

PAY-ROLL TAX AMENDMENT (DEBT AND DEFICIT REMEDIATION) BILL 2017

Introduction and First Reading

Bill introduced, on motion by **Mr D.A. Templeman (Leader of the House)** on behalf of Mr B.S. Wyatt (Minister for Finance), and read a first time.

Explanatory memorandum presented by the Leader of the House.

Second Reading

MR D.A. TEMPLEMAN (Mandurah — Leader of the House) [11.56 am]: On behalf of the Minister for Finance, I move —

That the bill be now read a second time.

This bill seeks to amend the Pay-roll Tax Act 2002 to temporarily introduce a progressive payroll tax scale in Western Australia for five years from 1 July 2018. In response to downward revisions of general government revenue in Western Australia of \$5 billion since the March state election, the state government has had to introduce several fiscal repair measures in the 2017–18 state budget to return the state’s finances to a more sustainable footing. One of those measures is the temporary introduction of a progressive payroll tax scale from 1 July 2018 to 30 June 2023. Under this scale, rather than paying a rate of 5.5 per cent, Western Australian employers with an Australia-wide payroll exceeding \$100 million will pay an effective marginal tax rate of six per cent on the part of their Western Australian payroll exceeding \$100 million relative to their Australia-wide payroll and an effective marginal tax rate of 6.5 per cent on the part of their payroll exceeding \$1.5 billion.

To give effect to the new progressive scale, formulas have been devised that take into account all relevant factors to arrive at a single rate to apply to an employer’s total Western Australian wages. Employers that operate in Western Australia and elsewhere in Australia will pay the same effective rate of tax on their Western Australian wages as employers with the same wages that operate solely in Western Australia.

It is estimated that around 1 300 employers will be affected by these amendments. This represents around eight per cent of all employers that pay payroll tax in Western Australia or less than one per cent of all employers in the state. Importantly, employer groups with annual Australia-wide payrolls of less than \$100 million, which comprise the vast majority of employers that pay payroll tax in Western Australia, will not be affected by these amendments.

Given the temporary nature of the payroll tax increase and its application to only a small number of the largest businesses in this state, the state government does not expect this proposal to have a significant impact on employment in Western Australia. This measure is estimated to raise around \$435 million over the period 2018–19 to 2020–21. Other amendments necessary for the implementation of the temporary progressive payroll tax scale are contained in the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017.

The associated explanatory memorandum contains further details on the amendments.

I commend the bill to the house.

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