

REVENUE LAWS AMENDMENT BILL 2010

Third Reading

MR C.J. BARNETT (Cottesloe — Treasurer) [10.10 pm]: I move —

That the bill be now read a third time.

MR B.S. WYATT (Victoria Park) [10.10 pm]: I rise to speak to the Revenue Laws Amendment Bill 2010, otherwise known as the small business tax slug act as it was attempted to be amended by the opposition, which of course was voted down by the government during consideration in detail. It is somewhat ironic that the Premier's first job as Treasurer is to impose a \$355 million tax slug on the small and medium-sized business sectors of Western Australia. As the Premier and Treasurer talked about today, tax is very much on the lips of members of Parliament all over Australia, in particular Canberra, Queensland and Western Australia. It is important to highlight the fact that today our new Treasurer, on his second day, announced a blow-out of \$100 million in the Northbridge Link proposal. He is now here, in his first piece of legislation through the Parliament, imposing a \$355 million tax on the business sector of Western Australia.

The Leader of the Opposition is not in the chamber tonight, but I know he has a deep and keen interest in this legislation as it reverses a tax cut introduced by the former Labor government. The bill delays the abolition of duty on non-real property; that is, intellectual property, goodwill, licensing et cetera. This crept into the state's finances in the midyear review. We are facing the pressure of extraordinary spending and extraordinary monthly expenditure growth by this government. To save a surplus position over the forward estimates, we saw a package of tax increases on the business sector of some \$511 million. Firstly, by deferring the abolition of duty on non-real property, which we are dealing with tonight, it is estimated that will raise \$355 million over the forward estimates—some \$96 million in the upcoming budget year—and the deferral of harmonisation grouping provisions in respect of payroll tax will raise a further \$156 million, with some \$52 million expected to be raised in the upcoming budget year. That is a total of \$511 million.

This point has already been raised, but it is also important to recognise that the estimates of revenue forecast to be brought into the state were raised at a time when real gross state product growth for 2010–11 was expected to be 2.75 per cent, rising to four per cent in 2011–12 and 4.75 per cent in 2012–13. We now know the former Treasurer announced stronger than expected growth not only for the current financial year but also much stronger growth for 2010–11, the upcoming budget year, and the out years. That means that expected revenue from this tax increase on the business sector of Western Australia will be greater than the estimated \$511 million contained in the midyear review. The former Treasurer could not answer questions put to him in respect of what the new revenue estimates would be; however, he told Parliament that those figures would be made crystal clear in the upcoming budget. The opposition looks forward to seeing that windfall gain that the government will make. It comes back to the financial documents of the Liberal Party in the lead-up to the 2008 election that indicated that all windfall gains would be returned to the taxpayer by way of tax cuts.

This is something that the opposition intends to pursue. I daresay that instead of \$511 million, there will be a significant gain to the state from this tax increase. As we did at the second reading stage, the ALP will continue to oppose the passage of this bill. As the former Treasurer said, this was not the hard decision. This was the easy decision. To simply defer tax cuts already in law, already factored into the budget over the forward estimates, was the easy decision. The government simply could not make the decision to restrain its own spending and restrain its own growth on the spending side of government. As a result the government looked down the barrel at the real likelihood of a deficit position this financial year, as early as November of 2009. That is the cut-off date for the midyear review. As a result we now have a position in which the business sector will pay for that fiscal hole.

It is important to note that the abolition of these taxes is as a result of an intergovernmental agreement on federal financial relations. It basically dates back to the days of negotiations over the GST. These are significant tax cuts that form part of a broader Council of Australian Governments process. I put the question to the then Treasurer during consideration in detail about whether the state faced any negative financial implications or consequences for failing to deliver on the abolition of these particular taxes. Again, he could not tell me at the time, but it is important to note that Western Australia and Queensland will be the last states to abolish this tax. 1 July 2013 is when WA will finally abolish this tax, provided the government makes the decision to abolish the tax as opposed to another deferral out over the forward estimates. The tax does not exist in Victoria, Tasmania, the ACT or the Northern Territory, and will be removed in New South Wales and South Australia at least a year before it is removed in Western Australia. It erodes the competitive edge of doing business in Western Australia. It puts WA business at a competitive disadvantage vis-a-vis other states.

When this matter was being discussed in consideration in detail, the opposition put a number of questions to the Treasurer in respect to comments made about the impact of spending when the Duties Act was being passed

through this Parliament. The former Treasurer was very aggressive at that time in putting to the then Treasurer, the member for Belmont, the idea that the government could constrain itself effectively with a per capita cap; that is, population growth plus inflation expressed as a percentage. That is what spending growth should be limited to. That is when the member for Vasse was the Leader of the Opposition. That is what state government expenditure should be capped at. It is worth looking over the years of the former Labor governments and looking at the performance of the current Liberal–National government in respect of applying the then Treasurer’s cap to spending growth. Over the eight years of the former Labor government, on average that cap was breached by 1.63 per cent. Some years were over by more than that, some years were under, but, on average, it was breached by 1.63 per cent. That is not a bad performance overall. In 2009, the current government is nine per cent over the former Treasurer’s cap. In 2010, we are currently looking at about 4.2 per cent over the cap. In 2011, assuming the miracles of spending constraint come into existence—which I severely doubt—the government will be under its own self-imposed constraint. However, it is an enormous leap of faith to assume that the government will have the ability to impose that sort of spending constraint upon itself, which is why I dare say the abolition of this tax will be deferred again.

The spending growth of the former Labor government was a topic of continual fascination for the former Treasurer. When he was on this side of the house, he was very strong on rhetoric about how he would cut spending and how spending would not grow at anywhere near the rate it had grown under the Labor government should he become Treasurer. He became Treasurer and, as we saw on a month-on-month basis, that spending growth did not drop below 13 per cent. Over the eight years of the former Labor government spending growth grew, on average, at 7.5 per cent. Similarly, some years the growth was higher and some years it was lower. On average, it was 7.5 per cent. If we were apply that average to the 18 months of this government and to the forward estimates, then all else being equal in the current budget figures, by 2013 debt would be some \$7 billion lower and the operating position would be some \$6.8 billion better. It would be a huge turnaround if this government could apply the average spending growth of the former Labor government. That is why I make the point, time and again, that this government has not seen its revenue drop during the course of the global financial crisis. Estimates have come back but revenue has continued to grow. Unfortunately, spending has grown at a completely unsustainable rate. On a monthly basis, it has not yet dropped below 13 per cent.

A short time ago I referred to the Liberal Party document dealing with the finances of the state titled “Securing the economic future of Western Australia”. What is the overall implication of the fact that the government has not been able to control its own spending? One result is the fact that the Premier’s first act as Treasurer is to impose a \$350 million tax on the small business sector of Western Australia. The document outlines that a Liberal government would implement a tax reform and reduction strategy. I have not seen that strategy; I do not know whether it is being developed or is somewhere in the pipeline of the Department of Treasury and Finance. However, at some point the Liberal Party in government was to implement a tax reform and reduction strategy that was to include the delivery of a minimum of \$250 million in additional tax cuts for Western Australian families and small businesses within its first term of government. What we have seen already is that \$120 million of that \$250 million has been reversed out of the budget in the midyear review. That commitment is dead and buried.

We have seen what families have copped from this government in fees and charges, and now we are seeing what small businesses are coping from this government. They are coping \$511 million in increased taxes at a time when the Treasurer has said that the government is giving the small business sector a payroll tax rebate and is supporting the small business sector, that 53 per cent of all businesses registered to pay payroll tax are entitled to either a complete or partial rebate, and that the government is spending \$100 million supporting employment in the business sector. However, at the same time the government is also giving the business sector a \$500 million tax hit. The government’s rhetoric contradicts itself time and again. The impact of that payroll tax rebate will be negligible to the small business sector compared with the \$500 million hit it will receive by way of these tax rises.

It is also important to note—I referred to this during the second reading debate, courtesy of the freedom of information process—that Treasury officials have identified in emails that if the government is going to stimulate the economy via tax cuts or capital spending, it has to be when the economy is actually experiencing a downturn; it should not do it post-downturn. That is the problem I have with the payroll tax rebate; it will be paid in September this year, well after the dire impacts of the global financial crisis and well after the time during which the small business sector has already felt the impacts of the global financial crisis, and during a time when our economic growth is experiencing an upswing. As was identified in the Treasury email, that is not the way to handle the state’s finances. Again, clashing with that, we have \$500 million in tax rises.

The Liberal Party’s election commitments document also refers to a tax reform and reduction strategy under which savings would be identified by the Economic Audit Committee. We have seen the report, and we now assume that we will see line items of savings in the upcoming budget due to decisions made by the Economic

Audit Committee. There they will be—hundreds of millions, or billions, of dollars in savings. All savings identified by the Economic Audit Committee were to be quarantined for return to the Western Australian taxpayer through the tax reform and reduction strategy. I dare say that is one commitment that Western Australians will be waiting a long time for. Not only has \$127 million of that \$250 million commitment been reversed out of the budget, I dare say we will not see one extra cent—as the former Treasurer has already admitted—identified in the forward estimates over this term of government for tax breaks. That is contrary to its own election documents. All the savings identified by the Economic Audit Committee were to be quarantined for tax cuts. Monthly spending growth of 13 per cent means that that is simply not going to happen. That is the result of the government's own decisions, and the standard to which the opposition will hold the government. That is the standard the former Treasurer imposed on himself and the former government when he sat on this side of the chamber.

The opposition moved two amendments to this bill. One was to change the name of the legislation from the Revenue Laws Amendment Act 2010 to the “Small Business Tax Slug Amendment Act 2010”. It was a very good proposed amendment because it took what was otherwise a very innocuous name for this legislation and called it what it is: a tax slug on the business sector. The former Treasurer said that he might support that amendment provided that the government could then bring in legislation called the “Anti-Tax Slug Bill”. I am happy to agree to that, because I can guarantee that we are not going to see an anti-tax slug bill any time before the next state election. This will be nothing but a tax slug, and we should call the legislation exactly what it is.

The other amendment was moved by the member for Balcatta, and it was a very sensible amendment. Instead of deferring the abolition of the tax to 2013, the member proposed to defer it to 2011. That would allow, as the member for Balcatta outlined, the government to reassess its finances and its revenue growth on the back of what we now know to be much stronger economic growth. Therefore, the tax rise would generate a lot more revenue than was originally estimated in the midyear review. The cut-off date had already passed for the budget; it would not have impacted on the finances for the 2010–11 budget, but it would require the government to come back to the chamber next year and seek a further deferral of those tax cuts. That was a sensible and reasonable amendment moved by the member for Balcatta, because it would have provided the small business sector with at least the hope that it would not wear three years of tax increases but would instead have one year of tax increases before the government delivered on the former Labor government's tax cuts. However, the government opposed that. It knows that its spending direction is not going to change over the next couple of years; it knows that it is going to need every red cent of these tax rises, which is why it is not willing to give the small business sector a fair go and at least give it the opportunity next year to say, “We have delivered the government much more revenue than it ever expected with these tax rises; it is time to give a break to us and abolish them at the end of 2011 as opposed to extending them another two years to 2013.” The opposition has opposed this legislation from the beginning, and it will oppose it again tonight. This is a story of spending without constraint. As a result, the government now seeks to hit the business sector at a time when, as the former Treasurer said, despite strong economic growth the small business sector is yet to see that flow through to its own revenue base and to its own desire to employ more people. Regardless of the former Treasurer's own confession, this Treasurer is now slamming them with \$500 million in tax rises. This is a result of the government's own decisions. The backbench of the Liberal Party knows that and the opposition knows that. We gave the government, through our amendments, the chance to have one more year of that particular tax before it is abolished to give the business sector the chance to perhaps get two years of tax relief out of those three years of tax rises. The government refused that and tonight will use its numbers to ensure that the business sector will be paying for the fiscal hole created by the Premier and Treasurer's own spending decisions, which are without constraints and without desire to rein in that thought bubble process that relates to his finances. That is why we are opposing this. It was not a hard decision by the opposition to oppose this tax increase; it was the easy decision. The harder decision would have been to bring down that expenditure rate growth of 13 per cent on a month-by-month basis to a level that protected the state's finances, that delivered on the surplus that the Premier and Treasurer has committed to—no government that he leads will have a deficit! It would have delivered on that at the same time as allowing the former Labor government's tax cuts to be implemented on 1 July 2010, as was already passed by this house and as was already in the budget forward estimates. This is a tax slug on the business sector—nothing more, nothing less. There is \$511 million in extra taxes from the business sector forecast to go into the coffers of state government—forecast when economic growth in the next financial year was expected to be 2.75 per cent! We now know that it is a lot higher as the economy has rebounded much more strongly than ever expected, and as a result \$511 million will be an underestimate and we will see a windfall gain for this government by way of tax increase.

I noted that on television Mr Harrison of the Chamber of Commerce and Industry was most annoyed by the government's intent to pass this through the Parliament because the small business sector will be feeling the pain of this government's unsustainable spending. It is important to note that during question time today the Premier and Treasurer talked about Mr Rudd, the Prime Minister, and his super profits tax, yet at the same time his very

first act as Treasurer of Western Australia is to unwind the good work of the Leader of the Opposition when he was Treasurer in delivering on significant tax cuts for the business sector of Western Australia. That was his very first act and this is something that will define his time as Treasurer, I am sure. His very first act was to impose a tax slug on the business sector of Western Australia. I now know why the Chamber of Commerce and Industry has said, "Please, move the Treasury out of your hands. We want that in somebody else's hands." It is because they know what the Treasurer is like. They know that he cannot help himself, that there will be more tax increases and that the three-year abolition is likely to become five, six or seven years—if he keeps his hands on those purse strings. Currently, there is no-one on the government side constraining the Treasurer's desire to spend. There is nobody imposing that fiscal discipline on him when he says, "Yes, we can do that, and we will do that as well!" He is not thinking about the overall operating position of the state. That is why the opposition is opposing this legislation. It brings to the business sector and to broader Western Australia the reality that this government, this Treasurer, in his first act as Treasurer, is imposing on the business sector of Western Australia a tax rise of \$355 million, which is part of a broader tax package of \$511 million. It is a shameful performance for the first act of the new Treasurer of Western Australia, and it is an act that the opposition will continue to remind the Treasurer about as he goes about pontificating about Liberal governments, Liberal premiers and how he likes small government and small taxes at a time when taxes already in the budget, already in law, are being reversed as the very first act of this new Treasurer.

MR M. McGOWAN (Rockingham) [10.33 pm]: How do I follow that performance? It was an outstanding performance by the shadow Treasurer that set out the arguments quite well. It did reveal—I must admit it had not occurred to me—that the first action by the Premier and now Treasurer in his new role is to massively increase taxes on Western Australian small business. That is something to add to his résumé. Small businesses out there, mum and dad businesses around Western Australia, have to pay stamp duty when they dispose of their businesses on the value of non-real components of that business—goodwill, intellectual property, licences such as commercial fishing licences, liquor licences and so forth. They have to pay stamp duty currently, but that was to be abolished in a little over a month. When they dispose of their business and a new party purchases that business, that new party would not have had to pay stamp duty on that component of the business. Just so that Liberal Party backbenchers understand that: if they were to buy premises selling liquor, they would not have had to pay stamp duty on the value of the liquor licence under the reforms that were due to kick in in one month's time. Now under the first act of the new Treasurer, they will be required to pay that stamp duty on that component of the business. Therefore, people who want to acquire a small business in Western Australia will have an added impost.

On top of that, we saw late last year in other legislative reforms of this government the imposition of additional payroll taxes on some businesspeople because it took out the grouping provisions. That means that if someone is running a number of small businesses, even if they are unrelated, they were currently being added together for payroll tax purposes. What was to happen was that adding together would be removed so that each one could be treated on its merits for payroll purposes. The government removed that and therefore they will continue to pay payroll tax if the number of employees across a range of unrelated businesses exceeds the minimum number. Therefore, if someone is a small business person in Western Australia, they are being sluggish under these laws. That is why we attempted to amend the laws to give them a proper and correct title—the tax slug legislation, or words to that effect. That would have given them a proper title so that people understood their businesses were being sluggish under these laws that the government is putting in place today.

It is very interesting that in his first act as Treasurer, the member for Cottesloe has declared war on small business in Western Australia.

Mr C.J. Barnett: Can you put it any more strongly?

Mr M. McGOWAN: I think that is an underdramatisation. I am being very restrained in my words on this. The Treasurer is declaring war on small business around Western Australia in his first act as Treasurer of this state. The reason the opposition is raising the matter as aggressively as we are is that we are taking the side of these people who were going to have these tax slugs removed from them when they were acquiring or running a business under the laws that the former Labor government had passed that were due to come in in a little over a month. Of course, the first act of the Treasurer is removing those provisions; therefore, additionally taxing those people. I would say that the Treasurer is declaring war on small business around Western Australia. I think that is a fair statement. He is assaulting them. He is causing them great discomfort. He is wounding them viciously and we need to continue to bring that to their attention. However, a number of other things also became apparent in today's question time. First of all, the Treasurer refused to rule out further tax measures applying to small businesses around Western Australia that employ people, particularly in the building industry. The Treasurer said that sometimes there is some sensibility in having harmonisation between the states. Sometimes there is, that is true, but whether or not we treat people who employ workers in the building industry in Western Australia in the same way as Queensland does for payroll tax purposes, does the Treasurer seriously think that that is some

great economic reform? Does he think anyone would care? All the Treasurer would do if he implemented that measure is add cost to the price of houses. It is apparent from the Treasurer's answer today that it is something he may do; otherwise, he would rule it out.

So that members understand what was being referred to today, we were talking about the proposal that has been implemented in other states by which subcontractors, particularly in the building industry, are more likely to be treated as employees for tax purposes, therefore lifting far more businesses into the payroll tax net. What has happened in other states is that they have applied not just the common law test, but additional legislative tests to people who are currently subcontractors and added them into the employee net; therefore adding their employer to the payroll tax system. If that happens, the price of a house will go up by up to four per cent. The Treasurer is not ruling that one out. We saw the payroll tax increase last year, this slug on small business for stamp duty, and the potential for this additional payroll tax imposition on businesses, particularly in the building industry in Western Australia. That is another threatened assault—a threat of war, a further threat of a third front in the war on small business in Western Australia—that the Premier will not rule out, according to his comments in question time today.

This brings to mind the Treasurer's railing about the issue. I could probably delve into the various pieces of hypocrisy in the mining industry and how, on one hand, he is threatening an increase in royalties across the board—until he ruled out the gold royalty the other day —

Mr C.J. Barnett interjected.

Mr M. McGOWAN: The Treasurer was. In fact, he said in this house that it is getting away with murder. When I asked the Treasurer about the mining industry, he said—perhaps Mr Rudd listened to him—that it is getting away with murder. He said that he met some guy down at the beach over Christmas, and we would not believe what they are getting away with in the mining industry. They are getting away with murder, because some guy down at the beach over Christmas told him so. As the Treasurer said in this house, they work for the companies. On the one hand, the Treasurer said that the mining industry is getting away with murder and he is going to put up royalties. Then he objected to a federal government program to do a similar thing. However, what slipped under the radar is that whilst this deals predominantly, but not completely, with big companies employing sometimes thousands of people, with multibillion-dollar capitalisations, what we are dealing with in these measures is little people, with perhaps a few hundred thousand dollars, acquiring businesses that are small and who invest their life savings to achieve that. The Treasurer is slugging them. On the one hand, the Treasurer takes the view about the big end of town, as he did today, contrary to his view earlier this year when he said it is getting away with murder, that it should be treated in a certain way —

Mr C.J. Barnett interjected.

Mr M. McGOWAN: No; the Treasurer is simplifying the issue. I can explain my position to the Treasurer.

Mr C.J. Barnett: Well, do you? Do you support the Labor line?

Mr M. McGOWAN: I can explain my position. I think there should be some changes; I certainly do. The Treasurer should get out there and say, for instance, that the \$5.6 billion or so that the federal government wants to spend on capital works should be spent in proportion to what the states contribute. Instead of it being distributed across Australia, the Treasurer should say that whatever the states contribute, the money should be in proportion to that.

Mr B.J. Grylls interjected.

Mr M. McGOWAN: I have said it a number of times to a number of people. This is the first time —

Mr C.J. Barnett: We don't support it. We know where we stand, but do you support it?

Mr M. McGOWAN: Does the Premier support an increase in royalties across the mining industry in Western Australia?

Mr C.J. Barnett: I support the removal of the concessions on royalties that currently exist.

Mr M. McGOWAN: What about a lift in the iron ore royalty rate?

Mr C.J. Barnett: We are talking about the removal of concessions.

Mr M. McGOWAN: The Premier said that he would lift them.

Ms J.M. Freeman: You said there needed to be a fair price.

Mr C.J. Barnett: I also said that the concessions needed to be removed.

Mr M. McGOWAN: The Premier indicated that royalties should be increased across the entire mining industry but then he excluded gold mining. The Premier said that the mining companies were getting away with murder and that concessions should be removed from each of the projects that have a state agreement act. Obviously it should be removed from a couple of them by negotiation, but the Premier said that the royalties should be removed from all of them. Is that the Premier's position?

Mr C.J. Barnett: Yes; and they should be removed from the iron ore agreements.

Mr M. McGOWAN: From every single one?

Mr C.J. Barnett: Yes, at this stage.

Mr M. McGOWAN: They have not been removed. The Premier seems to have a multitude of positions on all these issues. He is now the Treasurer and has a far more responsible position than he used to have! He should ensure that his position on all these matters is consistent. I suggest that the commonwealth should direct the money for infrastructure across the country and that the states that contribute the money should get it back in equal amounts.

Mr C.J. Barnett: Do you agree with the Prime Minister?

Mr M. McGOWAN: I have just told the Premier that changes should be made, and that that is one of them. I am happy to put that on the record. Does the Premier agree with me that the states should get back the amount that they contribute?

Mr C.J. Barnett: We don't support the so-called super profits tax.

Mr M. McGOWAN: The Premier does not support Western Australia receiving more money for infrastructure. That is on the record.

One thing I do not support, which I will be voting on tonight, is the government's tax slug on small business. The Premier has never run a small business. I have considerable sympathy for people who invest their money into a small business. They should be aware that the Premier will apply more stamp duty to them. Although the Premier shares the view of one end of town—the big end of town—the small end of town needs to know that it will get an additional tax under this government that would have been removed in a little over a month but will remain in place because the Liberal Party was elected. The small end of town will cop it in the neck by a Premier who has declared war on them.

The SPEAKER: The member for Cannington.

MR W.J. JOHNSTON (Cannington) [10.47 pm]: Thank you, Mr Speaker.

Mr B.J. Grylls: The quality of debate has just declined.

Mr W.J. JOHNSTON: Is the Leader of the National Party going to contribute to this debate?

It is interesting that the Premier has made a contribution to the debate because this is clearly a breach of a solemn election promise that the Premier made to the people of Western Australia. He promised to cut the tax burden on Western Australian businesses by \$250 million over the forward estimates. Instead, the Premier is delivering an increase in tax revenue. This is simply a disgraceful attack on small business and it should not be contemplated. We know the position of every member of the Liberal Party; they all support increasing taxes on small business and each of them has rejected every opportunity to reduce the tax burden on those businesses. This is a disgraceful breach of an election promise and should not be allowed. The Premier, who has informed us that he is a man of honour and integrity, has come into this Parliament —

The SPEAKER: I remind the member that this is the third reading debate and therefore is not an opportunity to revisit the whole debate.

Mr W.J. JOHNSTON: I thank the Speaker for his direction. I am drawing my commentary from the issues that were raised in the consideration in detail stage of the bill. There was an opportunity for members opposite to vote to reverse this tax slug but they chose not to. They had the opportunity to be honest with the people of Western Australia and they chose not to be. We need to look at a few specific issues in reference to this bill. The first is a comment from the previous Treasurer that appears on page 2138 of *Hansard* dated 22 April. He said —

There was no consultation. This was a leadership decision.

That is the sort of arrogant attitude that we have come to expect from the Liberal Party of this state. It made the decision in this instance to increase taxes by \$350 million, and over all the decisions to increase taxes by more than \$500 million, without any consultation with the people affected.

We have seen for many years the boisterous and distorted commentary from the Liberal Party and its coalition partners about the previous Labor government. Now we can see by the actions it is taking through this bill that this government is more arrogant than any previous government of this state. This government preaches that it is in touch with small business, yet it comes into this place, ignores any consultation process, and imposes extra taxes on small businesses.

I do not understand why this arrogant government was not prepared to discuss these issues with those concerned. It did not discuss the taxation changes to superannuation with anybody in the superannuation industry. Those changes involved highly complex and technical issues in the superannuation area, yet it did not discuss those issues with anybody in the superannuation game.

I refer now to increases in taxes on intellectual property, and, again, the government did not discuss this issue with people affected by these changes. Its actions are indicative of the definition of arrogance.

Another specific issue needs to be looked at, and I refer to page 2142 of *Hansard*, again dated 22 April 2010. The previous Treasurer made a specific commitment to provide information to Parliament on the out years affected by these changes. The member for Victoria Park pointed out in his contribution that because of the accelerating economic growth in the state, thanks to the federal government's initiatives and the work of the private sector, it was predicted that this tax slug would actually reap a higher return than was stated in the midyear review. The previous Treasurer has undertaken to provide the information to the people of this state so that they can see exactly how much extra is being ripped out of small business of this state. We will pursue that to ensure that the promises made by the former Treasurer are adhered to by the new Treasurer, whoever it ends up being.

I also point out that the tax slug in this bill is \$350 million for this financial year and \$96 million in the next financial year. The total tax measures amount to \$500 million. Recently the state government has been trumpeting its Red Tape Reduction Group—a very expensive committee—which produced a very large glossy pamphlet. In its report, the RTRG identified reforms that have the potential to deliver approximately \$44 million to Western Australian businesses in a single year. The government is prepared to spend all that money on that Red Tape Reduction Group, which has produced no benefit for the people of the state, yet it is increasing taxes by well over what it said is the potential saving. This government is happy to have a committee that puts out a glossy report. It has its members travel around this state in charter planes and hire cars and stay in hotels with spas et cetera. However, it is not prepared to look at the interests of small business. It would have been better off to have left the tax reductions that were legislated for by the former government and not bothered with the Red Tape Reduction Group. The people of the state would have been better off if that had been the path taken by the Liberal Party. However, that is not the path it has taken. It is prepared to come into this house, increase taxes on small business, break an election promise and, at the same time, spend all that money on the Red Tape Reduction Group that has produced not an outcome, but a very large doorstop. The government then pats itself on the back that somehow it is the friend of small business. That is an arrogant attitude that government members take. It is not an honest approach to government. It is a Liberal lie. It was a Liberal lie when the Liberal Party went to the people at the last election promising to reduce taxes, yet it is increasing them. I remind the chamber that the government estimates that there will be a 33 per cent increase in taxes in this state over the life of this government. That is a 33 per cent increase in taxation, and that is what the government is saying to the people of this state. This is a Liberal Party that talked big about cutting taxes, and talked big about its interest in reducing the burden of taxes on small business, yet it is actually increasing taxes from \$5 706 million to \$7 604 million. That is what the government intends to do and this slug of \$350 million is part of that dishonest conduct.

We need to also look at exactly what is being done. This government will now increase the tax on the intellectual property of small business; therefore, the government is going to tax the actual thought process, the sweat of people's contribution, their ideas and their attempts to improve the underlying productivity of this state—that is what the government is taxing. It is taxing the intellectual increase in value that these businesses have. That is what the government is doing. This is about slugging people who work hard to create better processes and a better name for their business and who create more than just the bricks and mortar of their business. That is what this legislation is about. For a Liberal Party that has lectured others in the community for such a long time about its approach to small business, no-one can look at that former rhetoric and at what the government is doing with this bill and see anything other than hypocrisy in action. It is a Liberal lie that was taken to the people of this state; it said that it would cut taxes and it has not done that.

When Liberal backbenchers vote on this bill finally tonight, it is incumbent that they look into themselves and ask, "Is it right that I increase taxes on small business? Is it right that I go to people who work hard in the community and say that I will increase taxes on the thought processes and clever achievements of small business?" That is what the Liberal Party is taxing—not the bricks and mortar but the intellectual property of those businesses, because that is what this bill is about. We have had specific commitments and I look forward to

the government honouring the commitments made by the former Treasurer to ensure that in the out years we can see how this tax continues to increase.

I will finish by pointing out that had the government accepted the member for Balcatta's amendment, it would have dealt with the problem that the government said it had. The government said that this is a measure related to the global financial crisis, despite the fact that taxes were in fact increasing in this state in any case. The government said that it had this problem that it needed to deal with—that is, the GFC. That is the government's excuse. However, as the member for Victoria Park pointed out, it is actually about covering a hole that has been caused by the government's inability to control expenditure. Had the government been honest during the progression of this bill, it would have accepted the member for Balcatta's amendment, because the hole the government has dug for itself could have been filled in but the out years would have been relieved; the tax cut would have been available earlier to small business in this state. If the government had a problem, and if its inability to control its expenditure had been so great that it was not able to keep expenditure to the level that it says it needs, it could have come back to us next year and explained that it was incapable of maintaining any financial controls and asked for a tax increase. However, the government chose not to do that. The government chose to increase taxes in 2011–12 by \$124 million and in 2012–13 by \$135 million. We could have saved businesses in this state about \$260 million, which is, putting it in a simple context, three times more than would be saved, if it were to be saved, by implementing the report of the Red Tape Reduction Group. Three times more could have been saved by small businesses in this state if the member for Balcatta's amendment had been accepted. Instead, this government of spin and no substance does not care that there is this savings opportunity for small businesses in this state. It slugs small business, but still puts out a nice glossy report. We will continue to see this over the next years. It is yet another example of the nature of this government, which is all about spin and not about substance. The fact that the government will vote in favour of this bill is a demonstration of that fact.

MR J.C. KOBELKE (Balcatta) [11.00 pm]: Given the hour, I will make a fairly short contribution on the Revenue Laws Amendment Bill 2010, putting on the record my reasons for opposing this increased tax slug by the Barnett government. Whatever fancy words the government might use, it clearly imposes an additional tax relating to transfer duty on non-real property for the next three years. That will bring in, according to the government's midyear financial projections statement, an extra \$355 million. We see in the bill before us now for its third reading a government that promised to reduce tax on small business actually imposing an extra \$355 million. I suggest that it is at least that, because those figures are actually predicated on assessments made by Treasury some time towards the end of last year when the outlook for the economy was not as rosy as it is now. If we have an economy that is growing faster, with more activity and more transfers of both property and non-real property, then it is likely that the amount of tax that will be acquired through this increased tax measure would be more than the \$355 million that the government has indicated in its midyear financial projections statement.

We have a situation in which the government is simply grabbing extra tax, because we can see what it did in that midyear financial review, in which it had over four years to find savings and additional tax measures of nearly \$600 million, but it actually used the words for this extra tax as deferring abolition of duty on non-real property. The facts are that legislation has already gone through to wipe out that transfer duty on non-real property from 1 July this year. This is now putting that back into the system. Legislation had gone through that removed that transfer duty on non-real property. It had been factored into all the government's accounts. What we see here is this government placing that extra tax on business by putting it in for the next three years.

Again, just looking at some of the things that lie alongside that in the government's midyear financial projections statement, we see that it also refers to payroll tax deferred harmonisation in grouping provisions. I just allude to the language of deferred harmonisation. What it actually is again is imposing an extra tax. That extra tax in terms of grouping provisions is supposedly \$156 million. But the beauty of them all is the seniors' cost-of-living rebate timing change of \$26 million. The government promised at the election a seniors' cost-of-living rebate of \$26 million, and it has scrapped it for a full year. It is not a tiny change; it is a removal for one year of that provision. Again, that is how the government sought to get the \$600 million to try to balance the books.

I need to go briefly to the underlying drivers that are causing this government, which promised tax reduction for businesses, to impose these massive extra taxes on them. How has it got itself into that situation? I do not think that the Premier is a person who actually sets out to deceive people. I honestly do not believe that this Premier said, "I'm going to pull the wool over voters' eyes. I'm going to promise lower tax, but I actually intend to increase the tax." I do not think that that was what the Premier was actually saying. I think the Premier started out in the hope that he could reduce taxes, but once he was in government, he found he could not control expenditure. He has therefore had to increase this tax to try to cover that extra expenditure.

I refer to some of the key budget aggregates again in the *Government Mid-year Financial Projections Statement* because they are the most recent publicly available figures on the state's financial position. We see that expense growth in 2008–09 was 13.5 per cent. In the current year, according to the midyear statement, it is nine per cent. Compounded over the two years in which this Premier has had control of the Treasury benches, we see an increase of nearly 24 per cent in expenditure in two years. It is totally out of control. Of course, with the nearly \$1 billion we approved in the Treasurer's Advance Authorisation Bill, it might be a fraction higher than that. It will be somewhere around that ballpark figure, so we can see that this government has no control of expenditure. The former Treasurer indicated that it was under control. This measure shows that that simply was not true. If the government had control of expenditure, it would not need to impose this extra tax on business to bring in \$355 million over the next three years. It would have been able to do it for just one year as suggested in the amendment I moved, which the government defeated.

That is on the expenditure side. On the revenue side, revenue for the current year was upgraded from 5.2 to 7.5 per cent, and for next year it is projected to be down to 0.6 per cent. Clearly, that is not believable. It may have been an expectation given that at the time the budget was brought down the world was facing dire financial circumstances and there was going to be a knock-on effect for our economy in Western Australia. I think the whole world view has changed. The view in Western Australia particularly has changed dramatically, so we can expect revenue growth to be considerably more than that. My point, which relates directly to this measure, is that we are in times when we cannot be sure what our revenue will be over the next one, two or three years. It is quite likely that it will be much stronger than what is in the government's last set of accounts that were made public in the *Government Mid-year Financial Projections Statement*. The problem the government has presented by saying that it has a difficulty and needs to increase this tax is, firstly, its lack of expenditure control and the huge expenditure growth; and, secondly, the fact that it is saying that the revenue is so flat there is no growth. The point is that these figures are clearly wrong. I am sure the Premier, now the Treasurer, will not stand by a figure that was brought down in the last budget of revenue growth of 2010–11 of only 0.6 of one per cent. I think we are all much more optimistic about our economy than that. The point is that the increased taxes this bill authorises are for three years. According to the government's projections, it is \$96 million for next year, \$124 million for 2011–12 and \$135 million for 2012–13. The government will be piling up all this additional tax on business because it cannot control expenditure and it is working from revenue growth figures that are way below what everyone expects we will have. The point of my amendment was to impose this additional tax burden for one year. That would then give the government an opportunity to get its expenditure under control. I think the government is saying with this measure that it has no chance of controlling expenditure. While it has this Treasurer, we know it cannot control expenditure, and implementing through this bill an increased tax is a clear and loud statement that the government cannot control expenditure. That is why it must increase that tax on business when the government said it would reduce it.

On the other side, the government is clearly downplaying what will be expenditure growth over the next few years. My amendment would have given the government an additional almost \$100 million for the 2010–11 financial year. We could then reassess revenue growth and to what extent expenditure could be controlled so that businesses would not have to be hit as hard as they will be hit.

The last point I make is the figure that we are using for the extra tax being imposed through this bill is \$355 million. But again that, I assume, is based on the estimates at the time as to how many businesses would actually be transferred and therefore would likely incur this duty on non-real property. As the economy grows faster and we have more growth, the chances are that there will be more revenue coming in over the next three years through transfer duty on non-real property. What we will approve, if this goes through, is not only an increased tax slug of \$355 million but it also might be \$400 million, \$450 million or \$500 million extra tax on business. I will certainly look at those figures very carefully over the next few years to see whether the bill that is now before this house, which should be rejected, is a much bigger tax grab from business than even these figures are showing. It shows how poor this government is at controlling finances. It cannot deal with it on a year-by-year basis. Instead, this government slugs business this huge extra impost because we have a government that simply cannot control its own accounts.

MR C.J. BARNETT (Cottesloe — Treasurer) [11.11 pm] — in reply: I thank members opposite for their comments, even though they are not going to support this bill.

The bill has two provisions relating to removing anomalies—a superannuation issue and a restructuring issue. However, the debate has been about the decision that the government took as part of the midyear review to delay the abolition of transfer duty on non-real business assets; that is, goodwill, licences, intellectual property and the like. The government took that decision simply because of the financial situation we found ourselves in. Everyone is conscious that we had a very sharp downturn in the economy. Losses of revenue occurred in payroll tax, stamp duty and royalty income. Yes, there is also high expenditure growth. We inherited a situation in which

Mr Colin Barnett; Mr Ben Wyatt; Mr Mark McGowan; Mr Bill Johnston; Mr John Kobelke

expenditure growth was exceptionally high; out of control. Members will see in this year's budget that that expenditure growth has been brought under control.

Members opposite made a series of comments to the effect that now that the economy has changed, we do not need to defer abolition of this duty. Yes, I do believe the economy is changing and I do believe revenues will improve toward the end of this year, but the mere fact that there is greater optimism, particularly in the commodities and resources industry, takes some time to flow through into state revenues. That is not happening yet. I hope it will happen over the course of the 2010–11 financial year. We have taken this decision. We are not pleased to have taken this decision but it is the responsible thing to do. We will continually maintain a review of our finances. Hopefully we will see a growth in revenue and hopefully we will be able to demonstrate through this and subsequent budgets the controlling of expenditure and indeed the controlling of the growth of the public service. I do not apologise—our government has an aggressive agenda for Western Australia in a range of areas. Members will see proof of that in this year's budget. This is one decision we have taken to preserve the integrity of the overall budget position of the state of Western Australia and also, therefore, to protect the credit rating of the state of Western Australia.

I thank members for their comments. It was a decision that I think is the right decision and one that I think the business community of this state will understand, even though they clearly will not be pleased about it.

Question put and a division taken with the following result —

Ayes (28)

Mr P. Abetz
Mr F.A. Alban
Mr C.J. Barnett
Mr I.C. Blayney
Mr J.J.M. Bowler
Mr G.M. Castrilli
Mr V.A. Catania

Dr E. Constable
Mr M.J. Cowper
Mr J.H.D. Day
Mr J.M. Francis
Mr B.J. Grylls
Dr K.D. Hames
Mrs L.M. Harvey

Mr A.P. Jacob
Dr G.G. Jacobs
Mr R.F. Johnson
Mr A. Krsticevic
Mr W.R. Marmion
Mr P.T. Miles
Ms A.R. Mitchell

Dr M.D. Nahan
Mr C.C. Porter
Mr D.T. Redman
Mr A.J. Simpson
Mr M.W. Sutherland
Mr T.K. Waldron
Mr J.E. McGrath (*Teller*)

Noes (24)

Ms L.L. Baker
Mr R.H. Cook
Ms J.M. Freeman
Mr J.N. Hyde
Mr W.J. Johnston
Mr J.C. Kobelke

Mr F.M. Logan
Mr M. McGowan
Mr M.P. Murray
Mr A.P. O'Gorman
Mr P. Papalia
Mr J.R. Quigley

Ms M.M. Quirk
Mr E.S. Ripper
Mrs M.H. Roberts
Ms R. Saffioti
Mr T.G. Stephens
Mr C.J. Tallentire

Mr P.C. Tinley
Mr A.J. Waddell
Mr P.B. Watson
Mr M.P. Whitely
Mr B.S. Wyatt
Mr D.A. Templeman (*Teller*)

Pairs

Mr I.M. Britza
Mr T.R. Buswell

Mrs C.A. Martin
Ms A.J.G. MacTiernan

Question thus passed.

Bill read a third time and transmitted to the Council.

House adjourned at 11.16 pm
