

## **PAYROLL TAX REBATE SCHEME (JOBS ACTION PLAN) BILL 2011**

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**Bill introduced on motion by Mr Mike Baird.**

### **Agreement in Principle**

**Mr MIKE BAIRD** (Manly—Treasurer) [4.16 p.m.]: I move:

That this bill be now agreed to in principle.

I am delighted to introduce the Payroll Tax Rebate Scheme (Jobs Action Plan) Bill 2011, which delivers another commitment under the Government's 100 Day Action Plan to rebuild the economy of New South Wales. The bill provides for a new Act to implement the Jobs Action Plan, which will create 100,000 new jobs in New South Wales. We need the Jobs Action Plan because for too long New South Wales has fallen short in achieving its full potential. Under Labor, New South Wales had a dismal employment performance. According to the Australian Bureau of Statistics and Research, New South Wales has had a lower employment growth rate over the past 15 years than have Victoria, Western Australia and Queensland.

It found also that for 54 of the last 60 months under Labor—90 per cent of the time—New South Wales' unemployment rate was higher than the national rate, and that if New South Wales' jobs growth had matched that of Victoria's under 16 years of Labor, there would have been, as the Premier articulated in this House today, at least 193,000 additional jobs in New South Wales. There is no more compelling reason to require action from government than to stimulate growth and employment, and this bill does that. The private sector is the major driver of employment in this State. The Jobs Action Plan recognises the key role of business in boosting employment and it provides a strong incentive for business to hire additional staff.

Around the State many businesses have embraced the idea of this legislation and have welcomed the opportunity to employ people without paying payroll tax. The Jobs Action Plan will provide a payroll tax rebate to employers of up to \$4,000 per full-time employee. In the case of a part-time employee, the amount of the rebate will be pro rata, based on the number of hours worked compared with the standard hours of the particular employer's full-time employees. Employers will receive the rebate in two equal parts, which will be paid after the first and second anniversaries of the hire of a new employee. The rebate scheme will apply to new positions filled on or after 1 July 2011 and will continue until 100,000 new jobs are created in New South Wales.

The plan importantly provides that 40,000 of the new jobs will be created in non-metropolitan New South Wales and 60,000 in metropolitan areas. The Government unashamedly understands the importance of growing regional economies and communities across New South Wales and believes that this is a strong start in achieving that overall policy direction. Metropolitan areas are defined as the local government areas in the Sydney Statistical Division and the local government areas of Newcastle and Wollongong. Non-metropolitan areas consist of the rest of New South Wales. To allow the targets for metropolitan and non-metropolitan jobs to be met but not exceeded, the bill allows the Minister to bring forward or to extend the closing dates for each area having regard to the targets. That will be closely monitored and we will examine how jobs are being created as a result of this initiative.

To obtain the rebate, employers will initially register a new employee with the Office of State Revenue within 30 days after the employee commences work. An employer who satisfies the eligibility criteria will be able to apply for payment of the rebate after the first and second anniversaries of the date on which the employment commenced. The eligibility criteria for the rebate have been designed to ensure that employers increase the full-time equivalent

number of employees for at least two years. The scheme has been structured to create sustainable, long-term employment. An eligible position must be a genuine new position and the employer must have maintained the increased employment levels on the first and second anniversary of the employment of the new employee.

Other requirements include that the wages of the new employee must be liable for payroll tax in New South Wales and the work must be performed wholly or mainly in New South Wales. It is understood that not all roles will be carried out entirely in New South Wales, but it is intended that they be carried out predominantly in this State. The rebates will not be payable if the higher level of employment is not maintained at the one-year and two-year anniversary dates. This will encourage firms to retain new employees and avoid any potential abuse of the scheme. However, there may be instances where the employer's full-time equivalent number of employees on an anniversary date falls below the required level for reasons that are beyond the employer's control. In these situations the chief commissioner must pay the rebate.

An example might be unexpected resignations and delays in finding appropriately qualified staff to replace them. If the number of employees falls below the required level for more than 30 days in each of the two years, the rebate will not be paid unless the fall occurred because of factors beyond the employer's control. In that case, the rebate will be based on the length of time the position was actually filled using the same formula that applies to the calculation of the rebate for part-time employees. The chief commissioner may pay the rebate on a proportionate basis if a position remains vacant for more than 30 days during the first or second year due to circumstances beyond the employer's control, for example, if the employer has difficulties in filling the position.

Certain employment arrangements will not be eligible for the rebate, for example, employing people under a labour hire arrangement where the liability for payroll tax applies to employment agents, engaging independent contractors who are not employees and employing people for seasonal work where the position will not be filled for two years. Employment agents will be able to qualify for rebates in respect of their own employees provided they satisfy the criteria. In addition, employers will not be eligible for the rebate if their total annual wages are below the payroll tax threshold, which means they are not liable to payroll tax; or if they are exempt from payroll tax, for example, charitable bodies that have no commercial undertakings; or if they receive other rebates such as the rebate for apprentices and trainees under the Payroll Tax Act. State government departments and non-business statutory authorities are excluded from the rebate scheme because they are largely funded from appropriations from the Consolidated Fund.

To ensure the rebate is made available only to employers who have genuinely increased their workforce, new employees must not have worked for the employer or for a related business, or for businesses acquired as a result of takeovers and mergers in the previous 12 months. Similarly, the chief commissioner may refuse to pay a rebate claim if the required increase in full-time equivalent employees was contrived, for example, by sacking existing employees prior to filling new positions. Any attempt to play the system will be discovered by the chief commissioner. If the employer claims the rebate dishonestly, the chief commissioner can require the employer or a relevant third party to repay the rebate.

There has already been a strongly favourable reaction to the Jobs Action Plan from the share market. Stephen Halmarick, the head of Investment Markets Research at Colonial First State, said that this is a very positive initiative designed to provide a targeted boost to job creation. I met Michael Simonetta of Perfection Fresh on the campaign trail. His operation began as a family fruit and vegetable business in 1955 and now employs 265 people. He said that under the Jobs Action Plan he would be able to employ one or two more staff members instantly.

The New South Wales Business Chamber has endorsed the plan again today and stated that payroll tax discourages employment and in an internationally competitive economy it increases the cost of providing most goods and services.

The plan has even attracted support from the Labor Party's ranks. I greatly appreciate the former member for Kiama's endorsement of this policy. He supported the Coalition in the election campaign when he told the *Kiama Independent* that he agreed that a payroll rebate would create more jobs. I look forward to the Opposition's support of this legislation. It provides a modest but real incentive for businesses to employ new workers and encourages them to expand their operations in New South Wales. It is critical that we restore the confidence of the private sector. Small, medium and large businesses drive our economy. They employ, invest and take risks and they will get our economy moving again.

This legislation is designed to provide the support that business has been crying out for over many years. It demonstrates that this Government understands that the economy will improve only if we provide incentives such as this. I am proud as a member of the O'Farrell Government to say that we want New South Wales to be the first choice for business. That is the message this Government is sending across the State. This legislation is the first step on the long road to getting New South Wales competitive again and restoring business confidence. We are asking businesses to invest and employ to turn around the economy. We understand that real opportunities to do that rest with business. It is a delight to be a member of a Government that is ensuring New South Wales is the first choice for business. I commend the bill to the House.

**Debate adjourned on motion by Ms Cherie Burton and set down as an order of the day for a future day.**