

PAY-ROLL TAX RELIEF (COVID-19 RESPONSE) AMENDMENT BILL 2020

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) [10.42 am]: I move —

That the bill be now read a second time.

This bill seeks to extend the sunset clause of the Pay-roll Tax Relief (COVID-19 Response) Act 2020 from 21 April 2021 to 21 April 2022. The Pay-roll Tax Relief (COVID-19 Response) Act was enacted on 20 April 2020 to provide a four-month payroll tax waiver for 10 700 small to medium-sized businesses, together with a payroll tax exemption for payments made under the commonwealth government's JobKeeper scheme. This act was treated as a COVID-19 priority bill by both houses, as it should have been.

The act contains regulation-making powers to allow other payroll tax measures to be prescribed if they are part of COVID-19 economic relief measures. The McGowan government used these powers to continue the payroll tax exemption for payments under the commonwealth government's JobKeeper scheme when it was extended until 28 March 2021. Clearly, this was a wise decision. The act will be automatically repealed on 21 April 2021 by a sunset clause, which means that the regulation-making power and any regulations in effect will cease from that date. This bill will extend the sunset clause until 21 April 2022 to preserve the regulation-making powers in the event that other payroll relief tax measures are required after 20 April 2021. The amendments do not extend the payroll tax waiver and original JobKeeper exemption contained in the act or grant any new relief measures.

It is highly unlikely that there will be sufficient time to deal with this bill when Parliament commences after the election in March 2021. This bill is therefore considered by the government to be a COVID-19 priority bill. We need to ensure that in these unprecedented times, we provide businesses with timely certainty about payroll tax relief measures. I do not want businesses to have to pay payroll tax simply because we do not have the lever to quickly provide COVID-19 exemptions that we consider should be available. Therefore, the bill needs to be passed urgently before the act is repealed to allow the government to make further regulations if other relief measures are required. This will allow the government to continue its support for Western Australian businesses during these unprecedented times. If the act is repealed as planned, new legislation will need to be drafted and passed to provide any other payroll tax relief measures that may be required in the future. If this is delayed until after the election, it may well result in businesses missing out on the cash-flow benefits that payroll tax exemptions will bring.

The associated explanatory memorandum contains further details on the amendments.

I commend the bill to the house.

MR R.S. LOVE (Moore — Deputy Leader of the Nationals WA) [10.45 am]: I think we are all a bit COVID-ed out at the moment! This is a COVID-19 bill. I am grateful that the Leader of the House gave the Nationals good notice that this Pay-roll Tax Relief (COVID-19 Response) Amendment Bill 2020 would come forward this week and that it would proceed under the COVID-19 standing order. The Nationals have agreed that that should be the case. There is nothing in this bill other than what the Treasurer has just outlined. It is not an overly complex matter. We think there is merit in extending the payroll tax relief provisions in the way that has been outlined. These are very necessary measures to ensure that that relief will continue to be rolled out during this difficult time. We are happy to support this bill as it transits through the house. Thank you.

MR P.A. KATSAMBANIS (Hillarys) [10.46 am]: I rise to speak on the Pay-roll Tax Relief (COVID-19 Response) Amendment Bill 2020. I am not the lead speaker for the opposition, but I want to make a contribution. Any support for small business is very welcome at any time. Any support for employment is also welcome at any time. Certainly the payroll tax relief measures that the government introduced early in the COVID-19 pandemic period were welcome. A four-month payroll tax waiver was brought in for businesses with a wages bill of less than \$7.5 million in the previous financial year. That has come and gone. There was also a payroll tax exemption for businesses whose wages bill is subsidised by the commonwealth government's JobKeeper scheme. That makes sense. The commonwealth government has done a lot of the heavy lifting in that space. JobKeeper has been welcomed by many sectors in the economy—by employers, and obviously also by employees—because it provides a flow-through benefit from the commonwealth government and the taxpayers to employees who have been affected by the COVID-19 pandemic. Therefore, that is a welcome exemption. The Treasurer might correct me if I am wrong, but I think that will continue through to March next year, and that is a great thing. Earlier this year, we passed a lot of COVID-19 facilitative legislation through this place very quickly. We all supported that legislation, and we will continue to support that legislation.

This bill will essentially extend the sunset clause. We do not know what may be coming around the corner. We hope that the worst is out of the way, but we simply do not know what the pandemic has in store for us and what the impact on employment may be. Therefore, we have no objection to the extension of the sunset clause to 21 April 2022. I should also point out that this bill does not introduce any new relief. It simply extends the period for which the original Pay-roll Tax Relief (COVID-19 Response) Act 2020 will apply. That is a good thing in these difficult circumstances.

I want to make a couple of comments more broadly. COVID-19 had an impact on employment. Today, fortuitously, the unemployment figures that came out show a slight improvement in the unemployment rate in Western Australia to 6.7 per cent. That is a good thing. Any improvement in unemployment is great. We want to continue to see it fall, but we need to point out that there are still 27 000 fewer Western Australians employed in this state today than there were when the pandemic hit, so we are still not out of difficulty. The economy is still struggling. The economy still has not returned to its March 2020 level, which, on any objective measure, was a struggling economy back then. A lot more heavy lifting remains to be done. Interestingly, hidden in these unemployment figures today are some concerning factors. Youth unemployment continues to go up. It has increased from 13.6 per cent last month to 14.3 per cent this month. That is terrible. Also, the employment rate for women, especially full-time employment, has gone down. It verifies that the employment hit caused by the COVID-19 pandemic has been discriminatory in many ways. It has impacted more significantly on youth and on women than any other sector within our economy. Unfortunately, we have not seen any measures beyond the very temporary relief of the four-month payroll tax waiver for businesses with wages less than \$7.5 million and the payroll tax exemption for wages subsidised by the JobKeeper scheme. We have not seen any further relief that would encourage wage growth.

I want to express my personal disappointment that in the recent budget there was no further payroll tax relief. My views on payroll tax are well known: it is an absolute job-killing tax. At a time when we want to encourage more employment, particularly youth employment and the employment of women, there was a perfect opportunity, with a \$1.2 billion surplus, for this government to show that it supported employers who were trying to create job growth. I will not carry on too long about that, but I reiterate that there was a perfect opportunity for the government to cut payroll tax, particularly for small to medium-sized businesses, the employers at the engine room of growth in our economy, to enable them to employ more people without penalty. That would have been a great opportunity. It was a missed opportunity and I think the government needs to be held accountable for that.

The other issue I want to raise is what happens now that JobKeeper has been pared back. The September figures are great. They indicate that the unemployment rate is coming down. Yes, some sectors are struggling—we know that—and we are not out of the woods yet, but there was an improvement in unemployment rates in September. What will happen in October, November and December? The eligibility criteria for JobKeeper were changed at the end of last month, meaning that many businesses that qualified for JobKeeper will no longer qualify and will be assessed on a monthly basis rather than a six-monthly basis, so more and more businesses will fall out of the scheme. That does not necessarily mean that those businesses are back to the same level of operation as they were prior to the COVID-19 pandemic; it simply means that there is a gap between the safety net that JobKeeper provided and, let us say, full business conditions. It is in that period that I think there is a significant risk to employment, which is why this government could have and should have done more to help small business in this transition period. What assistance will be given to those businesses that are transitioning from the JobKeeper environment, when their trading was down significantly, but now they have reached that magic cut-off figure of around 70 per cent of pre-COVID-19 turnover? They are still not back to 100 per cent; they are not back to 90 per cent; they are not even back to 85 per cent. That is where the big risk comes with employment. What will happen post-March next year? What if JobKeeper cuts out completely? What support will those businesses that have taken a hit, and continue to take a hit, receive, particularly those that may be relying on interstate and overseas movement and the like—tourism and associated businesses, hospitality businesses, and businesses in the CBD that are subject to the whims of corporations that make decisions not based on Perth and not based on Western Australia, but on a national or a global basis?

Far too many people are told to stay at home in Western Australia because the rules of their company apply across the nation and across the globe, and the CBD is empty and the businesses that rely on foot traffic in the CBD do not get the benefit of that spend. What will happen to those businesses? What support will they get? The government needs to answer those questions. As we said, this bill in itself is a facilitative bill to enable the government to reintroduce those sorts of very limited changes that it introduced in response to the pandemic, so the opposition will not stand in the way of the bill. However, I want to highlight that we are not out of the woods. Unemployment is still too high. Youth unemployment and female unemployment is unacceptably high. We need to be serious about introducing an economic environment in this state, not on a short-term basis, not in response to COVID-19, but on a long-term basis that is pro-jobs, pro-growth and pro-prosperity. A large part of that is smashing payroll tax—cutting it as much as possible and continuing to cut it at every opportunity. Unfortunately, this bill was another opportunity missed, and I lament that.

MR D.C. NALDER (Bateman) [10.56 am]: I rise to also make a contribution to the second reading debate on the Pay-roll Tax Relief (COVID-19 Response) Amendment Bill 2020. I acknowledge the member for Hillarys for covering me in my short absence for the start of the debate on this bill. I thought he did very well. He made some points that I would like to reinforce. The opposition will support the government in this amendment to extend the provisions of the payroll tax relief bill through to 21 April 2022.

The SPEAKER: Members! There is a member on his feet and you are talking over him.

Mr D.C. NALDER: Picking up the member for Hillarys' comments, the reason for doing this is that it underscores some concern about the labour market and what is likely to happen to business over the next 12 months, and additional support may be required. This is played out in the unemployment rates that are forecast to average eight per cent. We heard today that the broad unemployment rate fell from seven per cent to 6.7 per cent, which on the surface appears to be a good outcome for the state. However, when we start to peel it back, we see that the youth unemployment rate rose. The number of full-time jobs fell and all the jobs that have been created are actually part-time. The raw numbers indicate that 230 000 people in Western Australia are still either underemployed or unemployed. That is at an unemployment rate of 6.7 per cent. Yet when delivering the budget last week, the government reiterated that it expected to average eight per cent, which means that if we are running at seven per cent or less at the moment, it believes that we are going to go beyond an eight per cent unemployment rate in Western Australia over the next nine months. That is of concern.

I would like to pick up also on the business relief offered. Although we acknowledge the waiver of payroll tax that was given to companies with payrolls of \$7.5 million, and we think that was a good initiative for four months for businesses within that bracket, we believe that not enough was done for other small businesses.

The majority of small businesses in Western Australia do not pay payroll tax, and although this is being extended for another 12 months to maybe support businesses that pay payroll tax, the government has not done enough for the majority of small businesses that do not fit within this bracket. We are the only state in Australia that has not done anything for small businesses during the current period of the pandemic, and that is something we reinforce.

That said, we believe it is important to keep our options open. In the next 12 months, the state will face headwinds. Our concern is that although unemployment is forecast to average eight per cent, the government continues to forecast unemployment to be six per cent at the end of the forward estimates. It is concerning that the government expects the unemployment rate to be higher than what it was before the coronavirus pandemic. Back in February, the state unemployment rate was 5.2 per cent and it is predicted that at the end of four years, it will still be at six per cent. As I said in this place before, that puts the focus on what plan the government has to improve economic conditions for Western Australia. What plan does the government have to tackle unemployment? We note the absence of a jobs target. It has disappeared from the rhetoric and spin of the government, and that is a concern. Although we support this bill and where it is going in the sense that it keeps options open for small businesses to provide further relief for another 12-month period, we believe that much broader action needs to be undertaken by the government to assist the economy and growth in the number of full-time jobs in Western Australia. However, the opposition stands in support with the government for this bill to extend the sunset period to 21 April 2022.

MR B.S. WYATT (Victoria Park — Minister for Finance) [11.01 am] — in reply: I thank the members for Bateman, Hillarys and Moore for their comments on the Pay-roll Tax Relief (COVID-19 Response) Amendment Bill 2020. As I think everybody pointed out in their speeches, this bill does not implement a particular policy. It is an enabling amendment just to extend the legislation beyond 20 April 2021 through to April 2022. The commonwealth has already made some announcements about providing support for apprentices and trainees. Apprentices are of course already exempt from being captured by payroll tax, but there may well be a flow of revenue support for businesses to support trainees. There may be a range of things that the government, regardless of its political stripe, will have to deal with in due course, and this is really to provide the government with the capacity to do so, and I thank the Parliament for its support.

This really just builds on the significant payroll tax support that the government has implemented. By way of update to the chamber, the four-month payroll tax waiver that was estimated to cost \$165 million is coming in at about \$195 million, so it will be about \$30 million higher than we expected. The \$17 500 payroll tax grant has tracked pretty much identically. Of course, that was a much easier policy to cost. We brought forward the increase of the payroll tax exemption threshold to \$1 million to 1 July 2020. They are all very significant payroll tax initiatives. The member for Hillarys made the point that not a person in this house is a fan of payroll tax and we all agree with that, but of course it is still the single largest source of taxation revenue that the state government—I suspect all state governments—has.

The member for Bateman made some commentary on the unemployment data today. I am very pleased to see employment in Western Australia continue to grow. Of course, more work needs to be done. A significant number of jobs were lost, particularly in the period from February to May. Of those jobs, 75 per cent were part-time, so no-one should be surprised that the majority of those coming back in are part-time. The key is that we are keeping

people connected to work and we are doing so at a faster rate. I note the disappointment of the shadow Treasurer about the lack of a jobs target. Effectively, we do have a jobs target, as the former government did, with the employment expectations forecast in the budget. As the member for Bateman correctly points out, the budget forecasts an average unemployment rate of six per cent by the end of the forward estimates. We have come in today at 6.7 per cent. Hopefully, that will be different. By the time we get to that year, we want it to be much lower, but as everybody in this place knows, the Treasury budget is a point-in-time picture of what is expected and what is currently known. For example, in the 2013–14 budget, the growth assumptions for employment assumed another 80 000 jobs would come on over the four years from 2013–14. We know with hindsight that not one job came on during that period. That just highlights that sometimes forecasts of employment growth and unemployment rates are exactly that. We forecast six per cent, but, of course, we want it to be much lower than that. Again, I thank the opposition, both the Nationals WA and the Liberal Party, for its support. These provisions may need to be utilised or they may not. They just provide capacity, particularly in the period between the election and whenever the Parliament returns, for the government of the day to utilise the regulation-making power effectively being extended by this amendment.

Question put and passed.

Bill read a second time.

Third Reading

Bill read a third time, on motion by **Mr B.S. Wyatt (Minister for Finance)**, and transmitted to the Council.