

PAYROLL TAX REBATE SCHEME (JOBS ACTION PLAN) BILL 2011

Second Reading

The Hon. GREG PEARCE (Minister for Finance and Services, and Minister for the Illawarra) [11.10 a.m.]: I move:

That this bill be now read a second time.

The Payroll Tax Rebate Scheme (Jobs Action Plan) Bill 2011 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 to create 100,000 new jobs in New South Wales. 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, paid after the first and second anniversaries of the hiring 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. The plan provides that 40,000 of the new jobs will be created in non-metropolitan New South Wales and 60,000 in metropolitan areas. Metropolitan areas are defined as the local government areas in the Sydney Statistical Division, plus the local government areas of Newcastle and Wollongong. Non-metropolitan areas consist of the rest of New South Wales. In order 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 extend the closing dates for each area, having regard to the targets.

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. An eligible position must be a genuine new position, and the employer must achieve a sustained increase in the number of full-time equivalent employees on the first and second anniversaries 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. The rebates will not be payable if the higher level of employment is not maintained at the first year and the second 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. There are certain employment arrangements that 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 engaged as 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 is below the payroll tax threshold, which means they are not liable for payroll tax; if they are exempt from payroll tax, such as charitable bodies who have no commercial undertakings; or if they receive other rebates such as the rebate for apprentices and trainees under the Payroll Tax Act 2007. 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. If the employer claims the rebate dishonestly, the chief commissioner can require the employer or a relevant third party to repay the rebate. This bill provides a modest but real incentive for businesses to employ new workers and encourages employers to expand their operations in New South Wales. I commend the bill to the House.