



Hon Ben Wyatt MLA
Treasurer; Minister for Finance; Energy; Aboriginal Affairs

Our Ref: 69-08052

Hon Dr Mike Nahan MLA
Leader of the Opposition
Parliament House
WEST PERTH WA 6005

Dear Dr Nahan

**PAY-ROLL TAX ASSESSMENT AMENDMENT (EXEMPTION FOR TRAINEES)
BILL 2018**

During the Second Reading debate of the above Bill, you and other members of the Opposition suggested that evidence demonstrating that the payroll tax exemption for trainees was being exploited had not been provided. It was also suggested there was no evidence to show that the measures put in place by the Liberal-National Government in 2014-15 to limit the number of employees participating in a training program had been ineffective in addressing the issue.

Whilst I have not suggested that all businesses, or even a majority of businesses, are exploiting the exemption, since 2014-15 there have been a number of examples of potential misuse identified and there has been a sufficient number of businesses enrolling a large proportion of their workforce in training programs to cause concern. Moreover, the value of the exemption claimed over the period 2005-06 to 2016-17 increased by more than 600 per cent, far outstripping wages and employment growth over the same period.

I highlighted a number of examples that were picked up by State Revenue of inappropriate use of the exemption during Question Time on 20 and 21 March 2018 and 12 April 2018, and emphasised the impacts of the issue and concerns of the Government during the debate. As I outlined during Question Time on 20 March, even after the 2014-15 changes:

- A large entertainment company attempted to register existing employees working in IT, warehousing and corporate services into a Certificate III and Certificate IV in hospitality, even though they did not undertake any work in any way relevant to hospitality in their day to day role;
- Senior leaders of a large mining company were nominated for a Diploma in Leadership and Management, although these existing employees already possessed an equivalent or higher qualification such as a MBA; and
- A large mining company nominated existing employees for a Certificate III in civil construction even though the organisation does not provide any civil construction operations.

Furthermore, the attached presentation was provided to Members during briefings to all parties, including the Liberal Party, prior to the debate of the Bill (Attachment 1). The presentation explains the extent of the issue and provides examples where this exemption has been misused.

Whilst quantifying the 'misuse' can be difficult due to the varied nature of each business and its training needs, several clear examples of inappropriate claims for the purpose of tax minimisation include the following:

- In 2015-16, an employer claimed exempt wages of around 92 per cent of its total wages of \$5.3 million and 93 per cent of \$4.4 million in wages in 2016-17. The payroll tax payable dropped from approximately \$150,000 in 2014-15 to nil in 2015-16 and 2016-17.
- In 2016-17, an employer claimed an exemption for 89 per cent of its total wages of \$26.7 million. The tax exempted was \$1.3 million.
- In 2017-18 to date, an employer has claimed an exemption for 77 per cent of its total wages of \$3.2 million. Its tax liability has reduced from \$661,000 in 2016-17 to an estimate of \$120,000 for 2017-18.

This type of behaviour is becoming more regular, as I mentioned in Parliament, with over 120 employers claiming the trainee exemption for over 30 per cent of their wages, at a combined cost to payroll tax revenue of around \$22 million. This is occurring across a range of industries, business sizes and training courses.

The Department of Finance's State Revenue is also aware of examples where employers place enough employees on traineeships to reduce its taxable wages to less than the payroll tax exemption threshold of \$850,000. Additionally, there is recent evidence of abuse by employers cancelling and re-entering training agreements or extending the training agreements to maximise payroll tax savings. The payroll tax savings were being exploited by training organisations, including the Chamber of Commerce and Industry of Western Australia, as evidenced by the attached publication featuring a sponsored article by CCI Apprenticeship Solutions (Attachment 2).

While the measures put in place by the former Government may have had some effect in reducing exploitation of the exemption, it is clear that opportunities for opportunities still exist. For example, the training *registration* limit of 100 employees per quarter, introduced in 2014, does not account for the size of the business. The 100 persons limit can exceed the entire workforce of many businesses and for large businesses, it can be circumvented through a rotation program.

As noted in Parliament, while the amendment to the *Vocational Education and Training (General) Regulations 2009* reinforced the ability of the Department of Training and Workforce Development to refuse to register a training contract, this power is not sufficient for addressing recent examples of misuse of the exemption. As you can appreciate, the DTWD does not approve the registration of training contracts solely on the basis of facilitating a payroll tax break. To require the DTWD to screen applications purely on this basis would be administratively onerous and would likely be contradictory to the objectives of the VET Act.

Finally, Members noted that in Parliamentary debate no consultation has taken place on this issue. As you would appreciate, it is the usual practice of governments not to consult on matters affecting the integrity of their tax bases and this matter is no different. To consult prior to the announcement would have brought further attention to available means to reduce payroll tax and exacerbate the problem. This is consistent with the approach you took yourself as Minister for Finance in late 2013 with respect to Land Tax following a decision by the State Administrative Tribunal in relation to the full exemption of assessable land party used for, in that instance, a retirement village. I note that in your statement to Parliament on 27 November 2013 you announced retrospective tax integrity measures without prior consultation with industry, in-line with this practice.

The appropriate consultation on the transition to an alternative assistance scheme will occur in Stage 2 of the reforms. I hope the Liberal Party will reconsider its position on the Bill when it is debated in the Legislative Council.

Yours sincerely



Ben Wyatt MLA
MINISTER FOR FINANCE

Att.

CC: Dean Nalder MLA, Hon Liza Harvey MLA, Hon Terry Redman MLA,
Hon Mia Davies MLA, Hon Rick Mazza MLC, Hon Colin Tincknell MLC,
Hon Robin Chapple MLC, Hon Tim Clifford MLC, Hon Diane Evers MLC,
Hon Alison Xamon MLC

2 MAY 2018



Chamber of Commerce and Industry of Western Australia (Inc)

SPONSORED CONTENT

CCI Apprenticeship Solutions

Traineeships can save companies millions!

CCI Apprenticeship Solutions saves a mining business \$1.2million* annually by assisting with the integration of traineeships into the organisation.

Culture and staff engagement are key focus areas in the mining industry, and many companies are seeking training solutions to help with staff retention and workforce development.

One of CCI Apprenticeship Solutions' advisers Rebecca recently presented a proposal to an employer of 250 staff in the drilling industry. She advised them how traineeships have helped other companies with productivity and staff engagement and the potential financial benefits available.

By meeting with the company's HR and Executive team, Rebecca showed how traineeship pathways would align with their corporate strategy and direction.

Two levels of training that would improve efficiencies for the company were identified - at the drilling operations level and onsite supervisor management level. Approximately 200 staff would benefit from the training and receive nationally recognised qualifications.

Rebecca advised them that the company was eligible for Payroll Tax Exemption for every member of staff on a traineeship, which they quickly identified savings in excess of \$1.2million* annually.

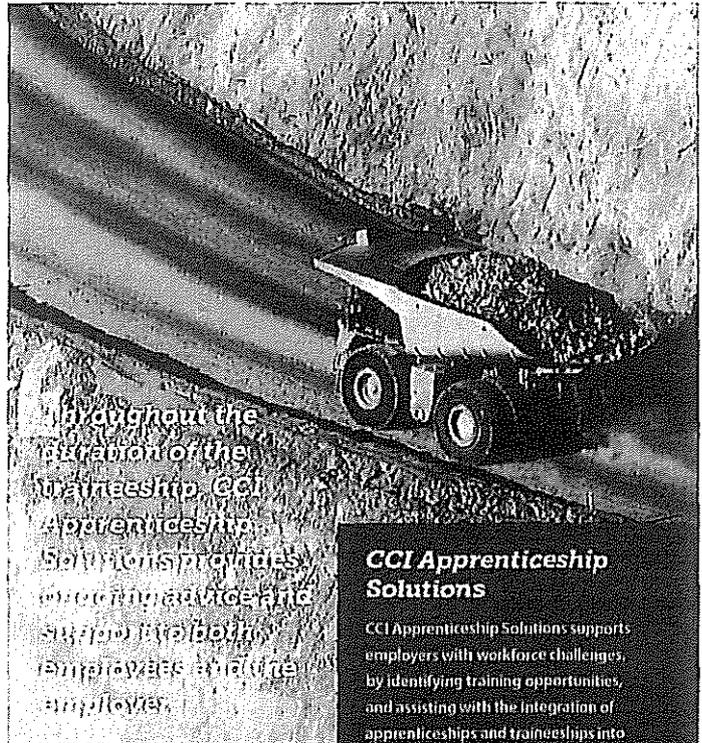
Rebecca developed a customised Workforce Training Development plan that included:

- Identifying staff skills gaps;
- providing options of traineeship pathways that aligned with the skills gaps;
- ensuring a match between the employee's role and the traineeship; and
- working with CCI Apprenticeship Solutions Workplace Training Advisers to sign up the 200 staff to their traineeships.

Throughout the duration of the traineeship, CCI Apprenticeship Solutions provides ongoing advice and support to both employees and the employer. This includes a mentoring service for apprentices and trainees, and providing regular reports to assist with administration and tracking of incentives for businesses.

CCI Apprenticeship Solutions is committed to making it easier to navigate the Australian Apprenticeship Program. Call us today to find out how we can help your business.

*based on an average wage of \$110,000, 5.5% savings on payroll tax per person.



Throughout the duration of the traineeship, CCI Apprenticeship Solutions provides ongoing advice and support to both employees and the employer.

CCI Apprenticeship Solutions

CCI Apprenticeship Solutions supports employers with workforce challenges, by identifying training opportunities, and assisting with the integration of apprenticeships and traineeships into businesses. With over 500 qualifications available, all levels and areas of a business can benefit from training.

Call CCI Apprenticeship Solutions today on 1800 224 224 or visit us at cclwa.com/appsolutions to learn more.



Retaining Talent Through Traineeships Webinar

Wed 11
March, 1-2pm

By cultivating a positive training culture within your business, you will attract and retain valuable, skilled employees. Traineeships have the potential to improve the long-term employment prospects of your staff and deliver a range of benefits to your business. The key to a sustainable workforce is at your fingertips - a planned and structured approach to investing in your staff through creating worker traineeships.

CCI Apprenticeship Solutions helps employers every step of the way, from initial strategy development through to providing ongoing advice and support to all parties, through our apprentice and trainee mentoring services.

In this webinar session, Kristy Harwood will showcase an employer who introduced traineeships into their business to attract and retain top talent. Their success story is one you can't miss.

Register now at cclwa.com/heartsHR

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