



Chamber of Commerce
and Industry WA

**SAVE
OUR SKILLS**

PAYROLL TAX EXEMPTION – FACT SHEET

WHAT IS THE GOVERNMENT'S PROPOSAL?

- In November 2017, the WA State Government announced plans to change the Payroll Tax Exemption used by WA businesses to build the State's skills base through apprenticeships and traineeships.
- The State Government intends to remove the Payroll Tax Exemption for all existing workers on traineeships. If it proceeds, this change will apply retrospectively from 1 December 2017.
- The exemption for new trainees on a total salary package of over \$100,000 will also be removed under the Government's proposal.
- No details have been provided by the State Government on its Grants Scheme that is intended to replace the current Payroll Tax Exemption in its entirety by July 2019.

WHAT WILL HAPPEN IF THE EXEMPTION IS REMOVED?

- According to the National Australian Apprentice Association (NAAA), changes to the Payroll Tax Exemption will reduce traineeship and apprenticeship commencement numbers by 19 per cent over the next year. It is estimated that "in-training numbers" could be 36 per cent lower than they were in 2015.
- Business will be left to do the heavy lifting on upskilling and reskilling the WA workforce while the Government leaves

a policy vacuum and provides no details on its replacement Grants Scheme.

- Workers in regional WA and older employees will be hit hard. The jobs of older workers are most at risk of losing their jobs if they cannot upskill in a transitioning economy.
- Businesses that have budgeted for existing workers or workers paid over the \$100,000 salary cap to conduct training will be left to foot the bill. Retrospective changes to 1 December 2017 have no regard for the budgetary decisions businesses over a financial year cycle.

THE GOVERNMENT CLAIMS THAT SAVINGS FROM CHANGES TO THE PAYROLL TAX EXEMPTION WILL BE USED TO FUND 43,350 TRAINING PLACES OVER THE NEXT FOUR YEARS.

- These are not new training places, rather existing training places currently delivered through the TAFE system.
- Whilst TAFE plays a key role in the training system, the Payroll Tax Exemption encourages employees to undertake training in a workplace environment that is directly aligned to the needs of businesses.

IMPACT ON SMALL BUSINESS

- CCI training data shows that more than two-thirds of businesses with trainees in WA are small to medium sized enterprises (SMEs).

- Removing the Payroll Tax Exemption will disproportionately impact on SMEs that pay payroll tax and undertake training as they often have limited capacity to absorb extra costs compared to larger enterprises.

WA BUSINESSES ALREADY PAY THE HIGHEST PAYROLL TAX PER EMPLOYEE IN AUSTRALIA

- Businesses in WA are paying an average of \$2,408 per employee in payroll tax, compared with an average of \$1,839 across the rest of Australia. Removing the Payroll Tax Exemption will increase that cost to business.

THE GRANTS SCHEME WITH NO DETAIL

- The Government is proposing to replace the current Payroll Tax Exemption with a Grants Scheme.
- This implies that the State Government believes it knows more than employers when it comes to the skill requirements of businesses. Employers are on the ground every day – the Government is not.
- The result of a Grants Scheme is that it creates a 'picking winners' approach to training that will not respond to increasingly dynamic labour market requirements as industry seeks to prepare its workforce for jobs of the future.