

PAY-ROLL TAX ASSESSMENT AMENDMENT (THRESHOLDS) BILL 2019

Introduction and First Reading

Bill introduced, on motion by **Mr B.S. Wyatt (Minister for Finance)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR B.S. WYATT (Victoria Park — Minister for Finance) [11.39 am]: I move —

That the bill be now read a second time.

This bill seeks to amend the Pay-roll Tax Assessment Act 2002 to increase the payroll tax exemption threshold from \$850 000 to \$950 000 on January 2020, and to \$1 million on 1 January 2021. Since coming into office in March 2017, the McGowan government has remained committed to repairing the disastrous set of state finances that we inherited from the former Liberal–National government. Although our work is not yet done, the McGowan government takes enormous pride in the fact that in 2018–19 it delivered the state’s first operating surplus in five years; it was two years ahead of schedule. It is due to this disciplined financial management that the McGowan government has the capacity to fund important economic reforms such as this. It is estimated that as a result of increasing the exemption threshold, the state government will forgo around \$170 million in revenue over four years.

Increasing the payroll tax threshold will provide tax relief to thousands of small and medium-sized businesses, reducing the costs associated with hiring additional employees and providing an opportunity for those businesses to reinvest. As of 1 January 2020, this bill means all Western Australian employers currently liable for payroll tax will receive some relief if their annual Australia-wide wages are less than \$7.5 million. The Department of Treasury estimates that around 1 000 businesses will no longer be liable for payroll tax when the threshold changes are fully implemented. A further 11 000 businesses are expected to see a reduction in their total liability. Overall, it is expected that around 70 per cent of employers currently liable for payroll tax in Western Australia will pay less tax as a result of these changes. Importantly, smaller employers will benefit the most from these measures and stand to be up to \$9 300 better off each year. By increasing the exemption threshold to \$1 million, the McGowan government will also better align Western Australia’s payroll tax regime with those in other states.

Lifting the payroll tax threshold over two years builds on the package of measures announced by the McGowan government in recent months to stimulate the Western Australian economy and create jobs, including the 75 per cent off-the-plan stamp duty rebate, the maintenance spend for schools and hospitals, and the TAFE fee reductions. Together with the employer incentive scheme that was introduced earlier in the year, these reforms will offer significant support to small businesses taking on additional staff in Western Australia.

To implement the threshold changes on 1 January 2020 and 1 January 2021, tax will be calculated separately for each six-month period in the 2019–20 and 2020–21 assessment years, using half the annual taxable threshold. The explanatory memorandum includes detailed examples of how payroll tax will be calculated during these years. Although the midyear change requires complex legislative amendments, State Revenue’s online system will continue to fully calculate the payroll tax liability for businesses. This means the complexity of the law has very little practical impact on employers—other than reduced tax.

I propose to use the pre-enactment provisions in the Taxation Administration Act 2003 to allow the first threshold change to take effect from 1 January 2020, before the legislation is passed. This will ensure employers benefit immediately from the savings from the first threshold increase. The associated explanatory memorandum contains further details of these amendments. I commend the bill to the house.

Debate adjourned, on motion by **Ms L. Mettam**.