

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

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Stephen Dawson (Minister for Environment)**, read a first time.

Second Reading

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Environment) [10.31 am]: I move —

That the bill be now read a second time.

This bill seeks to waive payroll tax from 1 March to 30 June 2020 for small to medium-sized businesses with Australia-wide wages of less than \$7.5 million in 2019–20 and provide a payroll tax exemption for payments under the Australian government’s JobKeeper scheme.

On 31 March 2020, the McGowan government announced the payroll tax waiver as part of a \$1 billion economic and health relief package to support Western Australian businesses, households and community groups during the COVID-19 pandemic. The waiver is expected to deliver approximately \$165 million in payroll tax relief to around 10 700 businesses that will not have to pay payroll tax for the four-month period. Employers, or groups of employers, with Australian taxable wages of less than \$5 million over the 2019–20 financial year to 29 February 2020 can automatically claim the waiver by lodging their returns as usual with the WA taxable wages for March to June declared as exempt wages. For employers, or groups, with Australian taxable wages of \$5 million or more over the 2019–20 year to 29 February 2020, payroll tax for March to June 2020 will be waived at annual reconciliation if their Australian taxable wages for the year are less than \$7.5 million. These businesses can apply to defer their payroll tax payments for March to June if they have been impacted by COVID-19.

On 30 March 2020, the commonwealth government announced the JobKeeper payment scheme to help businesses impacted by COVID-19 to continue paying their employees. Under the scheme, businesses will receive \$1 500 a fortnight per eligible employee. The commonwealth’s wage subsidy is about keeping the connection between the employer and the employee and keeping people in their jobs, even though the business they work for may go into hibernation and close down for six months. The bill makes these JobKeeper payments exempt wages for payroll tax purposes in Western Australia.

Regulation-making powers have been included in the bill to allow other wages to be prescribed as exempt from payroll tax if they are part of COVID-19 measures. This will allow the government to respond quickly if further relief measures are required. These measures are contained in a standalone act instead of the Pay-roll Tax Assessment Act 2002 because they provide specific relief for businesses impacted by COVID-19 rather than applying to payroll tax in general. A sunset clause will repeal the act 12 months after royal assent.

The bill needs to be passed urgently to ensure that legislation is in place to support the waiver and payroll tax exemption for JobKeeper payments. This will provide much-needed support to Western Australian businesses during these unprecedented times for our economy.

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

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

[See paper [3800](#).]

HON DR STEVE THOMAS (South West) [10.34 am]: I am the lead speaker for the opposition—in fact, the only speaker for the opposition today—on the Pay-roll Tax Relief (COVID-19 Response) Bill 2020. It is a great pleasure to come to this chamber to debate and support a bill that seeks to reduce the payroll tax burden on Western Australian businesses. I indicate that the opposition will undoubtedly be supporting the bill today. It is a continuation of a series of payroll tax relief measures that the government has implemented. We appreciate the fact that the government has identified payroll tax as a significant impost on business and is therefore prepared to make a concerted effort to reduce that impost and the impact on businesses in this state. As debate continues on whether payroll tax is an impost on business and, as I have said frequently, a tax on employment, it is interesting to note that a major focus of this government, and in fact state governments around Australia, has been to reduce payroll tax as an initial and considerable part of its response to the COVID-19 crisis. I think we can put to bed any debate about whether payroll tax has a significant impact on the operations of business and also on the level of employment it is able to provide.

It is worth doing a quick comparison of how some of the other states have responded to payroll tax. My reading is that the state government of Western Australia is in a fairly similar position to some of the others with its response

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to payroll tax. I apologise to members if this information is slightly out of date; these things change almost on a daily basis. I understand that Queensland, for example, announced immediate payroll tax refunds worth \$740 million for COVID-19-affected businesses. The size of the economy in Queensland is approximately twice that of Western Australia. The Western Australian proposal would have a similar impact. Queensland has also included a payroll tax holiday and a deferral until the end of 2020 for eligible small and medium-sized businesses with payrolls up to \$6.5 million. These include a two-month refund of payroll tax, which is giving back an average of \$9 000 cash to businesses and a three-month payroll tax holiday, which is an average saving to those businesses in that state of \$13 360.

The state of Victoria is also providing payroll tax relief by way of full payroll tax refunds for the 2019–20 financial year to small and medium-sized businesses with payrolls of less than \$3 million and deferring payroll tax for eligible small businesses for the first three months of the 2020–21 financial year until 1 January 2021. That is a deferral of \$83 million worth of payroll tax.

It is interesting that in the states of Queensland and Victoria, there appears to be an indication of providing payroll tax refunds. New South Wales has provided similar relief—a \$450 million waiver of payroll tax to businesses with payrolls up to \$10 million for three months. In this case, they are doing the second quarter of this calendar year—the final quarter of the 2019–20 financial year; and \$56 million is contributing to bringing about the next round of payroll cuts, including raising the threshold to \$1 million in 2020–21. As I indicated, many states are doing remarkably similar things to the state of Western Australia in their payroll tax responses. Although we are not necessarily leading the pack, we are certainly not falling far behind. Some of the smaller states have greater capacity to provide that sort of tax relief, but the state of Western Australia probably has greater capacity than many others. That capacity, of course, relates to the level of income that we receive from a couple of major sources. Dare I mention the iron ore price? Today it sits, I think, at a bit over \$US84 a tonne, which is significantly higher than the budget predictions of the government of last year. It is still making a significant amount of additional iron ore royalty, as we speak. Every day, as the newspapers tell us, the Treasurer receives his email from Treasury telling him the iron ore price, so he can relax and sleep soundly at night, knowing that today, he is doing very well.

Hon Stephen Dawson: I'm not sure anybody's sleeping too soundly at the moment.

Hon Dr STEVE THOMAS: When he gets his \$US84 a tonne email, minister, I am sure that lets him drift off to sleep, counting iron ore rocks.

Hon Darren West: I think he might have some other things to think about.

Hon Dr STEVE THOMAS: I am sure he does that very well.

The other thing that has not changed is GST revenue from the commonwealth. Members might note that a week or so ago, the Commonwealth Grants Commission put out its revised grants to the state, and thanks to a general reduction in GST, the state of Western Australia would have been due to drop fairly significantly in its GST ratios, which is the proportion of GST compared with our population or economic state. But as a 74 per cent floor in GST entitlement exists, the commonwealth government will be funding extra billions of dollars to the state of Western Australia for its GST top-ups. We are probably getting past \$3 billion in additional iron ore royalties, and the additional funds flowing to Western Australia from GST at, by my calculation, a couple of billion dollars over the forward estimates means that there is significant capacity for this government to make some concessions to payroll tax provisions in Western Australia. It is pleasing to see that some have been made. I would have thought that this state was in a better position than most states to provide that sort of relief. It is good to see that the government is working in that regard. I suspect we might see some additional measures come forward, particularly if the iron ore price stays up, and the additional couple of billion dollars in individual years going forward from the GST gives the state the capacity for a pretty big rebuild. I assume that this is why the Treasurer has indicated that the state will still post a budget surplus in the current financial year and future financial years. That is a position that we should all be very grateful for, and a position that is probably the envy of all the states of Australia, and particularly the commonwealth, which is footing the greatest component of the COVID-19 economic response on behalf of governments around Australia.

I will make a couple of comments. During the last debate on payroll tax, and in particular the government's response to COVID-19, the Minister for Environment very helpfully tabled a paper, paper 3753, breaking down to that point—I think it was around 2 April—the stimulus measures in total. I am pleased to see that the stimulus measures have not included most of the announcements that the government made last calendar year, in 2019, because most of those were announced well before COVID-19 became a worldwide pandemic. Most of these were in fact not COVID-19 responses but, in many cases, impending election commitments. Some of those are quite significant. The schools and hospitals maintenance packages are obviously election commitments. The planned stamp duty rebate is an election commitment. The original payroll tax threshold increases were an election commitment, and we spent most of last year talking about how, given the increase in royalties received on iron ore and the GST corrections,

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payroll tax changes were imminent. I have given a speech before in which I predicted this several times. These things were occurring beforehand.

I want to briefly raise the government's freeze on household fees and charges, which the government continues to include as a COVID-19 response measure of \$402 million. That makes it nearly a quarter of this government's COVID-19 response, if we are still working on that \$1.7 billion economic response, a figure the government is very keen to throw around in the media. If that is the case, nearly a quarter of that response is the household freeze on charges, which were unofficially announced by the state government in December last year, with a very lovely front page leak to *The Sunday Times*, I think on 22 December. In my calculations, I do not add that \$402 million to the COVID-19 response. I think it is another rebadged election commitment of the McGowan government, as it was planning it for the March 2021 election. I am pleased to see, though, that the changes to payroll tax are legitimately put into the COVID response. The original payroll tax threshold increase was budgeted at \$170 million prior to COVID-19. The advancement, to bring the \$1 million threshold six months forward, has an additional \$7 million cost. I think that is completely legitimate. The waived payroll tax liability for four months at \$165 million is a very good investment, and the government should be thanked for it. I think that these are genuine, legitimate expenses that could quite rightly be put in the stimulus measures package. The difference between that and rises in household fees and charges is that a rise in household fees and charges was not an expense coming out of government, but foregone future revenue. Treasury loves to make sure that the government puts that in there, because Treasury, honourable members, likes to count its coins coming in very carefully, and several years in advance. Although I fully understand that that is the case, the \$402 million of COVID-19 response is \$402 million of foregone future revenue. It is not \$402 million as an additional cost being handed out to households; it is simply not increasing the price of doing business in those households. I think we should be very cautious about giving the government an enormous amount of credit for that.

The other thing I will be interested to see, when we get a chance—it might not be during this debate—is the breakdown of the largest component of the stimulus measures announced, the \$500 million global expenditure provision for frontline health services and additional industry support. At some point during the debate I would be very interested to see the modelling on how the government came to a \$500 million cost for that. The minister might try to tell me it is cabinet-in-confidence, but I would be interested to see whether any modelling can be made available. After the fact, we will be looking very carefully at that \$500 million to see precisely how it is spent. I am the first to acknowledge that there will be some significant additional expenditure in managing COVID-19. There is additional health and police expenditure, and some of that has been announced. I do not know whether that includes the additional \$91 million for Western Australia Police Force. Today might not necessarily be the debate in which we get to that in great and significant detail, but at some point, we should not put aside the capacity of this house to be a house of review. I know we are all working in great harmony with great camaraderie at the moment, but the job of the house is still to make sure that the government is held to account. I, for one, am not keen to see us forgo that, even though we are playing very nicely in the sandpit at the moment.

The bill reflects a couple of significant things, and the government is to be thanked for this particular measure, to provide a four-month holiday for payroll tax for the months of March, April, May and June, the final third of the 2020–21 financial year. It will apply only to employers with a wage bill worth less than \$7.5 million in the financial year. It is quite simple to work out the maths: two-thirds of \$7.5 million is \$5 million. If members look at how the bill is structured and the explanatory memorandum, that means that a business that has spent \$5 million in the first two-thirds of the year can reasonably be expected to have by the end of the financial year a wage bill of \$7.5 million. That raises a fairly interesting point. I do not know whether the government has done any modelling on the expected reduction in payroll tax on the basis of the impact of COVID-19; that is, is there modelling to say by how much payroll tax will go down, because it certainly will go down to some extent? The question then is: what will be the impact of that? A number of businesses, potentially, are not able to take advantage of this payroll tax holiday because they have effectively closed their doors during this period of time. I hope some modelling has been done on what the impact of that will be. It might be a stretch to ask that at this time, but there will be an impact on payroll tax particularly in this three-month period—that is, the fourth quarter of the 2020–21 financial year. I expect that there will be a significant payroll tax increase in the first quarter of the 2021–22 financial year. Hopefully, we will get some measure of that impact if, as has been predicted federally, we are expecting a doubling, roughly, of the unemployment rate. My expectation is that that will have had some impact on payroll tax collections.

The bill before the house today does not provide exemptions for employers who have a payroll bill over \$7.5 million; so, obviously, larger businesses that are paying the bulk of payroll tax are not getting a holiday. The next question is whether any modelling has been done on whether those larger businesses will fall out of the payroll tax system as they contract. That would be a very difficult thing to measure and I would not be surprised to find that the minister is not able to provide much of that modelling, because we are all in a kind of suck-it-and-see situation at the moment.

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The second part of this bill exempts JobKeeper payments from the calculation of payroll tax. I think that is a very sensible measure. It would be silly for the commonwealth government to provide a significant incentive for people to retain workers for the state government to then tax that significant incentive payment. This is a very sensible measure that the opposition obviously will support.

We are trying to keep our contributions very short today. I have raised a couple of issues. The opposition is supportive of any move to reduce the payroll tax impost in this state. I think this is a good bill that has been presented before the house. I thank the government for taking this particular measure in its COVID-19 response.

HON RICK MAZZA (Agricultural) [10.52 am]: I rise to make a few comments on the Pay-roll Tax Relief (COVID-19 Response) Bill 2020 exemptions. I am very supportive of the bill. I think the business community would welcome any relief from payroll tax during these very trying times. As articulated by the previous speaker, there are a few features of this bill. Any business that had a payroll bill of less than \$5 million as at 29 February this year will be exempt from paying payroll tax for the next four months; that is, March, April, May and June; and any business that had a payroll bill of more than \$5 million as at 29 February this year, but with a payroll bill under \$7.5 million as at 30 June this year, will also receive an exemption. I think that employers in the small business to large small business area will welcome that.

What is interesting is that the JobKeeper program, which is a contribution to be paid to employers to ensure they maintain their workforce as best they can, will be exempt from the calculation. However, if an employer pays superannuation on the JobKeeper payment, that superannuation component will be subject to the calculation of payroll tax, which I think is quite interesting.

There are obviously some complex scenarios. I have looked at the explanatory memorandum, which gives eight examples of different calculations of circumstances that businesses might be facing. I am also interested to know whether any modelling was done on the overall effect that this is likely to have on payroll tax receipts for the state over the next few months. I suppose that would have been quite difficult to do because we do not know the amount of damage that is being done to the economy and small businesses at this point in time and will be doing into the future. Notwithstanding this payroll tax exemption for a business with a payroll under \$7.5 million, I think it is wise to look into the future a bit. Hopefully, sooner rather than later we will be moving into the recovery phase and at that time businesses will need incentives to employ people. I think that after putting in place this interim payroll tax relief the government will need to consider a payroll tax exemption to assist the recovery phase and to give employers incentives to put more people on to get the economy back on its feet.

Overall, I am very supportive of this bill. I hope that more consideration will be given to this as we move into the recovery phase so that we can get back onto our economic feet as quickly as possible and so that employers are given incentives to employ more people.

At this point in time, the payroll tax exemption will apply only to employers with a payroll bill up to \$7.5 million, the calculation of which, of course, includes all superannuation and other benefits. I know that the economy or the budget is under pressure, but many businesses with payrolls in excess of \$7.5 million are still struggling. I think what needs to be considered at this point as well is at what point will those employers need assistance. The businesses that are suffering at this time are not only small businesses with half a dozen employees suffering, but also larger businesses. Many of those businesses that currently have a payroll bill of over \$7.5 million could fall back at some point, as they lose their business and put off staff. Businesses with payrolls over \$7.5 million, which were once considered to be large employers could fall below that threshold over time and that will have a significant impact on payroll tax receipts over time. But, as I say, at this point in time, the bill is very welcome and I hope that the government considers more relief as time goes forward.

HON COLIN de GRUSSA (Agricultural) [10.57 am]: I rise as the lead speaker for the Nationals WA on the Pay-roll Tax Relief (COVID-19 Response) Bill 2020. Again, we find ourselves in these uncertain and unprecedented times dealing with issues that transcend politics and that require us to act expediently to deal with legislative change that will provide some assistance to our communities. We absolutely must support the business sector in our economy to keep people employed, to keep people in jobs, to keep our economy going and to aid the recovery from COVID-19 and the effects it is having on our community once we get through to that stage.

In the second reading speech, the minister said —

The bill seeks to waive payroll tax from 1 March to 30 June 2020 for small to medium-sized businesses with Australia-wide wages less than \$7.5 million in 2019–20 and provide a payroll tax exemption for payments under the Australian government’s JobKeeper scheme.

These are necessary and excellent changes. The Nationals WA indicate its support for the changes in this bill. It notes that they are limited to the COVID-19 response and, as such, the bill has a sunset clause. During these unprecedented times, it is interesting how we are forced to reflect on what legislative impediments there are to our economy and

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our society in general. I hope that from all of this and the different things we are doing to stimulate various parts of the economy, there will be some learning and we might recognise that some of our legislation is perhaps more of an impediment to economic growth and society than it is a help.

I reiterate that the Nationals WA support this bill. We are not fans of payroll tax, and others have indicated the same. It is a tax on jobs. It is one of those taxes that immediately needs to be amended to stimulate the economy in a circumstance like this. I hope at some point down the track we might get to reflect on payroll tax in general. Although there are economic impacts on that, we still need to reflect on the merits of the system in general. I indicate the Nationals WA will support this bill.

HON DIANE EVERS (South West) [11.00 am]: I am the lead speaker for the Greens on the Pay-roll Tax Relief (COVID-19 Response) Bill 2020. This bill is part of the government's response to the economic impacts of COVID-19 pandemic, as we know, and it provides specific relief related to that pandemic. The regulation-making powers have been included in the bill to allow other wages and payments to be exempted from payroll if further relief is required. Powers can only be used as part of the COVID-19 relief measures. That is something of interest. The government can continue to make regulations on this as long as it is COVID-19 related. We are aware of that and we understand that might happen. However, a sunset clause will repeal this legislation 12 months after assent, and any further legislation on payroll tax would have to come back through the Legislative Council.

This bill provides payroll tax exemption for wages paid by small businesses between March and June, as we have heard, for employers or groups with taxable wages of less than \$7.5 million in the 2019–20 at June 2020. This is pro-rataed back to 29 February, being two-thirds of the year, and two-thirds of \$7.5 million gives a cut-off figure of \$5 million at 29 February. Of course, if businesses had less than \$5 million at 29 February, they are considered eligible for this reduction. If they went over \$5 million, they would have to wait until the end of the year to get the refund. One major point of this bill is that it makes sure that JobKeeper payment scheme money is not part of the assessment for payroll tax.

This bill is designed to leverage off the Office of State Revenue's existing tax collection systems to make relief available immediately. Through this crisis and other previous emergency funding actions in past years, it has been demonstrated that the quickest way to get money back into the hands of the people who want it is to go through existing mechanisms, and payroll tax is one of those by which we are continually in touch with employers. As I said, employers with wages of less than \$5 million at 29 February will be entitled to the exemption immediately and others later, but there is some disparity on this point that I will pick up on later in my speech. The JobKeeper payments of \$1 500 for each eligible employee are exempt for payroll tax purposes, and these payments will not be taken into account when determining whether an employer meets the threshold of our payroll tax system. The changes will be effective as of 1 March, but there is no need for the pre-enactment provisions, as it is just a short time back. We have also been informed that the waiver is expected to deliver approximately \$165 million in payroll tax relief to around 10 700 businesses that will not have to pay payroll tax for that four-month period. Like others who have spoken here, I am also interested to know what the impacts on our payroll revenue will be, but I am sure we will find that out in due course as it occurs. This expected \$165 million in reduced payroll tax revenue due to this change is included in the emergency stimulus package of \$1 billion that we approved in this house the week before last through the increase to the Treasurer's advance, so it is taken into account as part of those COVID-19-related measures to keep the economy going as best it can.

This emergency period for the JobKeeper subsidy is from 30 March until 27 September as per the commonwealth legislation. The period for wages for small businesses is from 1 March until 30 June, but that is not to say that regulations cannot extend beyond that period if necessary for issues related to COVID-19.

Clause 6 of this legislation provides that JobKeeper subsidy exempt wages or small business exempt wages are exempt from payroll tax. It also exempts any wages that need to be prescribed if other COVID-19 payroll tax relief measures are required.

Clause 7 exempts only wages that are subsidised by the JobKeeper payment, so not additional wages that might be paid by the employer to keep that person employed. The exemption does not apply to those that are not subsidised. One thing I found interesting in this bill with the JobKeeper payment is that the superannuation guarantee must continue to be paid and it is taxable and counted as part of the threshold, but it is optional for some of these JobKeeper subsidies. I want to point these instances out, because it is an important factor that employers and employees will need to be aware of. There are two situations. The first is a situation in which the employee is earning less than \$1 500 and yet through this period they receive the \$1 500 JobKeeper payment. For the employer the superannuation guarantee on the additional amount is optional. If someone was getting \$1 000 and now they are getting \$1 500, it is optional for the employer to keep paying superannuation on that additional amount of \$500 because it is an additional impost on the employer. I can understand that that would be optional. It is something we would hope would be sorted out between employer and employee. The other case that could occur is when an employee has been stood down, so they are not still working and earning that income. If they have been stood down but they were getting

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the \$1 500 JobKeeper payment, superannuation on the \$1 500 amount is optional to the employer, because, of course, the employer does not even have the person working in their business at that time.

Clause 8 exempts wages paid for the period 1 March to 30 June. The upper threshold amount of \$7.5 million is pro-rataed, as I have said, to 29 February down to \$5 million. The \$7.5 million threshold is for determining whether an employer or a group of employers, through their wages paid, are exempt at 1 March or become retrospectively exempt at 30 June. Here I have some concerns about this bill, and I want to state them to make sure they are recorded. There are two situations. One employer has wages below \$5 million on 29 February and another is \$1 over this threshold, so they are not entitled to take the exemption for the next four-month period. Come 30 June, say one of the employers has wages over \$7.5 million—\$8.5 million or \$9 million—because they increased their wages during that period. Maybe it is a cleaning company that got more work or an IT company that was more involved, or maybe it makes face masks or toilet paper. For some reason its actual pro rata amount increased through that four-month period. If their wages go over \$7.5 million, there is no clawback in this legislation to say that the company should not have received an exemption and to pay it back. It is not in the bill, and I can understand that, because we want all of these businesses to do the best they can, and if we can give them the opportunity to put on more staff or whatever, that is great. If we look at the other situation in which a company has gone over the \$5 million and have had \$5 000 001 of payroll up until 29 February and come 30 June they have \$7 500 001 in payroll, they are over that \$7.5 million threshold. They are not entitled to this exemption on that \$2.5 million. They have missed out on that by being over the threshold by just \$1 and that equates to a difference of \$137 500 for that employer. That is a pretty significant amount in that four-month period for a business that has wages of just over \$7.5 million. This issue of thresholds is not uncommon. It is the reason that our payroll tax system allows for a phase-out of that \$1 million threshold that we recently increased. It is a phase-out to \$7.5 million, so there is not a point at which for \$1 a company can miss out by thousands of dollars. That is what we have in this case. I am concerned about that and I hope the government finds some way to address that. In fact, I understand that there is an opportunity for those businesses that have payrolls over \$7.5 million and are affected by the crisis to apply online for an interest-free payment arrangement for their payroll tax liability, so they do have some possibility there.

Clause 9 provides that under the Pay-roll Tax Assessment Act, the Australian taxable wages of an employer or group determine the liability of the payroll tax, the tax rate and the tax-free deductible amount that is decreasing the threshold value. Clause 9(1) of this bill says that small business exempt wages for the period from March to June are taken to be taxable wages for the purposes of determining whether the wages are less than, equal to or greater than the relevant thresholds and determining the deductible amount for the tax-free threshold. Those taxable wages that are exempt wages under this bill are also used for the purpose of applying for registration and lodging returns. We will still count that amount, but it will be exempt.

Clause 10 empowers the commissioner to make any reassessment required to give effect to the exempt wage provisions. Of course, that is subject to time limits. If we find that something is not working right or is not as intended, those changes can be adjusted.

Clause 11 allows regulations to be made to provide relief from the economic impact of the COVID-19 pandemic. Again, as I have said a number of times, there will be regulations. These may occur as we go along if COVID-19-related issues still need to be addressed through payroll tax. The sunset clause will come into effect 12 months after assent. That will be a good amount of time to work through any of the details and make sure that we have applied this legislation correctly. Hopefully, at that time, we will be well and truly out of this situation.

The last point I want to make is that the exemption will apply to small businesses that are not adversely affected by COVID-19 provisions. Some businesses are continuing to do what they do. They have not been too strongly affected by this, but maybe some of their employees have. This bill will still apply to them and that is okay. Although those businesses may not be losing out financially, they will benefit from the maximum of \$137 500 that can apply to the extra \$2.5 million. Those businesses might be able to use this benefit to employ additional staff or in some way extend the benefit to others, rather than just pocketing the savings. I think that is what we are seeing—those in the community coming together and helping where they can. That is possibly what we will see. With that, the Greens will support this bill.

HON ROBIN SCOTT (Mining and Pastoral) [11.12 am]: I rise on behalf of One Nation to support the Pay-roll Tax Relief (COVID-19 Response) Bill 2020. My disdain for this rotten tax has been mentioned in the house in previous debates, but I commend the McGowan government for cancelling payroll tax for four months. This will benefit many small companies that have been struggling for a very long while, and not just because of coronavirus. They had been struggling well before COVID-19 was even mentioned. I hope only that the government does not come back with a vengeance in July after suffering withdrawal symptoms. I am full of hope that the Premier will realise that there is life after payroll tax and that he knows that this is an unfair fine on hardworking businesspeople. If I have any scepticism, it is that there is no exemption for big players such as the mining and service industries. I hope that the government is not using payroll tax relief to gain favour with the public and the small business community,

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knowing that the tax take would have shrunk dramatically anyway due to the number of people who have lost their jobs. We are happy to support the bill.

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Environment) [11.14 am] — in reply: I thank all honourable members who made a contribution to this morning's debate. I thank Hon Dr Steve Thomas for his contribution and for his indication that the Liberal Party will support the Pay-roll Tax Relief (COVID-19 Response) Bill 2020. I thank Hon Colin de Grussa for his comments and his support. I thank Hon Rick Mazza, Hon Diane Evers and Hon Robin Scott for their contributions. A number of members have asked a number of questions, which I intend to answer now so that we do not have to go into committee. Certainly, Hon Dr Steve Thomas, Hon Rick Mazza and Hon Diane Evers asked questions about what modelling has been done. The only modelling we essentially have is the payroll tax take. We know what has come in so far. At this stage, we are on track with the anticipated take for the March quarter, but the Treasurer is on the record as saying that it is expected to drop substantially from now on. We will know in about four weeks where we are travelling for April. That is the only modelling that has been done. How long is a piece of string?

Hon Dr Steve Thomas: Are you getting monthly reports?

Hon STEPHEN DAWSON: We will know in a month what the take was for the last month. How long is a piece of string? We do not know who is suffering. We know that lots of people are suffering, but we do not know to what degree. As a number of honourable members have alluded to in debates during the COVID-19 period, some businesses have pivoted. For example, some restaurants that used to have people eat at their tables every night of the week are doing takeaways instead. There is a great deal of ingenuity happening in the small business sector at the moment. We will know about our take in about a month. Certainly, a drop over the coming months is anticipated. It is difficult to measure. The interaction with the JobKeeper payment from the feds also makes it a bit difficult to model.

The Treasurer is on the record as saying that we would like to still have a budget surplus, but only time will tell. We have worked incredibly hard over the last three years to manage the budget and we were on track to have a surplus, but in this crazy time with the pandemic, time will tell.

I say to Hon Rick Mazza that during the pandemic, the government continues to monitor the economy and its ongoing effect on the Western Australian community—that is, households and small, medium and large businesses. We keep monitoring it. The Expenditure Review Committee of cabinet is meeting more frequently to look at these issues, as is the national cabinet. We are working incredibly closely with the federal government. The Prime Minister and the Premier are in lock step on many of these issues at the moment. We are all working towards the same outcome—that is, to protect at this time of the pandemic crisis.

Hon Diane Evers asked some questions about the waiver and whether it can be clawed back. The scheme was designed to provide immediate payroll relief for small to medium businesses that are on track to have wages of less than \$7.5 million in 2019–20. The eligibility threshold at \$7.5 million was pro-rataed to \$5 million at 29 February for this purpose. In 2018–19, less than 0.003 per cent of WA-only businesses had wages of less than \$5 million at 28 February but had wages of \$7.5 million or more at 30 June in that year. If we are looking at that as a track record, the figures are tiny. It will be incredibly cumbersome for a process to be established—time and resource intensive—to set up a clawback unit when so few businesses in the previous year have moved from one threshold and leapfrogged the \$7.5 million figure at 30 June. We do not intend to claw back.

In relation to businesses with a payroll over \$7.5 million that may miss out, I acknowledge that businesses may consider options to ensure that they fall below the \$7.5 million threshold. However, a reasonably small number of businesses fall into this category. We previously estimated that one per cent or 183 Western Australian employers will have an Australian-wide payroll of between \$7.5 million and \$8 million in 2019–20. Some of these businesses may fall below the eligibility threshold in any case due to a reduction in wages paid over the next four months or the impact of exempting the commonwealth JobKeeper payments. Normally, we might introduce a phasing out of assistance, but this adds a great deal of complexity. We want to get this assistance out the door to help businesses that are suffering at the moment. It would not be a viable option in the current economic environment. We have had a number of briefings on payroll tax over the past few weeks and I have learnt that the computer systems are cumbersome and difficult to change. If we were to stop this now and try to change our processes or our computer systems, it would take an inordinate amount of time and those people who need this assistance immediately would not get it.

I think that answers all the questions that honourable members have asked. I thank Hon Robin Scott for his contribution as well. As a chamber we are lock step on this issue. It is important to give these businesses relief and, as I indicated, we will continue to monitor this situation at a state level, as will the national cabinet, to see what other assistance may be given to these businesses and the community during this difficult time.

I commend the bill to the house.

Extract from *Hansard*
[COUNCIL — Thursday, 16 April 2020]
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Hon Stephen Dawson; Hon Dr Steve Thomas; Hon Rick Mazza; Hon Colin De Grussa; Hon Diane Evers; Hon Robin Scott

Question put and passed.

Bill read a second time.

Leave granted to proceed forthwith to the third reading.

Third Reading

Bill read a third time, on motion by **Hon Stephen Dawson (Minister for Environment)**, and passed.