalf of the Minister concerned, by way of an explanation. I will take the opportunity to endeavour to do this on the first possible occasion, and I take it this will be at the next sitting of the House, soon after we resume tomorrow afternoon.

**THE HON. F. D. WILLMOTT** (South-West) [5.12 p.m.]: I thank members who have supported me in this motion. I can assure the House that I take no great pleasure in adopting the course I have but when something like this occurs there is nothing else I can do.

I thank Mr. Willesee for what he has said. I feel he has shown considerable understanding of the situation. I can see that no good purpose will be served by prolonging this debate. I await to hear any explanation in due course. If an

explanation can be given I will be pleased to hear it, but what it is I certainly cannot conceive at this stage.

I seek leave of the House to withdraw the motion.

Motion, by leave, withdrawn.

## QUESTIONS (5): ON NOTICE

### 1. RURAL RECONSTRUCTION SCHEME

#### *Debt Reconstruction Applications*

The Hon. D. J. WORDSWORTH, to the Leader of the House:

- (1) How many applications have been received for funds under the Rural Reconstruction Scheme for debt reconstruction?
- (2) (a) How many of them have been rejected because the farms were not considered a viable concern; and  
(b) what was the total debt on these farms?
- (3) Of the successful applicants, how many are to receive—  
(a) under \$15,000;  
(b) between \$15,000 and \$30,000;  
(c) over \$30,000—  
and what is the average loan in each of these categories (a), (b) and (c)?
- (4) After reconstruction, what will the average total debt be in each of the categories referred to in (3)?
- (5) How many applications have been received for farm build-up, how many have been granted, and what range do these take?
- (6) What are the total funds allocated for reconstruction for farm debts and farm build-up?

The Hon. W. F. WILLESEE replied:

- (1) 616.
- (2) (a) 230.  
(b) \$13,825,410.
- (3) (a) 53—average loan \$9,241.  
(b) 55—average loan \$20,405.  
(c) 23—average loan \$34,728.
- (4) (a) \$36,749.  
(b) \$66,117.  
(c) \$74,030.
- (5) 63 received, 13 approved to date.  
(a) 4—average loan \$6,625.  
(b) 4—average loan \$22,000.  
(c) 5—average loan \$45,100.
- (6) \$2,750,806.

### 2. TRANSPORT

#### *Road Trains*

The Hon. G. W. BERRY, to the Minister for Transport:

Are road trains permitted to operate during the hours of darkness?

The Hon. J. DOLAN replied:

There is no restriction on the operation of road trains during the hours of darkness, providing their lighting conforms with the vehicle standards regulations.

3.

## PRISONS

#### *Inmates and Costs*

The Hon. R. THOMPSON, to the Chief Secretary:

Further to my question on Wednesday, the 15th September, 1971—

- (1) What number of persons were committed to prison during the past twelve months for non-compliance of maintenance orders, excluding those persons serving concurrent sentences for criminal offences?
- (2) What was the total number of days of imprisonment of these persons?

The Hon. R. H. C. STUBBS replied:

- (1) During the period 1st July, 1970 to 30th June, 1971—156 persons.
- (2) 8,243 days.

### 4. RURAL RECONSTRUCTION SCHEME

#### *Rehabilitation Grants*

The Hon. D. J. WORDSWORTH, to the Leader of the House:

- (1) Has the Rural Reconstruction Committee made any recommendations for grants of \$1,000 to be granted to farmers leaving the land?
- (2) Are these grants only to be made available to those farmers who have had their farms bought with funds supplied under the Rural Reconstruction Scheme?

The Hon. W. F. WILLESEE replied:

- (1) No. There have been no applications.
- (2) No.

5.

## NATIVES

#### *Boomerang Design Patent Rights*

The Hon. D. J. WORDSWORTH, to the Leader of the House:

- (1) Who has the patent rights in Western Australia on the design of the boomerang?
- (2) If the patent rights have not been taken out, would the Government register them in this State for the exclusive use of Aboriginals?

The Hon. W. F. WILLESEE replied:

- (1) No one.
- (2) If and when this is shown to be practicable consideration will be given to the matter.

## LAND TAX ASSESSMENT ACT AMENDMENT BILL

### *Further Report*

Further report of Committee adopted.

## PAY-ROLL TAX ASSESSMENT BILL

### *Second Reading*

Debate resumed from the 14th September.

**THE HON. A. F. GRIFFITH** (North Metropolitan—Leader of the Opposition) [5.18 p.m.]: The Minister's application to the House to bring this order of the day forward for consideration earlier than was anticipated by the notice paper indicates to me his urgency to have the matter adopted and passed.

The reason for this probably could be the time factor. Parliament will sit today, tomorrow, and on Thursday and then, in conformity with usual practice we will adjourn for a week during the Royal Show.

Accordingly I can see the reason for the Minister's desire to have the matter adopted fairly soon. In bringing this particular order of the day up to the top of the notice paper I hope the Minister is activated by the fact that as there are amendments on the addendum to the notice paper the Government, when these amendments are moved by my friend and colleague Mr. Medcalf, proposes to take some notice of them. I hope I am right in saying that the Minister's desire to have this particular Bill dealt with early in today's proceedings is because he realises that in accepting some of the amendments on the notice paper it will mean the Bill will have to go back to another place for its acceptance of the amendments.

The Hon. W. F. Willesee: You make it sound easy.

The Hon. A. F. GRIFFITH: Later we will be told the reason for the amendments the explanation for which is, in fact, quite simple. When introducing this Bill the Minister explained that it emanated from the last Premiers' Conference at which agreement was reached that the States would take over pay-roll tax from the Commonwealth.

It would have been interesting to see and hear what was said and done at that conference because I imagine it could have been quite a cat and mouse affair between the Commonwealth and the States; the States on the one hand forcibly telling the Commonwealth that some better financial arrangement had to be made in the interest of the States, particularly since the abandonment of the stamp duty on receipts, while at the same time the States had for a long time been looking for some sort of growth tax. The Commonwealth, on the other hand, would have realised that the time had probably come when some new sort of deal had to be given.

We will see the kind of deal that was given as we proceed with the debate. I could not keep myself from smiling when I listened to the Minister explain at least some portion of his speech in the following terms:—

Recently the Commonwealth Government undertook to examine the existing division of taxing powers between the Commonwealth and the States in order to ascertain whether there was some field with elements of growth which could be handed over to the States.

Resulting from a wide-ranging study of the whole field of possibilities, the Commonwealth concluded that because of constitutional restraints only two taxes currently levied by the Commonwealth offered scope for transfer. These were personal income tax and pay-roll tax.

On the broad grounds of economic and social policy the Commonwealth decided that it would not be desirable to re-open the field of personal income tax to the States. It was, however, willing to transfer pay-roll tax to them.

In offering the pay-roll tax as a source of revenue to the States, the Prime Minister pointed out that it is broadly based and grows almost directly in line with the economy and is relatively simple to administer.

In the circumstances all Premiers agreed to take over pay-roll tax as a useful addition to revenue resources.

The Minister continued:—

- (1) A reduction in the Commonwealth financial assistance grants equal to the amount the Commonwealth would have collected in the State had it continued to levy pay-roll tax.
- (2) The Commonwealth to meet the cost of exempting from the imposition of State pay-roll tax, the non-business activities of local authorities.
- (3) The Commonwealth to meet the additional administrative costs incurred by the States in levying their own pay-roll taxes.
- (4) Commonwealth authorities which are currently subject to Commonwealth pay-roll tax, to continue to pay the tax to the States after the take-over.
- (5) The States to guarantee the statistician's continued confidential access to pay-roll tax returns for purposes of his statistical collections.

The States are free to adopt such rates, exemptions, and assessing provisions as they deem desirable subject to the conditions which I have just outlined.

For the purpose of the remarks I wish to make I would like to repeat the words of the Minister which I quoted in the last paragraph. They are as follows:—

The States are free to adopt such rates, exemptions, and assessing provisions as they deem desirable.

That is quite an important paragraph and we might have a little more to say about it later.

I referred to the Premiers' Conference as a cat and mouse affair and I feel that is not at all a bad analogy. The Commonwealth saw the opportunity to get rid of one of the most unpopular taxes that has ever been imposed by that Government. Pay-roll tax was first imposed in 1941 and, I repeat, it has been unpopular ever since.

Time and time again efforts by all kinds of people and organisations were made to get the Commonwealth to repeal the pay-roll tax. But the Commonwealth has hung on until this opportunity presented itself—and what a wonderful opportunity it was in the circumstances.

The bigger States of New South Wales and Victoria would have been more eager than the other States to take over pay-roll tax, because those two States have the benefit of a much larger field of taxation, in that industry and commerce in those States are in fact larger, resulting in a much greater opportunity for the two Governments to gain money out of pay-roll tax.

I wonder, however, what would have been the attitude of the Government of Western Australia had it been suggested to the States prior to 1959 that the State of Western Australia should take over pay-roll tax particularly when we consider that it is only in the last decade that we have seen such a tremendous advance in industry and commerce.

Had the position been reversed I can well imagine what might have been said by members who will now be obliged to support the introduction of this tax. Not only is pay-roll tax an unpopular tax but it is also a tax on expenditure—not on income—and therefore it has no relation to the ability of people who must pay the tax to in fact pay it.

Furthermore I have previously mentioned that it is an inflationary tax. As wages increase so does pay-roll tax and the taxpayer must of course continue to absorb the impact of the tax by building it into the cost structure of his business.

Pay-roll tax is an unfair tax because its impact is felt most largely by industries with a high employment ratio and which continue to grow as employment expands. To my mind the tax on stamp duty on

receipts was a far more equitable tax than pay-roll tax will ever be and because of these factors here was a heaven-sent opportunity—or perhaps I should say a High Court-sent opportunity—to put the States in the position in which the Commonwealth could offer to the States the opportunity to impose pay-roll tax. This gives the opportunity to the Commonwealth to divest itself of something which has been gnawing at its political sides for years and years. No one can be happy about the situation.

What will the States really get by way of this agreement? I remember that after the Premiers' Conference it appeared the States had made a really big gain. The Press indicated that the States—including Western Australia—had obtained something from the Commonwealth that was really worth while. If members read for themselves once more the comments I have just read from the Minister's speech, they will see that the gain which the States actually make is not very great at all.

I suppose we can agree the States will have the right to impose the tax to replace receipt duty tax which was abandoned by the States because of the decision of the High Court. As the Minister has said, the States are free to impose such rates, exemptions, and assessing provisions as they deem desirable.

The rate is to be imposed by the following Bill—and I appreciate I cannot talk about it at this point—which is the measure with the real "teeth." The rate of pay-roll tax is 3½ per cent. of taxable wages. The following measure will impose that tax. All the States have agreed that this is the tax rate to be imposed. What the States are actually receiving as a result of this legislation is an additional one per cent. of taxable wages, together with the odium which accompanies the necessity to impose a tax.

One point worries me: Will the rate stay at 3½ per cent. or will the Government find it convenient at some time in the future, in trying to balance its budget, to impose another one per cent.? Such a step may be a convenient method of balancing the budget. Consequently, we cannot be happy about this situation.

What appears to be of considerable gain to the States—and I am more concerned about our own State of Western Australia as I am sure is the Minister—is really not much gain at all. I wonder what members who now support the Government would have said had the position been reversed; had the seat that is now occupied by Mr. Willesee as Leader of the House still been the seat which I occupied. I can imagine the sort of comment that might have come from some members had they been in this Chamber. I can hear what The Hon. Frank Wise would have said and I can see The Hon. Sir Keith Watson standing in his place and really telling the

Government of the day what he thought about State financial relationships and what kind of a deal this is in so far as the Commonwealth and the States are concerned. Had those two members still been in the Chamber I am sure they would have unleashed their energies completely on this Bill.

There is nothing I can really do except support the Bill. The measure must go through, because if it fails to pass the Government will be deprived of income which it badly needs. I think this is the first taxing measure the present Government has introduced but I am quite sure that as long as the Government remains in office it will need to bring down other taxing measures. Of course nobody likes to see taxation imposed.

By arrangement with me, The Hon. Ian Medcalf has placed certain amendments on the notice paper. I repeat what I said before: if the Government is in a mood and gives assistance where we consider it should be given, I strongly suggest the Leader of the House should give consideration to accepting the amendments that will be moved by Mr. Medcalf.

I will not weary the House by explaining the amendments in detail, but the first will give greater relief to the basic exemption. The second will offer some encouragement in the way of decentralisation. The amendment to clause 18 will be found to mean, when explained, that the State Commissioner of Taxation will have to give his reasons for this deliberation under that provision.

The Hon. W. F. Willesee: The Leader of the Opposition has one to foreshadow.

The Hon. A. F. GRIFFITH: Yes, there is one foreshadowed. I have almost covered the field so far as this measure is concerned. I noticed that a great deal was said about this tax in another place. We have one of two alternatives; to pass the Bill or to reject it. Rejection of the Bill is not in my mind at all but it is firmly in my mind that the Government should show some willingness to consider and accept the amendments.

Tomorrow the Leader of the House will move for the suspension of Standing Orders and I propose to support that motion. In the event of the Bill being returned, with amendments, to another place and the Government in another place being in a mood to concede some of them, it will be able to acquaint us. The Bill can then be reprinted and the third reading passed in this House by Thursday afternoon. In fact, I understand the States are asked to pass the legislation by the 1st October. It is a fact that any State that has not passed the legislation by that date will be carried by the Commonwealth in so far as the Commonwealth will continue to collect the tax.

The Hon. W. F. Willesee: In addition to that, I think all other States are automatically penalised, because the Commonwealth does it in one hit.

The Hon. A. F. GRIFFITH: Yes. As late as today I received in the mail a letter from The Local Government Association of Western Australia (Inc.). It reads—

Dear Mr. Griffith,  
Payroll Tax.

The two main Associations concerned with local government, namely, the Local Government Association, and the Country Shire Councils' Association, have noted with interest the passage of the Payroll Tax Bill through the House of Assembly, and have noted that the Bill will be before the Legislative Council again on Tuesday 21st. They have also noted the unsuccessful attempt to increase the exemption figure.

As Councils are vitally concerned with the passing of the Act, which is expected to save them some \$600,000 per annum, or \$50,000 a month, and sincerely trust that the two sides of your House will not enter into disputes which could lead to a delay in the passing of the Legislation, as Councils have been planning on the basis of receiving exemption as from 1/9/71, and do not wish to make any further payments.

They express no opinion on the desirability of increasing the exemption amount, so long as it does not adversely affect Councils, but sincerely wish to see the Bill passed as early as possible.

Your faithfully,

A. E. WHITE,  
Secretary.

The letter is dated the 20th September and, as I said, I received it today. I am sure my colleagues would join with me when I say we have no desire whatsoever to impede the progress of the Bill, but we have a genuine desire to see whether we can improve the Bill in one or two directions. The Local Government Association need have no fear that we will delay the measure unnecessarily. I point out that the amount of exemption referred to in this letter results from what the Minister said in his second reading speech; namely, the Commonwealth had agreed that local authorities would not pay the tax. That is, in fact, the case.

I conclude my remarks by supporting the Bill. My colleague, Mr. Medcalf, will follow in the debate and give the reasons for the amendments that appear on the addendum to the notice paper. I will leave it at that.

**THE HON. D. J. WORDSWORTH** (South) [5.40 p.m.]: I intend to oppose various provisions in the Bill. Unfortunately I have not had a chance to study

the effect of the amendments proposed by Mr. Medcalf which appear on the addendum to the notice paper.

I have studied the measure and I find several points which I do not like. Firstly, I do not like the way in which the Bill is drafted and, secondly, I do not like the updating provision. In saying this, I refer particularly to what the Leader of the Opposition mentioned.

I cannot help but feel that the Bill is written in a way which will make it difficult for the people concerned to understand. Not only do I think it will be difficult for the public to understand but also it is difficult for those who try to make the laws to understand. I am quite staggered at the length of some of the sentences in the Bill, although I admit I am a newcomer to this House. I notice one sentence has 138 words. There is no hope of remembering what the early part of the sentence means to convey by the time one arrives at the end. It is a reasonable requirement of any measure that an educated person should be able to understand it. Some of the sentences in this Bill can be described as nothing short of grotesque conglomerations. I have a young family and one of their favourite books is Guinness's *Book of Records*. Perhaps the Leader of the House should apply to have an entry made in this book. Some sentences have 200 words in them and it would be interesting to see whether longer sentences can be found in any other Act. I doubt it very much. It makes one wonder who writes the Bills. I am sure the Minister has had little to do with it. Perhaps the Crown Law Department has some breed of people hidden away somewhere who can understand it.

The Hon. W. F. Willesee: You should be careful. What you are saying comes close to reflecting upon the law and the law is very close to you at the moment.

The Hon. D. J. WORDSWORTH: I agree. Perhaps this kind of thing perpetuates a profession in which it takes five years to glean an understanding. The public will be tied to legal coat-tails for a long while if we continue to pass legislation like this.

Apart from its clumsiness, I am amazed that the measure seems to incorporate two Bills in one. Firstly, it will take over the pay-roll tax from the Federal Government for some nine months or so. Secondly, it sets out the way in which the tax shall be collected during a normal year. I certainly feel that this should have been handled by two Bills, so that one half at least could be discarded after the first nine months is over. I can see employers thumbing through the measure to see whether they have to pay the tax. For the next 20 years or so they will have to go through the rigmarole of finding out how the tax was handed over from the Federal Government to the States, way back in 1971.

I wish to speak about the matter of the \$20,800, which is the limit or the minimum pay-roll above which the employer must start paying tax. It is obvious this figure has not been updated for many years, and this Government should have done something about it. I notice the Government has been very quick in upgrading the penalties—they have gone from \$200 to \$1,000. However, it seems to have forgotten to do anything about upgrading the minimum pay-roll. This is something which definitely should be incorporated and it is covered by Mr. Medcalf's amendment.

It is rather interesting that the Labor Party, in opposition in the Federal Government, had so much to say about the failure to review income tax as salaries go up. It seems to me this is a brilliant chance for the Labor Party to give effect to its intentions.

Everyone will agree pay-roll tax has always been controversial. As the Leader of the Opposition said, it was introduced in 1941 to cover child endowment. At that time our country was at war, money was required quickly and some form of tax had to be applied. However, it is a very harsh and discriminatory tax.

The Hon. J. Dolan: The Commonwealth kept it going long enough.

The Hon. D. J. WORDSWORTH: It did, and just when we got to the stage of cutting it out—

The Hon. J. Dolan: It took a long while.

The Hon. D. J. WORDSWORTH: —the State Government took it up.

The Hon. G. C. MacKinnon: I thought you did not interject.

The Hon. J. Dolan: I could not help that one.

The Hon. R. Thompson: It was wished on him.

The Hon. D. J. WORDSWORTH: I do not know whether it was one of the Labor Party's electoral promises that it would be looking for a growth tax. If it was, it has kept its promise by raising the tax from 2½ to 3½ per cent.

The Hon. R. Thompson: I think you read all the Government's election promises very carefully and you know that was not in it.

The Hon. D. J. WORDSWORTH: Perhaps this is something it added for the benefit of the country.

The Hon. A. F. Griffith: I do not know if that is good. You are going to get a lot more than you were promised.

The Hon. D. J. WORDSWORTH: The Federal Government realised this tax was unpopular and applied certain discounts as incentives. For instance, to encourage

the export industry the Government allowed it a discount on pay-roll tax. However, the primary producers resented this as they felt they played a very large part in the export industry and yet they were not able to enjoy discounts. The Government might consider this area if it feels disposed to allow discounts. Also, it would be a brilliant way to show its intentions if the Government were to allow discounts for decentralisation. We are experiencing trouble in endeavouring to get industry out into the country and a discount for these industries would be a very good thing.

The Hon. A. F. Griffith: The opportunity is right at their front door to do this.

The Hon. D. J. WORDSWORTH: Quite right.

The Hon. W. F. Willesee: You are enjoying yourself.

The Hon. D. J. WORDSWORTH: I commend the Bill for exempting shire councils from pay-roll tax.

The Hon. A. F. Griffith: The Commonwealth did that.

The Hon. D. J. WORDSWORTH: This is a very good thing, but I would like to draw attention to the fact that the Commonwealth exempted the shires, and I hope that the shires are under no illusion about the origin of that exemption.

The primary producer should be made aware of the effect this tax has on him. We certainly concede that originally this was a tax on the large factory-owner but it has now become a tax on the small person and I refer in particular to the woolgrower. If the woolgrower does not pay the tax directly, he certainly pays it indirectly. As well as this, many woolgrowers will be inconvenienced by being forced to fill in the necessary registration forms.

Few people realise the woolgrower will be called upon to pay this tax. However, if the woolgrower gets a contractor to shear his sheep, the contractor adds the cost of pay-roll tax to his price. As the contract price for shearing a sheep is about 40c, this means that a woolgrower is paying between 1c and 1.5c pay-roll tax for every sheep which is shorn. Another .5c can be added to that for crutching sheep which makes a total of about 2c a sheep. It is quite obvious the woolgrower is paying this tax, particularly if his sheep are shorn by contract.

The woolgrower may think he can escape the tax by employing shearers individually and, indeed, this is so if his total wage bill does not exceed \$20,800. In an industry such as woolgrowing, where a large proportion of the costs is wages, this is not a very large sum. If a farmer employs three people, or if he is on wages himself and employs two others, runs 10,000 adult sheep and shears them and their progeny, he could well run up this amount. This then

means the farmer is landed with a pay-roll tax which can be a very high tax indeed. At this stage very few appreciate this fact. Even if a woolgrower's wage bill does not reach this figure, he must register and submit a return if his wages bill reaches \$400 in any one week. In the shearing industry this is a very small sum. Members would realise that a single shearer can earn about \$200 a week, so this will mean nearly every woolgrower will be inconvenienced by having to register and put in a return. There may be many who are remiss and will not do this but it will become even more obvious when this is a State tax and not a Federal tax.

The woolgrower will also be affected in other ways, and I mention in particular wool stores and abattoirs, which are both employers of labour. Again this tax will be passed on to the farmer.

The Hon. V. J. Ferry: How about road transport operators?

The Hon. D. J. WORDSWORTH: Yes, perhaps many of them will be caught also, as will firms concerned with bulk handling and this type of thing. Therefore, the farmers' costs will be increased by this tax.

This Government is very quick to blame others for inflationary action, but if one studies this Bill it will show that the Government is doing more than its share in this direction. When given the chance it jumped onto the bandwagon very quickly.

As the Leader of the Opposition mentioned, it is an unjust tax because the employer is taxed regardless of whether he makes a profit or not. Of course, in addition to this the employers are faced with increased stamp duty on cheques, increased motor vehicle costs, as well as the recent rise in telephone charges and postage. These things, added together, will be disastrous to the primary producer. He seems to be locked into an unprofitable business from which he cannot escape, and yet the primary producer is earning very necessary overseas funds.

The Australian public has begrudgingly consented to the 36c a pound guaranteed by the Federal Government to the woolgrowers. However, with the increased taxes being passed onto the primary producers together with the high wages which are seeping through to the industry, the woolgrower will see nothing at all of the 36c.

**THE HON. I. G. MEDCALF** (Metropolitan) [5.56 p.m.]: Pay-roll tax was first introduced in 1941 as a wartime measure for the purpose of providing child endowment. This does not make it very sensible at the present time. The tax has been in force in Australia for 30 years and it has been roundly condemned by a number of political parties and by many people in the period since its introduction.

Pay-roll tax is a strange tax in that it is levelled at the employer and hits at the base of employment. It is not a general tax spread across the community. As Mr. Griffith said, this tax is levied on expenditure rather than income and it has no relationship whatever to the ability of the person against whom it is levied to pay. It may be said, however, that a person who can afford to employ a certain number of people is capable of paying the tax; but it is not levied upon his income, it is levied on his expenditure once it reaches a certain level.

Not only has this tax been universally unpopular with political parties, and many associations including the Taxpayers' Association, together with other bodies in the community, but also it has been universally unpopular with State Governments of whatever political colour. State Governments have resisted this tax on their own employees for many years. If anybody doubts my statement, let me refer to the High Court case which was decided in May of this year. The States of Victoria and South Australia sued the Commonwealth Government on the ground that it did not have the power to levy pay-roll tax on State Government employees. This matter had been festering for many years. Sir Henry Bolke had many words to say and finally he threw down the gauntlet to the Commonwealth and took the question of taxing the State Government's pay-roll to the High Court. No doubt honourable members will recall the outcome of the case; the Commonwealth won—it was decided against the States. The States argued that the Commonwealth had no power to levy pay-roll tax on their employees' salaries—and it must be remembered at that time the tax was only 2½ per cent. Now, as Mr. Griffith has mentioned, it is to be 3½ per cent., a 40 per cent. increase on a rate which was found so reprehensible by all State Governments.

We now have the spectacle of our own State Government, in common with the other State Governments, blithely accepting this tax, including a tax on their own instrumentalities. We have written *finis* to all efforts to get rid of this tax. At the moment it has been accepted by the State Government and we have now ended—I was going to say a chapter, but I could say a book. The book is practically closed because after all our fruitless efforts to get rid of this tax during the intervening 30 years, the State has now accepted it. There is nowhere the power to resist it.

The Hon. A. F. Griffith: The thing that interests me is the statement that the only other thing the Commonwealth gave away was personal income tax.

The Hon. I. G. MEDCALF: That also interested me. I could not say it amused me because it was tempered with the feeling that we were witnessing a very sad event.

But I was interested to read in the second reading speech of the Leader of the House that the Commonwealth had made a study of the division of taxing powers and that it came up with two possible solutions; namely, that the States could take over pay-roll tax, or personal income tax. To me, this seemed to be quite astonishing.

At this stage I will not digress further and talk about that, because I would take myself into the realms of other taxes which the Commonwealth could give away and other action the Commonwealth could take, and I do not believe it is appropriate for me to discuss that in the context of this Bill.

There is, therefore, to be an increase of 1 per cent. in the rate of pay-roll tax; that is, from 2½ per cent. to 3½ per cent. This is a 40 per cent. straight increase in the tax right across the board for those persons who are obliged to pay the tax. All over the Commonwealth of Australia this will bring in extra revenue of approximately \$100,000,000. That is, with the increase of 1 per cent. in the pay-roll tax about \$100,000,000 will be taken from the taxpayers' pockets over and above the amount they had been paying prior to the States introducing this tax.

This, of course, will be, in the main, passed on to consumers one way or another in the form of higher prices. Western Australia, in one year, will collect \$8,400,000, and for the balance of this year something over \$6,000,000.

I believe, firstly, that this tax is discriminatory. I cannot see how anyone could conceive a tax that is more discriminatory. I will quote clause 8 of the Bill to the House. It reads as follows:—

Pay-roll tax shall be paid by the employer by whom the taxable wages are paid or payable.

This is a tax which is specifically directed at the employer.

This may be thought to be quite laudable by some members of the House. They may say, "Who better should pay the tax than the employer?" But what I am saying is that this is a discriminatory tax. If the employer is singled out to pay the tax, is that not discriminatory? Suppose clause 8 read—

Pay-roll tax shall be paid by the employee.

Would not that be equally discriminatory? Of course it would! It would be absurdly discriminatory. It may be felt, perhaps, that the employer is in a better position to pay the tax than the employee, but it does not alter the fact that it is still an act of rank discrimination.

It is discriminatory in the way it attaches to the employer only. Also for some years the Commonwealth Government has had an arrangement whereby a refund of pay-roll tax was made to certain employers who increased their export trade.

These employers received a concession. That in itself, whilst it may be completely laudable from the point of view of increasing our exports, is also discriminatory because there are many employers who are not in a position to produce goods for export. There is no need for me to labour that point. Many employers are engaged in domestic industries and they cannot enjoy any concessions because they are not producing goods for export. These provisions relating to concessions will be continued not in the legislation, but in the arrangements made between the Commonwealth and the States. The Commonwealth will continue to pay an export concession. I do not quarrel with that. I merely say that this is another illustration of how even refunds of the tax are discriminatory.

There may be good reason, however, for increasing the export trade; in fact, on other grounds, I well believe there is. Nevertheless, the Commonwealth Act is discriminatory both in its wording and in its implications. It is also inflationary. If it is considered the employer should be taxed because he can pass the tax on, this is an admission that it is inflationary and will increase the cost of living. If we frankly admit that it is all right to tax the employer because he will pass it on, I think it should be agreed that some can and some cannot. But let us say that some employers can pass the tax on. As soon as they do it will increase the cost of everything in the community which is provided by the industries of which the employers are members.

Those who can pass the tax on no doubt will and this will be inflationary; those who cannot pass the tax on will simply be discriminated against because they are employers who are not in a position to pass it on. I am well aware that the Commonwealth Act has been in existence for 30 years and for as long as I have ever had the opportunity I have opposed pay-roll tax. So my conscience is perfectly clear. I am not in any respect being inconsistent in my attitude and in what I have said on many occasions in other places. But now I believe the extra 1 per cent. to be paid in pay-roll tax will further increase the cost of living.

Let us consider the breweries as an example. Obviously the breweries must pay a large share of this pay-roll tax. No doubt the State Commissioner of Taxation could tell us—if not now on some future occasion—how much is to be paid by one of the breweries in Western Australia, and I can estimate it would be substantial. Will not that extra amount be written in as an added cost of production just like an increase in the cost of labour, stamp duty, or anything else? Surely it must be! If it is, does not that mean the price of beer will rise sooner or later?

The Hon. W. F. Willesee: Shame!

The Hon. I. G. MEDCALF: What about the oil companies? The price of petrol will go up sooner or later. This increase in pay-roll tax is, of course, one of those factors that will be absorbed in the cost of production. It will be the same with cigarettes and all the things that we hold dear in life.

The Hon. J. Dolan: How will it be a discriminatory tax when they pass it on?

The Hon. I. G. MEDCALF: In those circumstances it becomes inflationary.

The Hon. A. F. Griffith: Mr. Dolan would, perhaps, prefer a receipt duties tax.

The Hon. I. G. MEDCALF: Demands by wage earners will of course immediately follow the rises in the cost of all these products. As soon as the price of beer, petrol, and all the other essentials of life rise, naturally the worker will want an increase in pay and I would not blame him. As soon as he receives an increase in pay more pay-roll tax is paid by his employer because the payroll-tax increases, and the circle goes on and on and on. I do not know if it is ever-diminishing or ever-increasing. No doubt a mathematician could work that out, but the effect on the community is definitely inflationary. The cost is not always borne by the people who pay the tax. As Mr. Dolan has indicated, it goes into the cost of the products. It becomes an increased cost to the community. The increase is inflationary and this creates a demand for more wages and causes industrial unrest.

Generally, for those reasons, I do not think this is a healthy tax. In primary industry Mr. Wordsworth instanced how the farmer will be affected by the tax. He mentioned wool stores. I know one wool store which, by reason of the increase of 1 per cent., will have to pay an extra \$6,000 in pay-roll tax. That is only one particular store. If we spread that increase over every aspect of the primary industry in the long run these charges must be added to the costs of the primary producers. It is the wool and all the other products produced by the primary industry which ultimately bear all the costs the farmer has to pay.

*Sitting suspended from 6.10 to 7.30 p.m.*

The Hon. I. G. MEDCALF: Before the dinner suspension I was referring to the increased cost this additional 1 per cent.—which is to be the increase in pay-roll tax over that now paid to the Commonwealth—will impose on the taxpayers and on the whole community. Not only the taxpayers will be affected—the entire community will be affected because the products produced by industries will suffer under this pay-roll tax.

I referred to primary industry in particular and I indicated that it will also feel the impact of this pay-roll tax even though perhaps individual farmers may not be the subject of pay-roll tax. Most of them

will not be in a position to pay out the amount of wages and therefore will not be called upon to pay pay-roll tax. However this does not alter the fact they will be paying one way or another. In the increased prices of the products they must buy they will be meeting the tax or that part which is passed on to them. They already have so much to pay in additional costs that this will be just about the last straw for many of them.

Good ground exists for suggesting that the Treasurer should have paused for a moment and considered the effects the additional increase would have on the price of primary production. The 2½ per cent. has been imposed for so long it is written into the cost structure, but now an increase of 1 per cent. is to be made.

I understand the States themselves decided to increase the rate by 1 per cent. If I understand the proceedings which took place at the conference at which this was agreed between the State Premiers and the Prime Minister, no reference of the increase was made to the Prime Minister. I believe the States themselves decided to make the increase, and from the comments made by the Minister in another place, I understand the Prime Minister was not informed until the decision had been made that the States had agreed to increase the tax by 1 per cent.

The situation was that the Prime Minister made an offer to the States that they take over the existing pay-roll tax, and that was just about all there was to it. The States declined on the ground that they would take over an unpopular tax the Commonwealth had been administering. The Prime Minister then went back to his Treasury Department and returned with another offer to the State Premiers, which was also unsatisfactory to them. He again went away and came back with a further offer, but I understand that in the meantime the State Premiers had decided amongst themselves they would increase the tax by 1 per cent., and they did eventually accept the Commonwealth's terms. However I believe the Prime Minister was never informed before his final offer that the tax would go up by 1 per cent.

Therefore we cannot legitimately say it is the fault of the Commonwealth that the tax has been increased. It is in fact an increase which the States have imposed.

I do not suggest that in order to increase costs in the community the States have deliberately added 1 per cent. to the tax. That would be too absurd. They have made this increase because they need finance; but should they not have paused and considered for a moment at their many conferences which followed the first one and the conferences of their subordinate Treasury officers, that it was about time the limit at which this tax

should start should be raised? The limit was fixed in 1957 and I would have thought that at least one or another of the State Premiers would have taken the opportunity to suggest to the others that perhaps the time was ripe to increase the limit. They might also have suggested that an industry variation of the tax should be applied.

They must all have been aware of the hard-pressed condition of our primary industries and of the many troubles already facing farmers with the cost-price squeeze. More than any other section of the community at present the rural community needs assistance, and we are all aware of this because it is becoming more and more obvious as the months pass. Surely in June or July when these conferences were held, one of the State Premiers—perhaps our own Premier—could have said to his Treasury officers, "See what we can do about alleviating this tax in respect of primary industry. We are trying to help primary industry and this is a way we can. See if we can gain some concession and suggest to the other States that there be a concession."

However I have read the debates which took place in another place and there was no reference to our State Government having made any such suggestion; nor is there a reference to any other State Government having made the suggestion. But I will be happy to be told I am wrong and that in fact such suggestions were made. I will be happy to hear that our Government at least did try to increase the present deduction limit of \$20,800. I will also be happy to hear that action was taken, if it was; and also that suggestions were made concerning an industry variation under which certain hard-pressed industries—and I instance primary industry particularly—would be given some alleviation in respect of services and supplies of goods which directly affect it and otherwise will undoubtedly increase costs to the farmer—if indeed this was so.

I have on the notice paper amendments which will have the effect of increasing the general exemption of \$20,800 a year. This is what we might call the minimum limit on which pay-roll tax starts, and my amendment proposes to double that limit which was imposed in 1957. Since that time a tremendous amount of inflation, and increases in wages and costs generally have occurred.

Under this legislation we are dealing particularly with wages because we are discussing pay-roll tax which is a tax on wages paid by the employer. The effect of several of my amendments is to increase the general exemption from \$20,800 to \$41,600 which it is felt is a little more realistic in these days than the present figure which was fixed in 1957 and which ignores the inflation which has taken place in the intervening 14 years.

Another amendment on the notice paper will give some practical expression to what so far can be described as only the theory of decentralisation. I am aware that all political parties in this House subscribe to the theory of decentralisation and, as I have said, I can describe it only as a theory because it is so difficult to find illustrations of the theory having been put into practice.

I am aware that not only do the Country Party and the Liberal Party subscribe to this policy, but also the Labor Party because the Premier's policy speech contained a very strong statement on the matter. He did, in fact, propose practical measures under which he would ensure that industry would be decentralised. He blamed previous Governments for not taking the opportunity to decentralise industry. Yet here is a first-class opportunity for the Government to put into practice a proposal which is right in line with the decentralisation policy announced by the Premier.

The Hon. A. F. Griffith: A first-class opportunity.

The Hon. I. G. MEDCALF: It is not sufficient simply to give freight concessions or to make special arrangements for loans to primary industry. Such action alone is not sufficient, and I understand that is the line of thought in Government circles. A tax concession is a most practical way to implement the policy of decentralisation. Why, the Commonwealth Government has already found that by granting a rebate on pay-roll tax it can encourage a particular political matter it wanted to encourage; that is, export trade. It used this tax for that purpose and so could not our State Government do the same?

The Hon. R. Thompson: We have offered incentives for decentralisation in the form of railway freights, etc.

The Hon. I. G. MEDCALF: This would indeed be an incentive because it would be a reduction of tax payable by industries beyond 50 miles of the G.P.O.

The Hon. S. T. J. Thompson: How would you describe the big mining companies?

The Hon. I. G. MEDCALF: This matter would be for the Treasurer to decide. My amendment gives the Treasurer complete power to issue a certificate, and no doubt he would restrict this concession to new industries. In fact I am sure he would because clearly it would be ridiculous to use this amendment to benefit industries which are already established and paying their own way. I want it to be understood that the amendment is intended to be an intelligent way of offering an incentive to decentralisation in country districts.

I have a great deal of sympathy for the predicament in which the Premiers found themselves, but nevertheless I believe they grasped this tax too hastily. Whilst they

must do all they can to gain more money and balance their Budgets, they did not pause and think as long as they should have about the details of the tax they were accepting. I do not know that the Premiers seriously could have done anything but accept the pay-roll tax because of the situation in which they found themselves, but the terms could have been better thought out and ironed out before this Bill was introduced.

It will be stated that this is simply another tax grab. It should be qualified by the fact that the Premiers had to get the money from somewhere, and whilst they have taken on a bad tax nevertheless I sympathise with them in their predicament. However ways do exist by which this can be done with the least ill-effect to the community, particularly the hard-pressed areas. This tax should be implemented in the best possible manner in order to encourage small businesses and to bring the Act up to date with the inflation which has occurred in the last 14 years.

The Commonwealth is very glad to be rid of this tax, as Mr. Griffith has already indicated. At the Premiers' Conference the tax was described as a useful addition to revenue. It might be, but in my opinion it is a useless and mischievous tax. It is not, either, a real growth tax because it is a tax on wages. The greater the amount of wages the greater is the tax. This is not growth; this is an impediment to growth. Growth should encourage employment; it should encourage and stimulate high wages, not tax the one who pays them; it should not tax the person who is increasing his staff. The person who increases his pay-roll will now pay more tax. As a result of that probably very proper action on his part—that of increasing employment in the community and increasing the amount of wages paid—he must pay more tax.

This will increase tax, and that is why I do not consider this to be a *bona fide* growth tax. In addition, it will result in the Commonwealth reducing its grant each year. I would be glad to stand corrected on this if I am wrong, but it appears to me from my research that the Commonwealth grant will be reduced each year by the amount of pay-roll tax collected up to 2½ per cent. If the pay-roll tax increases, surely that means the Commonwealth's share of the pay-roll tax—the portion which is equivalent to the pay-roll tax up to 2½ per cent—will also increase and reduce the amount of the grant made by the Commonwealth. So the benefit of the increase will be received by the Commonwealth. The only benefit of any increase to the States is the amount over and above 2½ per cent.

Admittedly, it could be called a growth tax if it were increased by 1 per cent. or 1½ per cent. each year, but it would not be a proper growth tax in any sense of the

word then or as it now stands. It will be bad for employment. It will mean the more labour employed the more tax will be paid. I think it will have the effect of reducing the ability of industry to compete with other industries. Additional costs will be added right at the top. It may also mean—and I hope it does not—that instead of increasing employment opportunities it might increase mechanisation. That would be a bad thing for employees.

The Hon. G. C. MacKinnon: It seems that the Bill is designed to encourage automation.

The Hon. I. G. MEDCALF: It may well have that effect. Automation would decrease the need to employ people and that would reduce the tax instead of increasing it continually.

There is one other aspect which I feel I should mention, and that is the question of holiday pay and long-service leave pay. Traditionally, the Commonwealth has not levied pay-roll tax on those payments. Although the provision does not appear in the Bill I understand the Treasurer has indicated that he proposes to honour the arrangement which the Commonwealth had made relating to holiday pay and long-service leave pay. I believe that provision could have been written into the Bill now before us by amending the definition of wages which appears in the Bill. After all, if a definition appeared in the Commonwealth Bill could we not have amended that definition in this Bill?

I hope it will be so—and I believe it will be so—that the State Government will not charge pay-roll tax on holiday pay and long-service leave pay.

Under the new arrangements with the Commonwealth the States are able to adopt whatever rates they like, whatever exemptions they like, and whatever type of assessing provisions they consider desirable. I do not believe there is any requirement for uniformity, and it has already been indicated by the Leader of the House, in his second reading speech, that the States can adopt their own rates, exemptions, and assessing provisions.

I understand from the reports of the Commonwealth and States Premiers' Conference that it was made clear the States did have the power to make their own arrangements in respect of rates, exemptions, and assessing provisions. I therefore suggest it is quite within the power of the State of Western Australia to make a variation in its general exemption, and to attempt to cater for the difference between 1957 values and 1971 values. The deduction which has been permitted since 1957 is entirely inappropriate in 1971, and it should, at least, be doubled.

I believe the change in the general situation is also exemplified by the penalties included in the Bill. The penalties in the Commonwealth Act did not exceed \$200, but the penalties contained in the

Bill now before us are to a maximum of \$1,000 for various offences. In other words, penalties have increased fivefold which, surely, is a recognition of the increase which has occurred in the inflation of the economy.

Finally, I have placed an amendment on the notice paper to amend clause 18 to require the Commissioner of Taxation to give his reasons for an assessment. I believe it is entirely appropriate for the commissioner to give his reasons when he issues an assessment. The pay-roll tax will, in effect, be self collecting. The taxpayer will fill in a return each month and send in a cheque. If the return is incorrect the commissioner will send an assessment, but not otherwise. The commissioner will advise the amount of additional tax which must be paid, or request information which has been omitted from the return.

If the commissioner sends out an assessment I believe it is appropriate for him to give reasons, because that would assist the taxpayer. If there is a reason for the assessment why should the taxpayer not know about it? Surely the Commissioner of Taxation would not want to cloak the assessment with any mystery. I know that other taxation commissioners have wanted to do so, but I cannot see that our State Government would want to cloak in mystery the reasons for the commissioner issuing an assessment when such an assessment is within his legitimate rights.

In conclusion, I join with other speakers in saying I must vote for this Bill, but I do so very reluctantly. I realise, basically, the State Government did not have any option but to accept this measure in its present form; nor did it have any option but to accept the pay-roll tax, though I believe it could have given more thought to some of the finer points.

I believe we must support the Bill, however reluctantly. My only thought is: are we to have this pay-roll tax with us for all time? I do not believe there will be any more opposition from the States, for the reasons I have indicated. I do not know who will lead the opposition in the future. There will not be any effective opposition as I see it, and the State Government appears to be reconciled to the fact that it is prepared to live with the tax.

The Hon. A. F. Griffith: It may be that the Government will do what it promised with the road maintenance tax; get rid of it and impose something a lot worse.

The Hon. I. G. MEDCALF: Governments must have money and I know they must have money. However, there are better ways of bringing in money than through pay-roll tax. As I have said, I hope the Government will not consider that this tax will be with us for ever. There must be some more equitable way to levy taxation, and there must be a better solution. It behoves all of us to endeavour to look for that solution.

**THE HON. N. E. BAXTER** (Central) [7.54 p.m.]: My remarks on this Bill will be fairly brief. At the last Premiers' Conference the State Premiers went to the Commonwealth Treasurer, and the Prime Minister, with the idea of trying to obtain more finance for the States. The result of the request is the measure now before us which will transfer pay-roll tax to the States, and increase the pay-roll tax by 1 per cent. If, as Mr. Medcalf said, the decision to increase the pay-roll tax by 1 per cent. were made by the States, and not by the Commonwealth, the States would have little to gain from the proposition. The Commonwealth will reduce the Financial Assistance Grant by the  $2\frac{1}{2}$  per cent. I do not like those three words—Financial Assistance Grant—because the money involved is really a reimbursement of taxation from the Commonwealth to the States. However, the Commonwealth has got itself into the position where it grandly refers to the money as a financial assistance grant indicating that it is the big father handing to the little son his own money by way of a grant, and not as a reimbursement.

The amount to be deducted from the Financial Assistance Grant will represent the amount which the Commonwealth would normally have derived from the tax. Therefore, the States will gain very little under this system, unless the pay-roll tax is increased. The only amount the States can hope to gain will be that derived from progress and increased wages from year to year, if one can refer to an increase in wages as progress.

The final result of the measure now before us will depend on the amendments which are accepted or rejected during the Committee stage. I will not deal with the amendments on the notice paper at any length, but in the circumstances I consider they are going a bit too far. If we were convinced that the amendments were in order, and they were passed, I do not believe the State would gain anything at all. However, I will leave that for the Minister to deal with because when making his second reading speech he was not able to give any financial results from the exercise of pay-roll tax during the year 1971-72.

The Minister said that he did not propose at that time to detail the effect of the pay-roll tax transfer because the Budget was the appropriate occasion for the explanation regarding those matters. So we are left up in the air regarding the actual result to the State if this legislation is passed.

There is also reference in the Minister's second reading speech to the fact that the States are free to adopt such rates, exemptions, and assessing provisions as they deem desirable, subject to the conditions I have previously outlined. That means that if Western Australia desires to adopt a method of exemption different from that adopted in South Australia, it will be able

to do so without upsetting what one might call the complementary legislation operating throughout Australia. The only effect would be on the finances of the particular State, and the amount to be collected will be in the hands of the Government and in the hands of Parliament.

I believe some further exemptions may be necessary to deal fairly with the primary producers, as was mentioned by Mr. Medcalf and by Mr. Wordsworth, and perhaps in consideration of the increase in the wage structure over the last 12 or 18 months.

To go back to 1957 and try to make an adjustment by increasing the minimum amount to be exempted would not I think make this legislation sufficiently effective to enable the States to show any gain at all.

**The Hon. A. F. Griffith:** It was merely pointed out that there had been no change in the exemptions since 1957.

**The Hon. N. E. BAXTER:** I know, but we could go too far with this and say we would accept amendments to increase these amounts and still find the State Government not gaining anything from it. I think we all agree that the State Government of today needs additional finance, just as the Government of yesterday did, to meet the many demands for education, hospitals, housing, and the many other things we know are required. If we go so far as to amend the Bill in such a way that the State Government will receive from this source the same amount as it received under financial assistance from the Commonwealth, we would be wasting the time of this Chamber and of another place.

This legislation will only be worth while if the State makes some gain from it. If we go too far with these amendments, we might as well have left pay-roll tax with the Commonwealth. I close on that note. I do not think we should object to this Bill. I, for one, support the Bill. I suggest that in the Committee stage consideration should be given to making some adjustment, but not so far as the proposed amendments go.

**THE HON. G. C. MacKINNON** (Lower West) [8.02 p.m.]: Without analysing the Bill, I wish to discuss one or two aspects of the necessity for this Bill coming before the House. As with other speakers I believe it is inevitable, and, momentarily, I expected Sir Keith Watson to storm in and make a speech from the gallery because I can almost hear him saying, "This is probably the confidence trick to top them all."

I believe the Bill comes about as a result of an attitude on the part of the Federal Treasury—and I am not laying this on any party—which believes that, just because it happens to collect the money, by some magic means the money becomes Commonwealth money and every cent of it that is put out must have a string

attached to it, as well as rules and all sorts of accounting procedures. Over the years, we have seen, more and more, that every concession made by the Commonwealth is tied to some sort of string. We have even had the absurdity—about which I spoke many years ago—that if the Federal Government happens to find its Treasury a little over-full it will ask the States to tax again to the extent of its surplus so that it can hand out that surplus on a dollar-for-dollar basis. I said at the time I thought it was an absurd principle and I have never had any reason to change my mind.

The Hon. W. F. Willesee: Matching money.

The Hon. G. C. MacKINNON: Money is given for special purposes—special grants for kindergartens or old people's homes, whatever the case might be—because it is Commonwealth money. Of course, it is no such thing. It is money paid by Australian taxpayers for the provision of services for their benefit.

The Hon. A. F. Griffith: By State and Federal Governments.

The Hon. G. C. MacKINNON: And even local governments and agencies of Governments. All these things are provided through the sweat and toil of the ordinary working man in the community who with a great deal of good will, generally speaking, pays his tax to whatever agency is empowered to collect it, and he looks for that tax to be returned in services, facilities, and the like.

The States have found themselves consistently running downhill. When we look at the figures of the Federal authorities, we find they are being consistently more abundantly provided for. We have only to look at the debt situation to realise how drastic this trend has been. Those figures have been quoted too often for me to repeat them. I am trying to speak more on the philosophy of the matter than on facts and figures. We find ourselves in the situation of having abrogated all the political authorities of the States by taking over a tax which we have been fighting to get rid of for years, and the points about this tax are well known.

There are means of raising money and there are means of distributing money. If a Government is so unreliable as to spend its money unwisely and wantonly, the corrective measure is for the people to throw that Government out at the end of three years, and they would do so.

The Government of Western Australia, like the Government of any other State, has responsibilities which it faces up to and has faced up to over the years. This Government is no less responsible than the Federal Government, but anyone who has dealings with the Federal Government will find it seems to have the attitude that if a State is to get back any

of its taxpayers' money it must have the agency that collects the money looking over its shoulder all the time to ensure it is doing the right thing with the money. The only people who really have the authority to look over our shoulders are those who elect us and, strangely enough, they are the same people who elect the tax collecting agency, which is the Federal Government.

The crunch in the objection to this particular tax is not so much the tax itself as the principle that this sort of thing must happen. I think the really objectionable feature of the whole procedure has been clouded by the issue of the objectionable tax. To my mind, the objectionable feature is that State Premiers, in whom tremendous political authority rests, have been reduced to the situation of going to the Commonwealth Treasurer and asking for handouts which they can spend without having someone looking over their shoulders. To my mind, this objection is infinitely more serious than the objectionable nature of pay-roll tax—which tax, incidentally, I find completely and utterly repugnant.

As a slight aside, Mr. Medcalf spent some time talking about agricultural industries. There are also people who service those industries—manufacturers who have gone broke but still have to pay pay-roll tax.

The Hon. J. Heitman: They virtually pass it on.

The Hon. G. C. MacKINNON: Yes, until they work at a loss one year. They do not get it back. They still have to pay the tax again. I repeat that to my mind the repugnance of this tax is outweighed by the repugnance of the principle because this is a matter of State-Federal financial relations and there seems to be a feeling abroad that the handing over of this tax to the States has solved the problem. I think that is a myth. One does not solve problems with measures arising out of desperation. One solves a problem by examining the philosophical basis of the problem and arriving at a solution which is equitable to the man who provides the money—that is, the taxpayer—not a solution that is equitable to the Federal or State Government.

I repeat: I have no desire to analyse this particular tax. I believe the important matter is the fundamental reason for our discussing this particular tax, and it is the reason that I find to be so tremendously objectionable.

**THE HON. V. J. FERRY** (South-West) [8.11 p.m.]: I feel the passage of this Bill through the House is a foregone conclusion although it seems there is a possibility of some amendments being made to it on the way through. Most of the points have already been raised during the debate and I do not wish to go over what might be considered to be old ground. Nevertheless,

there are one or two points I would like to contribute to the debate, particularly in respect of the effect, as I see it, on certain industries in the State.

I find it a little bewildering that the Government has in fact introduced a taxing measure at this stage of its life, bearing in mind the cry during the last election. On the 13th February, 1971, the Premier was quoted in the Press as saying—

I am confident that without any increase in taxes I shall comfortably meet all the promises I have made.

I do not know whether the revenue that will be derived through this Bill will in fact be applied to any promises but the revenue will certainly flow into the Treasury, from whence disbursements for the State's wellbeing are made as the need arises.

According to *The West Australian* of the 2nd July, 1971, the Premier apparently had second thoughts since that time, because the following report appears:—

The Premier, Mr. Tonkin, warned yesterday that there would be increases in State taxation soon. However, details had not been worked out.

It seems to me that following its election to the Treasury benches, the Government has been obliged to reconsider its position in the light of circumstances. I am sure the people of Western Australia must also be having second thoughts. I make that point because I believe the people of this State are in for a larger dose of increases—perhaps an epidemic. We have had a forewarning of this in other proposed increases. Hospital charges have recently been increased. I understand there is a proposal to increase motor vehicle license fees, and no doubt other things will be increased. These are matters the people must try to understand.

The Hon. F. F. Cloughton: They always have understood.

The Hon. A. F. Griffith: The year 1973 will be a good one.

The Hon. J. L. Hunt: The river will still be flowing.

The Hon. V. J. FERRY: Pay-roll tax has been said to be discriminatory. I believe that to be true. It particularly discriminates against small businesses and businesses which are trying to maintain their position, especially in country districts.

It discriminates against firms which may care to expand and against new firms which perhaps may care to establish themselves and to employ people. I can see this occurring particularly in country areas, and affecting school-leavers. I have no doubt that the managements of many firms will have second thoughts about employing another person or several other persons because they will realise that

their pay-roll tax will be placed in a higher bracket, and they will be obliged to pay more tax.

Apart from the small firms, I could instance some industries, particularly in the south-west, which will be considerably disadvantaged. I could allude here to the timber industry of this State which is indeed going through a very trying period in endeavouring to sell its wares in the face of increasing competition from other materials such as synthetics, concrete flooring, and that sort of thing. I could instance the case of timber hauliers who already pay quite a large amount of pay-roll tax, and this measure will add to the cost structure of the timber industry.

I could also refer to those transport operators who service other primary industries—and we must bear in mind that the timber industry is, in fact, a primary industry. The transport operators and firms which service farming interests will be disadvantaged, and this must be passed on to the rural producer. Also, it comes at a time when we are endeavouring to diversify. It must indeed affect vegetable processing firms. We in this State are in the advantageous position of being able to produce vegetables as a result of good soil, regular rainfall, and our climatic conditions. We must be able to market that produce and, in marketing it, the cost structure is ever increasing. This measure will place yet another burden upon the people who are endeavouring to diversify in the agricultural field.

The same problem applies to the apple industry. Only today I attended the annual conference of the Western Australian Fruit Growers Association (Inc.). If ever a primary industry had trouble it is indeed the apple industry of Australia today and in particular of Western Australia, because the industry depends so much on export outlets for its products.

We have heard it mentioned that the freight rate for shipping overseas for the coming three-year period is likely to be increased by 50c a bushel over and above what was paid in the last season. So the imposition of pay-roll tax can only discourage the industry still further. Coupled with that, of course, is the dairy industry which is similarly affected particularly in relation to treatment plants and processing firms. This measure will impose another cost on the manufacture of milk products.

Very recently it was announced that there would be an increase in the shipping freight rate from the south to the north. From memory the increase is to be in the order of \$5 a ton. Here again is another imposition on industry in the south. This new freight rate particularly affects the timber industry which has an outlet—that is, it had one prior to the announcement of the increased freight rate—in Darwin. So pay-roll tax will affect the firms involved even further.

I notice that under this Bill it is proposed to exempt local authorities from being liable for this tax. I applaud the exemption. I would like to emphasise—and I think this was pointed out by Mr. Wordsworth—that the Commonwealth Government laid down that the exemption should apply, and so it has been written into this legislation. I concur with this and I think it is a good thing to be written into the legislation at a time when it was agreed between the Commonwealth and the States that pay-roll tax should pass to the administration of the States.

I cannot help but feel—even though, as has been stated, this Bill will follow an inevitable course—the results of the measure will be indeed inevitable. The measure is unquestionably inflationary and for that reason alone it is disappointing to find the State in such a position that it has no alternative but to accept the tax. I think we are all quite aware that this situation is to our detriment in the economic sense.

In this country we have so many needs. We have so many needs to promote jobs for people; so many needs to promote industry with all its ramifications and diversity. This sort of tax only discourages development of industry and if we cannot provide incentives for industry to provide employment and well-being for our country, I am afraid we will be going backwards. As I have already mentioned, I feel the passage of this Bill is inevitable; however, I felt it incumbent upon me to register the facts as I see them.

**THE HON. CLIVE GRIFFITHS** (South-East Metropolitan) [8.22 p.m.]: I wish to make a few brief remarks in relation to this Bill. Over the years, and particularly in recent years, I have often heard the statement made—particularly by members of the present Government—that we as Australians are the highest taxed people in the world. It would seem to me that, as a result of the devious taxes it is imposing upon the people, the Government is going out of its way to ensure that we hold that title for many years to come.

I have never liked this tax and other speakers tonight have expressed a similar point of view. I do not know how many members have had a personal experience of the imposition of this tax. I can assure members that I have. Prior to my election to this Chamber some six or seven years ago I had a modest business from which I battled to eke out a living. I am speaking now on behalf of people in the same situation.

I found that I had to tender to obtain work and to submit quotes which left virtually no profit to the proprietor in order to ensure the continued employment of employees who had given good service and who were good tradesmen. I decided

it was best to obtain a job even though we made very little profit. I found myself in the position where I had sufficient tradesmen to enable me to employ one more apprentice. I believe as an Australian that the best tradesmen we can get are tradesmen who are taught in Australia under Australian conditions, and I have always been a great advocate of that.

I told my accountant that we could employ a further apprentice because we had a sufficient number of tradesmen to permit us to do so. My accountant told me that we would have to pay the apprentice \$X—I cannot remember the amount—which would take us over the \$20,800 which is the minimum one can pay one's employees without paying pay-roll tax. I could not understand the position and so my accountant went on to explain to me that I would be the proud possessor of the most expensive first-year apprentice in history. The amount of pay-roll tax I would have been obliged to pay was my salary for the year and so, under those circumstances, I had the alternatives of either putting on an apprentice and dying of starvation, or else not employing an apprentice. Consequently, I decided not to employ the apprentice.

However, to be serious about the situation, I believe this tax was introduced in about 1941 as a result of some wartime necessity. Governments have got into the habit of imposing it upon people to such an extent that now they are reluctant to take it away. Having been looking for a growth tax of some description, the State Governments had no alternative, as other speakers have already mentioned, than to accept the tax when it was offered by the Commonwealth. The States considered it was the only type of growth tax they were likely to receive, and so they readily accepted it. I think that is fair enough.

I am responsible enough to realise that the Government must have money and that the election promises it made which were beyond its means to finance must be financed in some way or other. Pay-roll tax provides one method of finance. However, I believe the small businessmen to whom I referred a moment ago are being crucified in order to obtain the money needed by the Government. The minimum limit was back in 1957 or thereabout was \$20,800, and that is still to be the limit. I maintain that if we are to continue with pay-roll tax and to increase the percentage, then surely, in view of the inflationary trends which have occurred over the past few years, it is not unreasonable to expect the minimum of \$20,800 to be raised in proportion with the increases which have occurred in salaries.

My personal experience to which I referred occurred in about 1963 or 1964. It is now 1971 and, bearing in mind the inflationary trends, a small businessman

today whose pay-roll is under the \$20,800 limit would have a business only half the size of a business the pay-roll of which was within the minimum amount in 1963 or 1964, because salaries have increased during the intervening period. So we are penalising to a great extent the very small businessman who is running a business which, I would suggest, is half the size of the one I was running in 1963 or 1964. Such a businessman is in the position of being less able than the bigger industries to absorb this tax, because of his financial capacity.

Because of the smallness of his business he is less able to pass on the tax. That is caused by the difficulty of tendering for jobs, and the tight tendering position that exists, particularly in the building industry. A person does not need to be in business in a big way to pay \$20,800 a year in wages. Indeed, if he employs five or six tradesmen and an office girl his wages bill would exceed that amount. This is only a small business on a tight budget, and certainly it will be a long time before it will be able to pass on this tax. The Government has given absolutely no consideration to the small businessman.

Other members have spoken on behalf of the primary industries, but I am speaking on behalf of the small businessman who employs five or six tradesmen. I believe that at the present time we are doing everything possible under the sun to grind this class of employer into the ground. We all know that at the present time the condition of the building industry is not the best. Small employers over a number of years have gathered together first-class tradesmen who have stuck to their employers and who deserve consideration. Those employers should be taken into account; but here we go out of our way to compel them to put off some of their employees, as a result of the obnoxious pay-roll tax which was so ill-conceived firstly in 1941, and with which we have persisted over the years. Up till now we have not been able to speak on this tax, because it has been a Commonwealth tax. On this occasion we can, but we seem to be condoning the continuation of this discriminatory tax.

I have no alternative but to support the legislation, because the Government has to raise finance to meet its obligations to the people and this is one method it sees fit to adopt to raise the money. However, the Government has not given thought to the small businessman in the community. I only hope that he will manage to survive the further attack on him by the Government, with a total disregard for his welfare. Whilst I support the second reading, I am certainly not happy with the Bill.

**THE HON. W. R. WITHERS** (North) [8.34 p.m.]: I will be very brief in my remarks. In this instance the people of the north have not been considered. I

am appalled by the lack of consideration given by this Bill to those people. We find in the measure before us a situation where an employer in the city with a pay-roll bill exceeding \$20,800 a year is bound to pay the tax. It has been said that this amount will cover the wages of five or six men.

The position in the north is quite different. If members care to read my contribution to the Address-in-Reply they will see that I set out the incomes and the taxes relating to people in the north; and if they care to read my contribution to the Supply Bill they will see that I gave a complete report on the high costs because of isolation. If we take into account those figures, and the increase of \$5 per ton in freight charges—this will increase the freight per cubic foot by 12½c—we find that the people in the north must increase their incomes by \$566 per annum in order to meet the freight increases.

**The Hon. J. Dolan:** You are talking rubbish!

**The Hon. W. R. WITHERS:** I will prove to the Minister either now or later that what I am saying is correct. Everyone, including this Government, seems to have forgotten the inflation factor.

**The Hon. A. F. Griffith:** Don't you take any notice of the Minister for Police. He never interjects!

**The Hon. W. R. WITHERS:** If members accept the facts I have outlined they will undoubtedly agree that an employer in the north can only employ three men, as against five or six in the city, on a \$20,800 per annum pay-roll; yet no allowance has been made for the employers in the north or for the isolation factor, and it seems they are to be loaded further.

Mr. Medcalf has mentioned decentralisation. How can we have stable decentralisation when we load people in this manner? As I stated during the news interview on Channel 7 tonight, "We will always have decentralisation, the people being what they are. If we did not have the type of decentralisation that has been set up by these particular people there would be no Western Australia but only one great city or one concentration of population on the east coast of this country."

The only good feature I see in this Bill is that local authorities will not be made to pay the tax. I know the people of the State have to be provided with many things by this Government and that it must raise the necessary finance. I am ashamed to say that for this reason I will have to vote for the Bill.

**THE HON. R. F. CLAUGHTON** (North Metropolitan) [8.37 p.m.]: I shall not go into detail in my contribution to the debate, because I do not pretend to be an expert on these matters. I have followed the debate with interest, and apart from

the amendments that have been proposed I am in agreement with what has been said.

The pay-roll tax has been criticised over a good number of years. I do not think any State wishes to adopt this form of tax to increase its revenue, and it would prefer some other method; but being left with no alternative this method must be accepted by Western Australia and by the other States.

The amendments which have been outlined are somewhat misleading. The sum of \$1,700 referred to in one amendment is the monthly wage bill, and this is arrived at by dividing the amount of \$20,800 by 12. This allows for \$3,000 per annum as the average wage; and the \$20,800 would enable a person to employ five or six employees.

I refer to the 1970 annual report of the Department of Labour. On page 23 members will see listed the number of factories which employ between one and three persons. In this category there are 3,758 factories out of a total of 6,997. So, we see a considerable number of small businessmen—on whose behalf some members have pleaded—are exempted. If we look at the next category of factories—those employing between four and 10 persons—we find there are 1,944; here again quite a few of them could be included in the current exemption of \$20,800.

The idea of encouraging decentralisation has been put forward as a reason for the amendments. Bearing in mind that pay-roll tax has been imposed for a considerable number of years, the legislation before us will increase the tax by 1 per cent. That is all. It is only a marginal increase.

The Hon. A. F. Griffith: You regard a 40 per cent. increase as a marginal increase?

The Hon. R. F. CLAUGHTON: Despite the objections that have been raised, the pay-roll tax has been paid for some considerable time. In this respect it is interesting to refer to the bottom of page 22 of the annual report I have just referred to. The factories in the city division have decreased by 19; but those in the suburban division have increased by 261, and in the country division by 106. It seems that under the existing situation there is a tendency towards decentralisation. If we are to encourage decentralisation there are other ways of achieving this result, than by the selective way suggested in the amendments.

I do not think this is a good tax, and all the States would be very grateful if they could find some other form of taxation to increase their revenue. I suggest that if the previous Government had remained in office we would have a similar Bill before us on this occasion, containing exactly the same provisions.

**THE HON. W. F. WILLESEE** (North-East Metropolitan—Leader of the House) [8.42 p.m.]: First of all, let me thank members who have addressed themselves to the measure for the various points they have raised in the course of the debate and for the qualified support they have given. In the variety of questions that have been raised there has been a general reference to the level of exemption of \$20,800, to the lack of provision to encourage decentralisation, and to a provision relating to reasons for assessments being issued.

The transfer of pay-roll tax to the States is the result not only of an agreement between the Commonwealth and the States, but also an agreement between the States themselves as to a uniform level of exemption and rates. I think it is important to remember these factors when we consider the amendments. It is essential to realise that this tax is a basic feature of the Budget of every State for 1971-72, and that is certainly true of the Budget now being introduced in Western Australia.

I did not imply at any stage of my second reading speech, nor do I imply now, that pay-roll tax is the ideal growth tax, or that this Government or for that matter any Government enjoys imposing additional taxes. Nevertheless it is an inescapable fact that no Government can supply to its community the essential services the community needs if the Government is to be denied access to the taxes which provide the necessary funds.

The transfer of pay-roll tax to the States will produce no additional revenue, unless the rate is changed. The Commonwealth has made it perfectly clear that so far as this tax is concerned it will reduce the financial assistance grants by exactly the amount the State Government will receive if it carries on the tax at exactly the same rates and conditions as the Commonwealth currently applies.

The Commonwealth then went on to say that it was up to the States to impose their own rates and conditions, as they saw fit.

The Hon. A. F. Griffith: That was the three-card trick.

The Hon. W. F. WILLESEE: Obviously there would be no point in simply taking over a tax if there were no financial gain from that tax. Because of the imperative need to obtain funds to meet the increased cost of basic services of health, education, and the like, the States agreed to raise the rate in every State from 2½ per cent. to 3½ per cent. and to retain the general exemption at \$20,800.

This gives a gain of 1 per cent. extra to the States and it is from this source that this State will receive the \$6,300,000 included in the Budget for 1971-72. This

yield, and this important factor, is dependent on maintaining the exemption level at the figure of \$20,800. Any increase in this level will erode this yield and I emphasise that any change will be solely at the expense of the State.

The Hon. A. F. Griffith: What was meant by the words such rates, exemptions, and assessing provisions as they deem desirable?

The Hon. W. F. WILLESEE: I think the Leader of the Opposition described this in a most succinct way a short while ago when he called it the three-card trick.

The Hon. A. F. Griffith: Do you admit the Government fell for it?

The Hon. W. F. WILLESEE: I think all Governments have had to take this or get nothing, and this is what we got.

The Hon. I. G. Medcalf: Surely the State Government could have made a difference between itself and the other States if it so desired.

The Hon. W. F. WILLESEE: I do not think it was in a position to do this.

The Hon. I. G. Medcalf: But it could have done so.

The Hon. W. F. WILLESEE: Possibly, but it does not intend to do so. This piece of legislation is being meted out throughout Australia to all the States no matter what their political flavour might be.

The Hon. Clive Griffiths: That does not make it any better.

The Hon. W. F. WILLESEE: Of course it does not make it any better and I did not intend to convey that impression. The Commonwealth has made it clear in its published statements and at the conference of Treasury officials which followed the Premiers' Conference that for its part it was not prepared to compensate States for the changes in the level of general exemption.

Therefore, I repeat that any change must be at the expense of the State. Members will note that I have isolated pay-roll from other adjustments to the Financial Assistance Grant to make financial responsibility for exemptions clear.

In case I am accused of over-simplifying the position let me give a summary of the overall position referred to in the Budget speech. It may be described as a package deal as follows:—

- (1) The States would take over the tax and impose their own rates but an amount equivalent to the proceeds of this tax at the current rate of 2½ per cent. would be deducted from the Financial Assistance Grants which would have been payable under the arrangements agreed in 1970. This proposal gave the States no new money but merely substituted a new State tax for a Commonwealth Grant.

- (2) As a supplement to the formula Financial Assistance Grants normally payable in 1971-72, an amount of \$20,000,000 is to be distributed between the States in proportion to pay-roll tax collections in each State in 1971-72 at the rate of 2½ per cent. In addition, a sum of \$2,400,000 is to be distributed between the four less populous States so as to bring their allocations to what they would have been, had the \$20,000,000 been distributed in proportion to the Financial Assistance Grants. These amounts will be added to the base of the formula grants for the purpose of calculating those grants in subsequent years. From this arrangement, Western Australia can expect to receive about \$2,300,000 in 1971-72.

- (3) A non-recurring grant in 1971-72 of \$40,000,000 will be distributed between the States in proportion to their Financial Assistance Grants under the formula. We expect to receive \$4,500,000 under this arrangement.

Full details of the financial effects of these and other adjustments to our Financial Assistance Grant for 1971-72 have been given in the Budget speech which members will have read.

With the foregoing background I can now comment on the proposal, foreshadowed in amendments, to double the existing level of general exemption. That is to raise the annual level from \$20,800 to \$41,600. It should be borne in mind that the cost of this decision would have to be met by the State. In the terms of the Budget there is already a deficit of \$3,500,000, which is considered to be the maximum manageable deficit under current circumstances. Although we cannot precisely calculate the amount involved because as yet we have no access to individual pay-roll tax records held by the Commonwealth we can from the figures supplied to the State by the Commonwealth estimate that the sum will be between \$2,000,000 and \$3,000,000. This amount will be added to the deficit and to avoid having an unmanageable financial situation it would have to be replaced in some way.

Obviously the question of exemptions was considered by the States but in the light of their inescapable revenue needs it was not practical to change that without imposing a higher rate of 3½ per cent. I would point out that every State has adopted \$20,800 as a general exemption.

The Hon. A. F. Griffith: This admits that the smaller business man is being hit to leg.

The Hon. W. F. WILLESEE: I could give an example to disprove that. Inquiries reveal that neither the Commonwealth nor any other State has considered increasing it.

Any change in one State would also present difficulties in calculating amounts of State exemptions and refunds for inter-state businesses. Most important is the plain fact that when replacing revenue lost in some other way the proposal for double exemption cannot be financed. I cannot stress too strongly that we are not in a position to agree to this proposal because of the severe financial consequences that will arise as a result of an agreement to the suggestion and we have committed ourselves to a uniform approach with every other State. Therefore we are not prepared to accept fundamental changes of the type proposed. Further I point out that changes of this kind would have a bearing on Commonwealth-State financial relations because quite clearly if we are forced to reconsider this Bill as would be the case if the amendments were added to it inevitable delays would occur.

These, I believe, would result in Western Australia disrupting the whole of the pay-roll tax arrangements, because, as members are aware, the transfer cannot operate until every State has passed the necessary legislation.

From information that has recently been obtained from other States and the Commonwealth, it seems that all other States should succeed in having the legislation at 3½ per cent. with a general exemption level of \$20,800 passed in time to enable the planned operation to take place.

The Hon. A. F. Griffith: You cannot be sure that at this minute some other State Parliament is not arguing the position as we are.

The Hon. W. F. WILLESEE: That is very probable. If we are the only State which has not done this, then the Opposition must accept the full responsibility for any revenue losses which this and other Governments will incur and the disruption of the planned takeover.

For the reasons I have given I must advise the House that the Government will strongly oppose any proposal to increase the exemption level above \$20,800 per annum.

So far as the proposal to use pay-roll tax as a means of assisting decentralisation is concerned, in another place the Government has already agreed to give this consideration along with other proposals for assistance.

The Government has already stated that a special committee is examining ways and means of assisting industry to decentralise.

At this stage I am of the opinion that it would not be sensible or wise to write something into the law which may not be

the best way to achieve the objective, and this may well be the case with a pay-roll tax concession of the type proposed.

It could also mean, as it is impossible at this stage to cost this proposal, that other more desirable forms of assistance may have to be denied.

For these reasons I request that it be allowed to be fully examined before anything is hastily added to the law.

I now turn to the proposal that the commissioner is to give reasons for issuing an assessment. This has been discussed with the commissioner, who has no objection to giving his reasons. In fact, it is the policy of the department to give reasons for assessments if so desired. Therefore, the Government has no objection to this proposal and will not oppose it.

Question put and passed.

Bill read a second time.

#### *In Committee*

The Chairman of Committees (The Hon. N. E. Baxter) in the Chair; The Hon. W. F. Willesee (Leader of the House) in charge of the Bill.

Clauses 1 to 8 put and passed.

Clause 9: General exemption—

The Hon. I. G. MEDCALF: I move an amendment—

Page 11, lines 1 and 2—Delete the words "one thousand seven hundred and thirty-three dollars and thirty-three cents" and substitute the words "three thousand four hundred and sixty-six dollars and sixty-six cents".

I would like to explain what is probably quite apparent to members, that reference to the deletion of \$1,733.33 and the substitution of \$3,466.66 is really the monthly equivalent of \$20,800 and \$41,600. In other words, the pay-roll tax is required to be paid monthly; a monthly return is required.

This clause provides for a general exemption amounting to \$20,800 a year. It is calculated on a monthly basis and the prescribed monthly amount is one-twelfth of \$20,800. In other words, as appears in the Bill at the moment it is \$1,733.33. It is sought to increase the deduction by the monthly equivalent of twice \$20,800—in other words the monthly equivalent of \$41,600 per year—and the amount I wish to substitute is \$3,466.66. Simply, this seeks to double the present general exemption.

The reason for putting this in is that the figure of \$20,800 first came in in 1957. In that year I understand that in the Commonwealth Act that figure was selected as being appropriate as an exemption to small business. We have seen what has happened to payrolls and wages generally between 1957 and 1971. We have also witnessed the inflation which has upset the economy.

What was, in my view, probably a reasonable figure to fix in 1957—\$20,800—could hardly be thought to be a reasonable one today if we are to exempt the same kind of small businessman. In fact now we are including what were the small businessmen of 1957 because their pay-rolls have grown. I am talking relatively and not in respect of any particular business or persons. The type of business that employed four or five people in 1957 was exempt from pay-roll tax whereas this business will now be paying pay-roll tax because the amount of wages and salaries is over the limit of \$20,800.

This tendency is right through the community; it exists in the metropolitan area and in the country districts, wherever these businesses happen to be. Mr. Withers has already indicated it is even more noticeable in the Kimberley or other places where pay-rolls are necessarily higher.

Over the period from 1957 to 1971 there has been an increase in the basic wage of 133.7 per cent. This indicates how much the pay-rolls have increased and how the small businessmen of 1957 now come into the category of having to pay pay-roll tax.

If it is proper for the State to take over this tax should we not seek to restore the situation and give genuine relief to the people who are in the same category now as others were in 1957 when the limit was set? It seems proper for us to pay some attention to the plight of the small businessman.

After all, from time to time we have heard statements from most of the political parties—and I have in mind statements made by the Australian Labor Party—on the question of income tax and how, due to inflation which has occurred in our community, persons who were formerly paying a small amount of income tax are now paying a substantial amount simply because of inflation, as their wages may have doubled over a period of 14 or 15 years.

In other words, there have been no amendments to the rates of income tax over many years and this is analogous to the present situation; there has been no amendment to the rates of pay-roll tax. Over this period pay-roll tax has stayed the same so far as exemption is concerned. It seems only proper we should try to adjust this exemption on this occasion when we, as a State Parliament, have a say for the first time on pay-roll tax. We have never had a say previously because it was the exclusive prerogative of the Federal Government. We could only talk or write to Federal members, but we never got anywhere. Now the matter has come to this Parliament should we not consider this the opportunity to restore some justice to the small businessman? This is really the object of the amendment; namely, to endeavour to restore some justice to the small businessman who has lost

his exemption from pay-roll tax due to increases in wages and inflation in the economy generally over these years.

The Hon. W. F. WILLESEE: In supporting his amendment, Mr. Medcalf has followed on the line he took in his second reading speech. I have examples which show that the situation surrounding small businesses is not really as drastic as it may appear. I have already advised that to raise the level from \$20,800 to \$41,600 would entail administrative difficulties and destroy the uniform application of the tax. Therefore, so far as the Government is concerned, it does not wish to entertain this amendment.

With regard to the burden on the small businessman, the existing level has applied since 1957. There were no proposals to change this before the States were offered the tax.

The Hon. A. F. Griffith: Was it discussed?

The Hon. W. F. WILLESEE: I would also point out that the maximum benefit from Mr. Medcalf's proposal would not go to the small businessman. The description of the concession as "a general exemption", which was taken from the Commonwealth Act, may be a little misleading. It is clearer if it is called a general deduction, because it applies to all.

I shall give a basic example. If a business has a pay-roll tax of \$20,900 it will pay tax on \$100 after deducting the current figure of \$20,800. This would require an annual tax payment of \$3.50 at the 3½ per cent. rate. A business with a pay-roll of \$1,000,000 will pay tax on \$979,200, after deducting the current amount of \$20,800. This would require an annual tax payment of \$34,272 at the 3½ per cent. rate. On the examples given, the smaller concern would receive the benefit of \$3.50 per annum, if the exemption is doubled, while the large concern would receive a benefit of \$728 per annum.

From what has been said, it is clear that if the proposed reduction in tax of at least \$2,000,000 is granted obviously it must be obtained from elsewhere. This will not be from the Commonwealth as that Government has made its position very clear. Consequently, I must oppose the amendment.

The Hon. L. A. LOGAN: Once again we are being asked to vote for something of which we know very little so far as amounts of money are concerned. This fact disturbs me to some extent; it seems rather like a stab in the dark.

Some confusion has arisen in my mind with regard to the amendment on the notice paper through the statement that has now been made by the Leader of the House who talked about the exemption applying not to a salary range of \$20,800, but to this amount being deducted before a business starts to pay pay-roll tax. This

puts an entirely different light on the situation and certainly on how I am prepared to vote to this amendment.

I was prepared to go along with some alteration to the amount, but not to the extent of doubling it. Considering the explanation which the Committee has just heard, I consider we would be better to leave it as it is.

The Hon. A. F. Griffith: What do you now understand it to be that you did not think it was before?

The Hon. L. A. LOGAN: The impression right through the debate has been that a firm with a pay-roll of \$20,900 would be paying taxation on \$20,900.

The Hon. A. F. Griffith: No.

The Hon. L. A. LOGAN: Yes; I suggest that the Leader of the Opposition should read the debate.

The Hon. D. J. Wordsworth: None of us can read the Bill.

The Hon. Clive Griffiths: That has never been said.

The Hon. L. A. LOGAN: If we raise the level of exemption to \$40,000 and make this the amount to be deducted whom will it help? I am not here to help the Labor Party out of its problems because it made extravagant statements at the election, but I have in mind that the Budget has already been presented to Parliament with a deficit of \$3,500,000. I think we may be putting the State—not the Government, but the State—in a fairly serious situation if we increase the deficit by another \$2,000,000 or reduce expenditure by \$2,000,000 on services which the State requires, whether it be hospitalisation, education, child welfare or native welfare.

On reading the measure I realise it says that the amount of money in question can be exempted. Although I realise this, the implication in the debate has been quite different.

The Hon. Clive Griffiths: It was not.

The Hon. L. A. LOGAN: I suggest the honourable member should read what he said about small businesses. He said that once a firm pays \$20,800 and puts on another employee, it has to start paying a rate of tax.

The Hon. A. F. Griffith: If the pay-roll went over \$20,800.

The Hon. L. A. LOGAN: It was said that this applied immediately the pay-roll went over \$20,800.

The Hon. Clive Griffiths: That is right.

The Hon. L. A. LOGAN: The honourable member did not say how much had to be paid, but implied that tax would be paid on the amount of \$20,800.

The Hon. Clive Griffiths: I did not.

The Hon. L. A. LOGAN: The honourable member did.

The CHAIRMAN: Order!

The Hon. L. A. LOGAN: This has been the impression right throughout the debate.

The Hon. V. J. Ferry: Not with other members.

The Hon. L. A. LOGAN: I do not know what the effect of the amendment would be and nobody can tell me this. How many businesses would qualify by raising the level of exemption? I understand only 4,700 are paying it in any case. How many will be affected? If the exemption is raised and money is not collected, to what extent will we reduce income? No one has given us answers to these questions, but we are supposed to give the matter reasoned deliberation and then vote. Unless I can obtain these figures I am not prepared to support the amendment, because I would not be carrying out my responsibilities in voting for it.

The Hon. A. F. GRIFFITH: The Minister made it perfectly clear in his second reading speech what the position is. As an individual, it has been clear to me all the way through that what the Minister said was the correct position. He said that Commonwealth-imposed pay-roll tax takes in all employers including State Government and local authorities whose annual pay-roll of taxable wages exceeds \$20,800. This means that the excess above \$20,800 is taxable.

When I listened to Mr. Clive Griffiths I understood him to say that he did not put on an additional apprentice because it would have taken his pay-roll bill in excess of \$20,800.

The Hon. Clive Griffiths: It would have made him the most expensive apprentice imaginable.

The Hon. A. F. GRIFFITH: Had this happened, he would have had to pay pay-roll tax. I am sorry Mr. Logan did not understand it as I understand it. What is proposed is quite clear in my mind. Whichever figure is correct—whether it is the 4,600 people approximately mentioned by Mr. Logan or the 3,600 mentioned by Mr. Cloughton from the Department of Labour booklet—it strikes me that the imposition of the tax is very heavy indeed on this section of the community.

The Hon. G. W. Berry: Never was so much paid by so few.

The Hon. A. F. GRIFFITH: That is quite a good remark. It is very heavy indeed. I agree we must have a sense of responsibility. I would not concede Mr. Medcalf is losing his sense of responsibility in suggesting that the basis of exemption, which has not been changed since 1957, should perhaps be changed; certainly we should look at the actual amount of the basic exemption.

We now know what Mr. Logan's attitude is, and we have heard from the Minister what the Government's attitude is. Is there any room at all for improvement? Instead of saying that the responsibility will lie on the people in the Legislative Council—and this rings a bell in my ears because a little while ago that is what the Government wanted the Legislative Council to do—is there any hope that the Government could have regard to increasing this amount in any way? If double the amount is not acceptable could we go some of the way to help the smaller businessman whom Mr. Medcalf, Mr. Clive Griffiths, and others have mentioned? Let us try to see whether we can go some way on the amendment moved by Mr. Medcalf.

The Hon. CLIVE GRIFFITHS: I wish only to say that at the second reading stage I said that when the pay-roll exceeded \$20,800 my organisation would be liable to pay-roll tax from that point onward, or words to that effect. I did not say how much pay-roll tax. However, I knew perfectly well what the situation was and it never entered my head that any member of this Chamber was not aware of it. It has always been perfectly clear to me. The Minister and the Leader of the Opposition have clearly stated this for those who had no previous experience.

I am not concerned about the fellow who is paying \$20,900, but I am concerned about the fellow who in 1957 became eligible to pay at over \$20,800 and who could today be paying \$41,600 in the same circumstances. The increase then becomes not inconsiderable.

This is further emphasised, as the Minister pointed out, that \$2,000,000 or \$3,000,000 of the total \$6,500,000 comes from people who have a payroll of between \$20,800 and \$41,600. That statement substantiates what I have been trying to say, that it is the small businessman who will bear the brunt of this particular taxation.

The Hon. V. J. Ferry: Thank you for the guide.

The Hon. CLIVE GRIFFITHS: The small businessman is the least able to bear it. I do not think it is unreasonable for us to expect the tax to be on a similar footing to what it was in 1957. Mr. Medcalf indicated that the basic wage has increased by 137 per cent. in the meantime, and I presume that that figure is correct.

The Hon. R. Thompson: I think you should take this to its logical conclusion; costs have gone up about 200 per cent. and profits about 250 per cent. You just cannot pick one figure out of the air.

The Hon. CLIVE GRIFFITHS: The honourable member can tell us in a minute because I will be sitting down. I believe the small businessman ought to be able to stay on a comparable footing to what he was in 1957 when the \$20,800 figure was

instituted. It seems to me between the figure in the Bill and the figure suggested in the amendment there are a lot of small business people who are expected to pay nearly one-half of the total.

I do not suggest the Government does not need the \$6,500,000, but I do suggest it will be getting it from the wrong people. Some consideration should be shown to people in this particular category, some semblance of appreciation of the position in which they find themselves through no fault of their own. It is not the fault of these people that the building rate is declining and business is tough at the moment. To be subjected to this unfair tax and to be expected to pay up to 50 per cent. is an imposition I do not believe should be placed upon them. I support the amendment.

The Hon. W. F. WILLESEE: There is one point I would like to correct. When Mr. Griffith asked me if the matter had been discussed at Commonwealth level, I said I did not think so. I am advised it was discussed at the officials' conference after the Premiers' Conference and that the Commonwealth would not agree to meet the cost of raising the exemption. I am sorry, I was in error earlier.

The Hon. A. F. GRIFFITH: This means it was discussed by officers at the Premiers' Conference but not discussed by the Premiers and the Prime Minister or the Federal Treasurer.

The Hon. W. F. WILLESEE: That is so.

The Hon. A. F. GRIFFITH: That is a nice how-do-you-do.

The Hon. W. F. WILLESEE: I am also advised there is nothing like the number of small people involved as members would think. A forecast of figures is like this: there are 22,000 shops registered with the Department of Labour. This does not include the north-west and offices such as banks, insurance companies and other Government offices. There could be about 30,000 wage-paying establishments, and there would be about 460,000 on the payroll as taxpayers. Most of these would make up the greater proportion of the people who would pay. Very few of the small people would be in that group from the information available to us at this time.

Therefore, I get back to where I started, the amendment is not acceptable to the Government and under all the circumstances I would have to oppose it.

The Hon. A. F. GRIFFITH: I feel that I must pursue the matter upon which the Leader of the House gave us certain information a few minutes ago. Am I correct in assuming at the Premiers' Conference, where the Prime Minister and Federal Treasurer were in attendance with the State Premiers, the matter of increasing the basic exemption was not discussed and that it was discussed subsequently at

a meeting of officers and that the Commonwealth officers said they were not prepared to agree to any lifting of the base exemption? Am I right in that assumption?

The Hon. W. F. Willesee: I am told "No".

The Hon. A. F. GRIFFITH: Did the Premiers in fact put forward the suggestion to the Commonwealth or amongst themselves?

The Hon. W. F. Willesee: I do not think I can answer that specifically. I took the note down exactly as it was given to me.

The Hon. A. F. GRIFFITH: All I am trying to establish is this: did the Premiers themselves have a meeting about this?

The Hon. W. F. Willesee: I can only tell you I am advised that the officer giving me this advice would not know if they did.

The Hon. A. F. GRIFFITH: I can concede that the Leader of the House would not necessarily know unless the Premier of this State or the Premier of some other State imparted the information that they had tried to get an exemption. Unless I have information to the contrary, I am inclined to the belief that they did not discuss it. That is a pure guess on my part but I think it is very likely true.

The problem that I see here is that any increase in the basic exemption from \$20,800 up to some other figure may benefit everybody. I do not always subscribe to the principle of taxing the fellow who can best afford to pay, although it is a tendency on the part of Governments today and this is reflected in personal income tax. This policy reduces incentive. I realise there is a difficulty in giving a blanket overall exemption in that it benefits the company with a \$1,000,000 pay-roll as well as the man with a pay-roll between \$20,800 and \$41,600.

Mr. Medcalf's objective is to give some relief to the small businessman. There may be a way of doing this on a sliding scale basis, thus giving exemption to the man who deserves it rather than an overall exemption. This may be contrary to Mr. Medcalf's ideas but I am searching for something which is not too costly to the Treasury and which would overcome the problem which I feel was not given much attention at the Premiers' Conference when the decision was made. I am willing to listen to any suggestions.

The Hon. I. G. MEDCALF: That proposal is exactly what I had in mind when I embarked upon this amendment.

As I see it, the object of the exercise is to try to do something for the person who did not have a pay-roll of \$20,800 when that limit was first applied. In other words, he was a *bona fide* small businessman, and I believe we should try to do something for him because he is in a

difficult position. Often it is touch and go whether some of these small businessmen will continue in business.

There are many things nowadays which make it difficult for people to continue in business and we should encourage them. These small businessmen stimulate trade and this in turn means employment for other people in the community.

It should be possible to assist the small businessman without affecting the payments made by organisations whose pay-rolls are substantially in excess of \$41,600. This need not affect the base figure of \$20,800 but perhaps if a small businessman did not have a pay-roll in excess of some greater figure, he could obtain an exemption, but the business whose pay-roll was in excess of that figure would continue to pay on the old basis. I am trying to assist the *bona fide* small business which was in existence and was exempted when that limit was devised. I believe this type of business is still operating but it is paying more wages. I do not dispute the fact that wages have gone up, but I am disputing the fact that there is no provision for the changes caused by inflation. It is the same situation with income tax, although there has been an increase in wages and salary, the income tax has remained the same. The real purchasing power of the wages is no better but the tax is increased and this is the same thing with regard to pay-roll tax.

The object of this exercise was not to protect the substantial businesses, but to protect the *bona fide* man who enjoyed an exemption before 1947, and to ensure that he retained his proportionate exemption with the inflated amounts. I was wondering whether this could be worked out without much trouble.

The Hon. S. T. J. THOMPSON: I have studied these amendments and I cannot see how they will help the small man without helping the big man. If something could be devised along the lines of the amendments proposed by Mr. Griffith and Mr. Medcalf it would be well worth while.

The Hon. W. R. WITHERS: Let us consider the small man. In Western Australia today we are trying to develop the theme, "Buy Western Australian goods." If a manufacturer wants to start a small industry to produce goods in Western Australia that are at present being produced overseas or in the Eastern States but not here, he usually starts with a factory employing three or four men. If his product is any good he will soon develop to the stage where he is employing 12 or more men. The pay-roll tax is only added to the cost of the product which means that at a time when we are trying to develop small businesses in Western Australia we are not giving them any encouragement. What we should be doing is saying, "Let us have a look at the basic wage in 1957 and the basic wage now. If

he paid a total of \$20,800 in 1957 how would this compare with the total he would pay in wages today?" I understand the basic wage or the national wage now is nearly double what it was in 1957.

If we agree to the amendment moved by Mr. Medcalf we would find that new businesses would be able to start in Western Australia to produce goods that would not be as costly if we had a limit of, say, \$41,600 instead of the limit of \$20,800.

The Hon. R. F. CLAUGHTON: In comparing income tax with pay-roll tax I am not sure whether Mr. Medcalf means the Government should do the same with one as it would with the other. The criticism in regard to income tax is that the levels of income have remained unchanged for a considerable period of time. Whereas the average income may have been around \$2,000 some time ago, it may now be \$4,000. Whereas previously the \$2,000 income would be in the upper income bracket the same could not be said about an income of \$4,000 today.

The object of the assessment on the income scales is to upgrade them so that the same amount of tax is collected, but there are reduced payments in the lower income brackets to allow for the lower average income that is now received. The effect would be that the people on higher incomes would contribute more so that the total collections by the Commonwealth would remain the same. If this is what Mr. Medcalf is proposing, that which Mr. Willesee indicated earlier would happen; that is, the exemption level would be raised, but then the rate of collection would have to be increased so that those people who still pay would be contributing more to ensure that the total collections remained the same. If this is what Mr. Medcalf is proposing he has not made his intention clear.

I gather that he wants to ensure exemption for the small businessman, but does not want to make any other change. I cannot see how we can support this. The State Government is in financial difficulties and it has had to bear reductions. It has no means of adjusting what it has to pay out and easing its own burden. I think at this time we must support what is proposed. However, I believe the Government could take note of what has been said and in future negotiations with other States it could try to raise the level at a more favourable time. It would be quite wrong if we insisted that this be done at this stage.

The Hon. L. A. LOGAN: I have no objection to assistance being given to the small businessman, but I do not think the amendment before the Chamber will achieve that. It seems to me there is some concern for the small businesses that were operating in 1957. I venture to say that

with the progressive development of Western Australia, the small businesses that were operating in 1957 have not progressed side by side with the development of the State and, in fact, probably many have gone out of business. Therefore the number that still remain in business are few and far between.

What worries me from the information we have been able to glean is that if the exemption were increased I believe that an amount of \$2,000,000 may be lost. If it is a fact that there are 4,600 people paying pay-roll tax this will bring in \$2,000,000 over the 12 months. This means that approximately one-quarter of them are to be exempt somewhere along the line. I know this is not the wish of the Committee and this makes it difficult for me to get an appreciation of the effect of the amendment. We are being asked to vote on something about which we do not know the answer.

I do not know how it will be done, but if some means can be devised to help the small businessman I would not be opposed to it. Undoubtedly, on many occasions, the small businessman could possibly be assisted. When I raised the argument before, Mr. Clive Griffiths mentioned that when he put an apprentice on he was paying him \$1,000 a year plus \$25 in pay-roll tax and he was probably the most expensive apprentice in Western Australia, but at this stage of the game I do not think that figure would make his apprentice very expensive.

I cannot support the amendment as it is before the Committee at present, but if there is some way of achieving what is intended I will be in favour of it.

The Hon. CLIVE GRIFFITHS: As it is obviously concerning him, I will put Mr. Logan's mind at rest concerning the apprentice. If his salary had been \$1,000 and I had been taxed an extra \$25, this would certainly have made him the most expensive apprentice in Western Australia, and his salary would have been \$1,000, and not \$1,025. The other point I want to make clear to him is that the businessman who was operating in 1957 is not the one I am worrying about at the moment.

The Hon. A. F. Griffith: He is on the pension now.

The Hon. CLIVE GRIFFITHS: That is right; he has retired. It is the small businessman who, today, is on the same footing as the small businessman was in 1957. This is the small businessman to whom I was referring in the remarks I made previously. I could perhaps go on to say that if the small businessman in 1957 had been paying 3½ per cent. pay-roll tax he probably would have gone broke.

The Hon. I. G. MEDCALF: I want to comment on what Mr. Cloughton has said. The analogy with income tax was that if a man were earning \$2,000 and that, at

one stage, was sufficient to keep him in reasonable prosperity, he would be paying tax at a rate applicable to \$2,000. However, after the passage of time his income, which is increased to \$4,000, is supposed to keep him in reasonable prosperity, and he will be paying tax on an income of \$4,000 which means that his payments are considerably increased compared with what he was paying on an income of \$2,000.

I hope members will appreciate that we are taking these figures out of the air. The idea is that the rates of tax have remained the same. The income required to generate the same state of prosperity and to provide for all his requirements in life means that he is in a higher income bracket and he is required to pay more in income tax and he still must maintain the same standard of living. The same position arises in relation to pay-roll tax. It is a proper analogy and that is the reason I introduced it.

If we leave the exemption exactly the same as it was we are not doing justice to the small businessman to whom we are referring. I would like to refer to what Mr. Logan said about the small businessman. I did not mean to indicate that we were talking about the small businessman. I quite agree with Mr. Logan that such people have either become the owners of large businesses or they have gone broke. I am speaking of the equivalent kind of business; the man who employs four to six men and who was exempt in 1957, but who is not exempt today. My request to the Minister was that there may be some way to protect that small businessman without exempting the big businessman.

The Hon. W. F. WILLESEE: The position of the small businessman has been well prepared and submitted and I will make the general concern known to the Treasurer. My position at the moment is that I cannot give any undertaking whatever to interfere with the concept of this legislation. I must endeavour to have this Bill returned as it was submitted to us. If the Committee amends it, I must accept that judgment.

What has been said tonight is germane to a review and must be kept well and truly in mind when budgetary preparations are made. For now this is part and parcel of the present Budget and I must therefore oppose the amendment.

The Hon. A. F. GRIFFITH: This is part of the budgetary proposals now and the next budgetary proposal will be in 12 months' time. Whilst I fully appreciate the fact that the Leader of the House cannot commit his Government in any way, and I would not expect him to do so, I cannot let the matter go on the basis that at the next budgetary consideration it will be dealt with.

I do not think it would be difficult to draft an amendment to offer some relief to the man we have been discussing. I

am prepared to admit, and I am sure Mr. Medcalf is also, that if \$41,600 were the figure across the board, this could be a costly experiment to the Government. We have been told it could cost between \$2,000,000 and \$3,000,000 which is a pretty vague sort of figure. I suppose it is essentially a vague stab in the dark; but it should not be too difficult a task for the Treasurer to work out what the lifting of the \$20,800 to some other figure would be even if it were not given across the board. In other words the Government should be able to find some amendment to grant an exemption to a certain figure. This would mean that the man with the \$1,000,000 wages bill would continue to pay the tax, but the man about whom we are concerned would be afforded some relief.

We are complaining because \$20,800 was worth \$20,800 14 years ago, but it is certainly not worth that much in 1971. We will not necessarily run out of time although the Minister is to move for the suspension of Standing Orders. I would like the reactions of the Leader of the House without asking him to commit his Government in any way. Can something be worked out so that a person does not pay tax until his wages bill reaches a certain amount, but this need not apply to people across the board?

The only alternative, if this amendment is carried, is for the Bill to return to another place with a message to that effect. If the amendment is not carried then, for a year, we will not have the opportunity to make any adjustment for the man whose case we are pleading.

The Hon. W. F. WILLESEE: I can only advise the Leader of the Opposition as I am being advised at this moment. We could not make this investigation. For a start the information is not yet available from the Commonwealth and this type of work could not be done as quickly as we desire.

The Hon. A. F. Griffith: And yet we can be told in a flash that a general exemption of \$41,600 will cost somewhere between \$2,000,000 and \$3,000,000.

The Hon. W. F. WILLESEE: I have had to give a figure and the one I have given was the one which was given to me. I have already said I will draw the attention of the Treasurer to the case submitted, but I must oppose the amendment.

I must also oppose the proposal of the Leader of the Opposition although I will ask that some consideration be given to this matter in the future.

The Hon. L. A. LOGAN: I realise that time is the essence of the contract because this Bill must be passed by both places by Thursday night. If the Leader of the House will not adjourn the debate on the Bill for the time being, the only alternative is to accept the amendment. This would then necessitate a conference

because I am sure the Government will not accept it. I am in a pretty difficult position, but that is the only alternative.

I realise the position of the Leader of the House, but I also realise the position which faces me and those who sit beside me. As Mr. Griffith has said we will have no other opportunity to deal with this matter for another 12 months. I do not know whether any other solution can be found in the time available, but rather than force this matter to a conference which could take time, it might be better if the matter could be adjourned for the time being in order to see whether something can be done. I have said I oppose the amendment, but if I do this and the amendment is defeated, we can do nothing further for 12 months.

The Hon. W. F. WILLESEE: If it would help I suppose I could postpone the Bill, but I feel certain I would be back here tomorrow afternoon in exactly the same position because I am advised by the very person who would advise the Government that we can do nothing about this matter at such short notice. I would be establishing a false hope if at this stage I asked for a short adjournment. I must take the calculated risk that this amendment will be carried, and still oppose it.

The Hon. A. F. GRIFFITH: I have a suggestion, although I will probably get into trouble for making it. Perhaps we should not pass an amendment which is likely to cost the Treasury \$2,000,000 or \$3,000,000, although I use the expression loosely because I am not satisfied about the figure given us.

I suggest we pass this clause as it is, by defeating the amendment on the voices, on the clear understanding that in the time available an effort be made to draft an amendment to give the type of exemption we are seeking. This does not commit the Leader of the House or us. We can then recommit the clause in plenty of time tomorrow and start again. We could not achieve Mr. Logan's objective, laudable though it is, because we will not have enough time.

I have not had an opportunity to consult Mr. Medcalf, but to me this will give us an opportunity to find a solution. However I want the Government to demonstrate that it is in fact willing to do something, and when I raise my voice I am not blaming the Leader of the House. However, he is in a position to have this matter studied to see whether something can be done. I am sure that if a reasonable proposition were advanced, it would not be too costly and then the assistance Mr. Medcalf, Mr. Logan, and The Hon. S. T. J. Thompson want given to this section of the community will be possible. This can be done only if the Government is prepared to show a willing hand. I would rather this be done by the Government than around the conference table.

The Hon. W. F. WILLESEE: I do not think it is a question of the Government not showing a willing hand. The time factor is vital at the moment. I can quite easily accept the proposition of the Leader of the House, but I am very doubtful whether, in the time available and with the advice given me, I can submit a proposal satisfactory to the Committee.

I would hesitate very much to stand here tomorrow afternoon and say we could not do anything about it, thereby confirming, in effect, what I have been saying tonight. I think therein lies a great danger. I believe the points raised will have an effect in the long term, but I cannot see how in less than 24 hours, we can achieve in practice, what the honourable member has put forward. I appreciate the point that has been made an issue in the proposed amendment. In any other Bill except a Bill of this nature I would probably have some manoeuvrability, but although I believe the proposal put forward by the Leader of the Opposition is a very reasonable one, in all the circumstances I do not think I could achieve what he wants. I would falsely raise the hopes of the Committee, and it would not be wise for me to do so when I believe I cannot achieve anything in the time that is available.

The Hon. A. F. Griffith: But you will try?

The Hon. W. F. WILLESEE: Yes. Does the Leader of the Opposition mean between now and tomorrow?

The Hon. A. F. Griffith: We have a few brains on our side, too. We might be able to come up with something for your consideration. We will try. All the Leader of the House has to do is get the third reading through by Thursday and send the Bill back to the Legislative Assembly.

The Hon. W. F. WILLESEE: By Wednesday.

The Hon. A. F. Griffith: Why?

The Hon. W. F. WILLESEE: If the Bill is amended, we want to have it back on Thursday for purposes of a conference.

The Hon. A. F. Griffith: If the Bill is amended, the amendment could be by acquiescence on the part of the Government, through the Leader of the House, and there would be no necessity for a conference.

The Hon. W. F. WILLESEE: Yes.

The Hon. A. F. Griffith: That is why I suggest the Government should show a willing hand. When it does, we will achieve what we are setting out to achieve.

The Hon. W. F. WILLESEE: I have said "Yes" five times.

The Hon. A. F. GRIFFITH: I suggest that we vote on the clause. Mr. Medcalf should not be obliged to withdraw his

amendment. It has been moved. To my way of thinking, it is a good amendment, and I do not think he should have to withdraw it. If it is voted out on the voices, we are free to come back on a recommitment tomorrow.

The Hon. W. F. WILLESEE: In these circumstances, I undertake to give to the Committee tomorrow a prepared statement on the lines indicated, if one is available to me. If that is acceptable, that is as much as I can do. However, I have grave doubts about the efficiency of an investigation in view of the time factor.

The Hon. L. A. LOGAN: In view of the time factor, I think the suggestion of the Leader of the Opposition is a good one—that we go through with this measure tonight without supporting the amendment, and if necessary the Bill could be re-committed tomorrow.

Amendment put and negatived.

Clause put and passed.

Clause 10: Exemption from pay-roll tax—

The Hon. I. G. MEDCALF: I move an amendment—

Page 13, line 1—Insert after the section designation 10 the subsection designation (1).

This amendment has nothing to do with the previous amendment, which dealt entirely with deduction. This amendment deals entirely with the principle of decentralisation.

I find it necessary to speak to the rest of the proposed amendment to this clause, with your permission, Mr. Chairman, because this is only a procedural amendment to insert "(1)". Nevertheless, it brings in the point mentioned in the rest of the amendment and, if permitted, I will make this the point of substance.

The balance of the proposed amendment to clause 10 deals with the question of decentralisation and it says, in effect, that the wages liable to pay-roll tax under this Act do not include such portion of the wages paid or payable by an employer in respect of work performed in an established place of employment more than 50 miles from the General Post Office, Perth, as the Minister after receiving an application from the employer shall determine and certify as appropriate for the purpose of encouraging decentralisation of industry and employment.

The object of this clause is that if the Minister makes the determination that in order to encourage decentralisation a business should be exempted from pay-roll tax, then, when the employer has applied to him and he has made this determination, he may grant a certificate of

exemption from pay-roll tax to any employer who has established a place of employment more than 50 miles from the G.P.O.

It will be noted that the subclause says "the Minister after receiving an application." I would like to speak to the words "the Minister." This decision is to be made by the Minister and not by anybody else. The Minister does not have to make this decision. If he received an application, in working out whether it would encourage decentralisation the Minister could investigate the application and make a determination. If he were satisfied it would be appropriate in order to encourage decentralisation, the Minister could issue a certificate exempting that particular business from such portion of the wages as he saw fit. It does not mean he would exempt the whole of the pay roll; it means he would exempt such portion of the wages paid or payable by an employer as he determines and certifies as appropriate.

As I see it, the amendment leaves all the power in the hands of the Minister—which I suppose means the Cabinet. At any rate, it means the Minister, exercising his proper functions as the responsible Minister, has the power to certify such portion of the wages as he sees fit and to make a determination based on whether or not he believes the exemption will encourage decentralisation of industry and employment. That is the object of the amendment.

The Hon. W. F. WILLESEE: In my second reading speech I mentioned I would oppose this amendment. I understand a committee is already studying this problem and the Government has given an undertaking that the proposal contained in the amendment will be considered together with other forms of assistance. I am advised that it is not desirable at this stage to give exemptions for special purposes without a more careful study to ascertain the costs and to ensure that the exemptions will achieve their purpose. I therefore oppose the amendment.

The Hon. I. G. MEDCALF: It does not seem to me that the question of cost enters into the matter at this stage. This is not like the last amendment. This is an action which the Minister may or may not take for the purpose of deciding whether or not he will encourage decentralisation of industry. It seems to me he has complete discretion as to the action he takes in the matter.

The object of this amendment is to provide a practical demonstration of doing something about decentralisation, instead of just talking about it, when we have the opportunity to do so. I have mentioned this matter before. I referred to it in the Address-in-Reply debate. I believe when

the opportunity to do something about decentralisation presents itself to the House, we should take that opportunity, if it is reasonable.

It would not be the first time an exemption from pay-roll tax had been used in order to encourage some desirable objective. The export trade is already being encouraged by the Commonwealth by way of a rebate. This is a question of ensuring that some rebate could be granted, by way of a partial exemption, entirely at the Minister's discretion when he believes it will encourage decentralisation. I would have thought the Government would welcome such a power as this—particularly a Government which believes in decentralisation.

It is scarcely necessary for me to extol the virtues of decentralisation, of which we are all aware. All parties in this House have adopted the idea of decentralisation of industry. It is not new to any of us. It would be fruitless for me to speak about decentralisation. We all know what it means and we all know the many benefits that will ensue to the people in the country by spreading the population, and to the cause of environmental protection, by preventing the agglomeration of people in large centres and by spreading them about the countryside and creating employment and prosperity in the country.

I do not propose to say anything more about decentralisation. I believe this is a practical way of demonstrating that we are in favour of doing something about it when we have the opportunity.

The third subclause requires the Minister to supply the House with details by tabling in the House the number of applications under the subclause at the close of each financial year. That will simply provide a record of what has taken place. It does not mean the House has any right to disallow it.

The Hon. A. F. GRIFFITH: It strikes me that the Government does not have to give any exemptions but the machinery is there for giving them if it feels so disposed. What is the Government concerned about? The amendment will not have a direct impact on the tax. The Government could say, "We do not propose to give any exemptions this year," and that would be that. On the other hand, in a very worthy case it could give the relief that is provided in the amendment.

Amendment put and negatived.

The Hon. A. F. GRIFFITH: Mr. Chairman, do you go by the extent of the voices or the number of voices?

The CHAIRMAN: I said, "The Noes have it." You have the remedy.

Clause put and a division called for.

The CHAIRMAN: Before the tellers tell, I cast my vote with the Ayes.

Division taken with the following result:—

#### Ayes—12

Hon. N. E. Baxter	Hon. R. T. Leeson
Hon. R. F. Cloughton	Hon. L. A. Logan
Hon. S. J. Deilar	Hon. R. H. C. Stubbs
Hon. J. Dolan	Hon. F. R. White
Hon. L. D. Elliott	Hon. W. F. Willesee
Hon. J. L. Hunt	Hon. R. Thompson

(Teller)

#### Noes—14

Hon. C. R. Abbey	Hon. N. McNeill
Hon. G. W. Berry	Hon. I. G. Medcalf
Hon. V. J. Ferry	Hon. S. T. J. Thompson
Hon. A. F. Griffith	Hon. R. J. L. Williams
Hon. Clive Griffiths	Hon. W. R. Withers
Hon. J. Heitman	Hon. D. J. Wordsworth
Hon. G. C. MacKinnon	Hon. P. D. Willmott

(Teller)

#### Pairs

#### Ayes

Hon. D. K. Dans

#### Noes

Hon. T. O. Perry

Clause thus negatived.

Clause 11 put and passed.

The Hon. A. F. Griffith: I think everybody is transfixed into silence.

Clause 12: Registration—

The Hon. D. J. WORDSWORTH: I recommend to the Leader of the House that he investigate this clause because I feel the amount of \$400 per week places a burden upon a person who employs a large amount of labour for a short period. I refer particularly to the shearing industry. If one employs the smallest shearing team one is up for \$1,000 a week in wages. This means that every woolgrower will be forced to put in a return unless he has his shearing done by contract. I feel this places an unnecessary burden of paper work upon the small person who will not have to pay the tax, anyway. I refer specifically to the case in which labour is employed for only one month of the year, and this often occurs in the agricultural industries. I think this could be amended without affecting the Bill as a whole.

The Hon. W. F. WILLESEE: This is merely a division of \$20,800 by 52. The wages paid would have to be in excess of \$400 a week before any tax is paid. So the figure of \$400 is, in effect, a minimum and is included in keeping with the other figure of \$20,800 which occurs throughout the Bill.

The Hon. D. J. WORDSWORTH: I agree that the \$400 is arrived at by a division of the total sum. However, I think there should be a provision that in any one month one can pay in wages each week more than the division by 52 of the \$20,800. This provision does not take into account those who have to pay high wages in any one month. Needless to say, the wages bill of such a person would be below \$20,800 for the full year.

The Hon. W. F. WILLESEE: This position is taken care of under clause 13 (2) (b). This covers the position in cases

where the commissioner is of the opinion that it would be unduly onerous to require an employer to furnish returns.

Clause put and passed.

Clauses 13 to 17 put and passed.

Clause 18: Assessments—

The Hon. I. G. MEDCALF: I move an amendment—

Page 22, line 35—Add after the word "tax", thirdly appearing, the words "and his reasons for such assessment".

I mentioned the object of this amendment earlier and the Leader of the House graciously indicated that he did not propose to oppose it. In view of the fact that the State Commissioner of Taxation has clearly indicated, through the Leader of the House, that he will be only too happy to give his reasons for assessment, I do not think it is necessary for me to say anything further.

The Hon. W. F. WILLESEE: I rise to confirm that there is no objection to the amendment.

Amendment put and passed.

Clause, as amended, put and passed.

Clauses 19 to 50 put and passed.

Title—

The Hon. A. F. GRIFFITH: Mr. Chairman, I trust you will not tell me I am out of order in speaking about the amendment moved to clause 10. Perhaps from where I sit the echo of the voices is different than it is from where you sit. I do not know whether this is a result of the acoustics of the Chamber, but my judgment of the situation—and I cast no reflection at all on you, Sir—is that when Mr. Medcalf's amendment was put the Ayes clearly had it. You thought the Noes had it, and you gave the decision accordingly. Those who voted with the Ayes could have called for a division, but we did not.

Then, when the clause was put you, Mr. Chairman, thought the Noes had it and I thought the Ayes had it. You gave it to the Noes and the clause was defeated. The clause is in relation to general exemptions and is a most operative clause. I wish to indicate that I think a mistake occurred and the Minister had to divide the House because he realised he was losing a most important part of the Bill. Perhaps it was no fault of his; perhaps I was at fault for not calling for a division on the amendment. However, if the Leader of the House moves to recommit the Bill tomorrow I will vote for the reinsertion of the clause. I hope that will make him sleep a little easier.

The Hon. W. F. WILLESEE: I was stunned for a while. I am sure I will sleep much better with the assurance given to me by the Leader of the Opposition.

Title put and passed.

Bill reported with amendments.

## PAY-ROLL TAX BILL

### Second Reading

Debate resumed from the 14th September.

**THE HON. A. F. GRIFFITH** (North Metropolitan—Leader of the Opposition) [10.30 p.m.]: This small Bill containing four brief clauses is complementary to the Pay-roll Tax Assessment Bill which we have just debated at some length. The measure imposes the rate of pay-roll tax at 3½ per centum of the wages paid. I see no necessity to make any further comments, as the matter was very fully debated when we dealt with the previous Bill. I do not like the pay-roll tax any more now than I did previously, but I see no good purpose will be served in debating the measure further.

**THE HON. W. F. WILLESEE** (North-East Metropolitan—Leader of the House) [10.31 p.m.]: I thank the Leader of the Opposition for his remarks.

Question put and passed.

Bill read a second time.

*House adjourned at 10.32 p.m.*

## Legislative Assembly

Tuesday, the 21st September, 1971

The **SPEAKER** (Mr. Toms) took the Chair at 4.30 p.m., and read prayers.

### SITTINGS OF THE HOUSE

#### Thursday Evenings

**MR. J. T. TONKIN** (Melville—Premier) [4.31 p.m.]: In order to give members ample opportunity to make arrangements well in advance, I wish to announce that it is the Government's intention to ask Parliament to sit after tea on Thursdays when we resume after the break for Show Week.

### HOUSE OF COMMONS

*Visit of The Rt. Honourable Douglas Houghton, M.P.*

**THE SPEAKER** (Mr. Toms): Before commencing proceedings today I would direct members' attention to the fact that we have a visitor with us, The Rt. Honourable Douglas Houghton, M.P., from the British Parliament—the House of Commons. We trust his stay in Western Australia will be an enjoyable and memorable one.