

EMPLOYMENT INCENTIVE SCHEME (PAYROLL TAX REBATE) BILL 2009

SECOND READING SPEECH

Mr Speaker

The *Employment Incentive Scheme (Payroll Tax Rebate) Bill 2009* seeks to enact the Government's State Budget initiative to provide an incentive to promote the creation of new employment in Tasmania during the national downturn brought about by the current Global Financial Crisis.

Mr Speaker, it is evident that Tasmania is not immune from the national and global downturn. Government revenues are facing significant downward pressures and businesses will be feeling the same pressures on their own revenue. There are also many in the Tasmanian community who will be feeling uncertainty regarding their job security and financial security.

In the 2009-10 State Budget, the Government announced a temporary rebate of 100 per cent of the payroll tax paid in relation to new positions created by employers between 11 June 2009 and 30 June 2010. This rebate will act as an incentive for employers to increase staff numbers and thus support employment.

Mr Speaker, Tasmania's economy remains well placed relative to other Australian jurisdictions. Unemployment is forecast to remain below the forecast national unemployment rate for the next two years. However, the national economy is facing a downturn and industry is concerned about its ability to maintain employment at current high levels.

This measure reflects a Government that is committed to supporting Tasmanian businesses, workers' jobs and the economy through these challenging times.

Mr Speaker, this Scheme is responsive to industry concerns. Many employers have highlighted concern regarding their ability to meet their payroll tax liabilities in these tough economic times.

While the Government has previously provided targeted industry development assistance and training incentives through the payroll tax system, the Government acknowledges that many different industries will be affected by the national economic downturn. This Scheme will complement existing industry assistance and will be made available to all types of businesses that are subject to payroll tax, provided they are willing to embrace the intent of the Scheme by employing and maintaining additional staff.

Not only does the Scheme address industry concerns, but the creation of new jobs also inspires community confidence in a time of uncertainty.

Mr Speaker, the Scheme will lower the on-costs of engaging additional employees, thus providing an incentive for employers to create jobs.

As mentioned earlier, the Scheme will provide a rebate equivalent to 100 per cent of the payroll tax payable on wages resulting from new positions created by employers between 11 June 2009 and 30 June 2010. This represents a reduction in the cost to employers of hiring additional staff and will provide support to many who may have previously found it not viable to create and maintain new positions in the current economic climate.

While the Scheme will relate to new employment created between 11 June 2009 and 30 June 2010, employers will receive the rebate for a further 12 months, provided that the additional positions are maintained throughout the period. Depending on when employers create additional positions, they may be eligible for a rebate of payroll tax for up to two years. The Bill provides for the payment of a rebate where eligible employers have created new jobs which are maintained until 30 June 2011. Employers will be required to repay the rebate if they do not maintain additional positions for the life of the scheme.

This will ensure that employers who create new employment are assisted to maintain these positions and gain maximum benefit from their additional workforce. It will also mean that those employers who take advantage of the Scheme must commit to maintaining additional positions during a time when Tasmanians need job certainty most.

Therefore, the Scheme is not only about financial benefits to employers, but also about ensuring greater job certainty for staff.

Mr Speaker, this Scheme will help create and support Tasmanian jobs.

It is estimated that the new Employment Incentive Scheme Payroll Tax Rebate will help to create up to 500 jobs, which will be maintained until at least 30 June 2011.

Not only will employers and new employees benefit from the creation of new jobs, but the economy will also benefit. These new jobs, and the wages paid, will help to sustain the Tasmanian economy during the current national downturn.

It is expected that \$2.0 million will be paid to employers under this Scheme in 2009-10, and \$5.0 million over the life of the Scheme.

Mr Speaker, the Scheme will be established quickly so that its benefits can start to be realised by employers and employees immediately. Establishment will also be at minimal cost as the Bill allows the Scheme to take advantage of administrative and compliance efficiencies from existing taxation arrangements.

The Commissioner of State Revenue will be responsible to the Treasurer for the overall administration of the Scheme, with the Revenue, Gaming and Licensing Division within the Department of Treasury and Finance responsible for its day to day administration.

The Bill is not prescriptive in that it does not define the amount of rebate payable or the eligibility criteria. Rather the Bill provides for the Commissioner of State Revenue to determine the eligibility criteria and any conditions that may be necessary to enable the efficient and effective operation of the scheme while minimising the burden of compliance for both employers and the State Revenue Office.

In this way, flexibility can be maintained and the Scheme can be established quickly. The Commissioner will be issuing guidelines and rulings in relation to the operation of the scheme and how employers can claim the rebate.

Mr Speaker, the eligibility criteria will require employers to register for the scheme.

Upon registration for the Scheme, employers will be required to declare their employment levels as at 11 June 2009. When they employ additional staff between 11 June 2009 and 30 June 2010 and pay additional wages, employers will be eligible to claim a quarterly rebate of the payroll tax paid on the additional wages resulting from higher staffing

levels. For employers who currently submit annual payroll tax returns, the rebate will be paid annually.

The Bill contains provisions necessary to administer the Scheme, and provisions that give the Commissioner the power to require repayment of the Rebate and investigate and launch prosecutions if the Scheme is abused. Wherever possible, these powers are consistent with those found in the *Taxation Administration Act 1997*, which will result in administrative efficiency for the State Revenue Office and consistent requirements for registered employers, who are already subject to the Taxation Administration Act with regard to their payroll tax.

In summary, this Scheme will assist in reducing the impacts of the National downturn on the Tasmanian economy and the community by maintaining employment, supporting industry, and building confidence in times of uncertainty.

Since it was announced in the State Budget, the Scheme has generated interest from employers and has already resulted in commitments from employers to create new jobs.

Mr Speaker, I commend the Bill to the House.