



# ***FINANCE AND ADMINISTRATION COMMITTEE***

**Members present:**

Ms DE Farmer MP (Chair)  
Ms VM Barton MP  
Mr MJ Crandon MP  
Mr CD Crawford MP  
Mr DA Pegg MP  
Mr PT Weir MP

**Staff present:**

Ms D Jeffrey (Research Director)  
Dr M Lilith (Principal Research Officer)  
Ms C Heffernan (Executive Assistant)

## **PUBLIC BRIEFING—INQUIRY INTO THE PAYROLL TAX REBATE, REVENUE AND OTHER LEGISLATION AMENDMENT BILL**

### **TRANSCRIPT OF PROCEEDINGS**

**FRIDAY, 10 APRIL 2015**

**Brisbane**

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**Committee met at 10.27 am**

**BACKHOUSE, Mr Boyd, General Counsel, Legal Services, Department of Housing and Public Works**

**BICK, Mr Bradley, Director, Work and Electrical Safety Policy, Office of Fair and Safe Work Queensland**

**ESSERY, Mr Mike, Manager, Building Codes Queensland, Department of Housing and Public Works**

**GOLDSBROUGH, Mr Paul, Senior Director, Policy and Workers Compensation Services, Office of Fair and Safe Work Queensland**

**GOLI, Ms Elizabeth, Commissioner of State Revenue, Office of State Revenue, Queensland Treasury**

**KROSS, Ms Melinda, Director, Policy and Legislation Division, Office of State Revenue, Queensland Treasury**

**MILLER, Mr Glenn, Director, Fiscal Strategy Division, Queensland Treasury**

**SMITH, Mr Lachlan, Deputy Chief of Staff, Office of the Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships**

**VANCE, Mr Peter, Principal Policy Officer, Water Supply Policy, Department of Energy and Water Supply**

**WADE, Mr Lawrie, Manager, Environmental Policy and Legislation, Department of Environment and Heritage Protection**

**WALSH, Mr Paul, General Manager, Water Supply Policy, Department of Energy and Water Supply**

**CHAIR:** Good morning, ladies and gentlemen. I declare this public departmental briefing of the Finance and Administration Committee's inquiry into the Payroll Tax Rebate, Revenue and Other Legislation Amendment Bill 2015 open. I am Di Farmer, the chair of the committee and the member for Bulimba. The other members of the committee are Mr Michael Crandon, the deputy chair and the member for Coomera; Miss Verity Barton, the member for Broadwater; Mr Craig Crawford, the member for Barron River; Mr Duncan Pegg, the member for Stretton; and Mr Pat Weir, the member for Condamine. The purpose of this hearing is to receive information from the various departments about the bill, which was referred to the committee on 27 March 2015.

This hearing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require evidence to be given under oath, but I remind you that intentionally misleading the committee is a serious offence. Thank you for your attendance here today and the committee rely appreciates your assistance. You have previously been provided with a copy of instructions for witnesses, so we will take those as read. Hansard will record the proceedings and you will be provided with the transcript. This hearing will also be broadcast. I remind all of those in attendance at the hearing today that the proceedings are similar to parliament to the extent that the public cannot participate in the proceedings. In this regard, I remind members of the public that under the standing orders the public may be admitted to or excluded from the hearing at the discretion of the committee. I remind committee members that officers are here to provide factual or technical information. They are not here to give opinions about

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the merits or otherwise of the policy behind the bill or alternative approaches. Any questions about government or opposition policy that the bill seeks to implement should be directed to the responsible minister or shadow minister or left to debate on the floor of the House. I also request that all mobile phones be turned off or switched to silent mode and remind you that no calls are to be taken inside the hearing room.

We have a number of departments here today and I might just ask a representative of each department to make a short introductory statement if you wish. Elizabeth, as the Commissioner of State Revenue, would you like to make some comments?

**Ms Goli:** Yes, thank you Madam Chair. I will speak to the amendments made to the four revenue acts by the Payroll Tax Rebate, Revenue and Other Legislation Amendment Bill that my office administers. Firstly, the bill amends the Payroll Tax Act 1971 to provide a payroll tax rebate on the wages of apprentices and trainees. This amendment will take effect from 1 July 2015. Secondly, the bill amends the Duties Act 2001 in a number of respects, first of all to provide a framework to support the introduction of electronic conveyancing in Queensland. This is a Council of Australian Governments initiative. It also amends the Duties Act to give retrospective legislative effect to a number of taxpayer beneficial administrative arrangements as follows: it provides a transfer duty concession for resource sector farm-in agreements that will apply from 10.30 am on 13 January 2012, which was when resource sector interests and resource sector tenements became dutiable; it corrects the operation of a transfer duty exemption for the transfer of land to the state for a public purpose under the Acquisition of Land Act for a community purpose and the Land Act so that it applies to statutory vestings and will apply from 25 February 2014; and it extends the vehicle registration duty exemption for charitable institutions by reducing the use period for a qualifying exempt purpose from 12 months to nine months, and this will apply from 25 February 2014. The final amendments to the Duties Act remove some redundant provisions and update an example for the calculation of vehicle registration duty from the 2008 transfer duty rates to the current rates.

The bill also amends the First Home Owner Grant Act 2000 to ensure that a statutory discretion to vary the period of or exempt an application from the residence requirements under the act can be exercised at any time. In doing so, it gives effect to an existing administrative arrangement that applies from 4 July 2013. The bill amends the Payroll Tax Act 1971 to clarify the operation of the contractor exemption provisions to put beyond doubt that the exemption requires the contract as a whole as opposed to a proportion of the payments under it to qualify for the exemption. These amendments follow similar amendments to those made in Victoria and New South Wales on the harmonised payroll tax provisions and were prompted by a New South Wales court decision. The bill also amends the act to omit a redundant provision relating to the exemption for wages paid to trainees and inserts new definitions of certificate II and III traineeships to reflect the current framework under which these qualifications are accredited.

The Taxation Administration Act is amended to provide for the payment of interest for refunds for taxpayers resulting from a reassessment to give effect to a decision on an objection and to support electronic conveyancing for transfer duty. Finally, there is a minor amendment to the Taxation Administration Act to correct a cross-reference. These are the amendments in the bill that relate to all of the revenue acts. Thank you.

**CHAIR:** Thank you very much. Glenn, would you like to add something?

**Mr Miller:** Thanks, Chair. I am here to speak in relation to the amendments to the Financial Accountability Act. There is a range of administrative amendments there, some of which relate to clarifying the existing legislation and some of which are there to amend the legislation to reflect modern practices in financial management. I do not intend to go into detail on each of those but am happy to take questions that the committee has.

**CHAIR:** Thank you very much. Would a representative from the Office of Fair and Safe Work Queensland like to say anything?

**Mr Goldsbrough:** Thank you, Chair. We do not intend to make an opening statement but are happy to take any questions.

**CHAIR:** Thank you very much. Would a representative from Housing and Public Works like to make an opening statement?

**Mr Backhouse:** The department is affected by two amendments in the bill: firstly, the postponement of commencement of the Criminal Law (Criminal Organisations Disruption) and Other Legislation Amendment Act 2013; and, secondly, the amendments to the Plumbing and Drainage Act 2002 and the Water Supply (Safety and Reliability) Act 2008. That will restore the

requirement that only licensed plumbers can install water meters in Queensland. I will speak to the first amendment and my colleague Mr Mike Essery, Manager of Building Codes Queensland in the Department of Housing and Public Works, will speak to the second amendment. Part 14 of the Criminal Law (Criminal Organisations Disruption) and Other Legislation Amendment Act provides that if a person is an identified participant in a criminal organisation the person is not fit and proper to hold the licence of contractor or to exercise control or influence over a company that holds a contractor's licence. These provisions also apply to nominee supervisor, site supervisor and fire protection licensees. These licences are all issued by the Queensland Building and Construction Commission.

The provisions of the amendment act that I referred to earlier are administratively cumbersome and are likely to result in disruption and delays in the processing of licence applications and renewals for these licence classes. The department has consulted with the Queensland Building and Construction Commission, which supports the postponement of the commencement of these provisions which are to be postponed for one year to commence on 1 July 2016. I note that the delay in commencement of the amendment act will allow for the government's review of these provisions to occur, including an assessment of whether these provisions are required. That is all I have, Madam Chair.

**CHAIR:** Thank you.

**Mr Essery:** As noted earlier by my colleague Mr Boyd Backhouse, I am a manager in Building Codes Queensland and I will talk to the water meter related amendments that have been prepared in conjunction with my colleagues from the Department of Energy and Water Supply as they also relate to the Water Supply (Safety and Reliability) Act 2008 which is in their ambit. A further purpose of this bill is to restore high standards in the plumbing and drainage industry by ensuring that water meters in Queensland are installed by licensed plumbers. Legislative amendments passed in 2014 removed this requirement and meant that water service providers were no longer required to engage a plumber to install their water meters. As such, the bill seeks to amend the definition of 'plumbing work' to make it clear that installation of a water meter is plumbing work that can only be performed by a licensed plumber. This amendment is supported by the majority of stakeholder groups consulted and implements a government election commitment, a 100-days commitment. The bill also includes the provision to clarify that water service providers can continue to remove, repair, replace and maintain water meters once they have been installed. Additionally, a two-year transition period has been introduced where individuals who are currently authorised to install water meters can continue to do so. These measures are designed to minimise disruption to the industry and consumers as a result of the new arrangement. That is all I have to add, Madam Chair.

**CHAIR:** Thank you; Energy and Water Supply.

**Mr Walsh:** My colleague has already given the introduction, but I am here to answer questions about the requirement for the installation of water meters to be done by fully licensed and qualified plumbers along with my colleague Peter Vance.

**CHAIR:** Thank you; Environment and Heritage Protection.

**Mr Wade:** Thank you, Madam Chair. I am here to speak to the amendments to the Environmental Protection Act. The proposed amendments are to allow for the cancellation of transitional environmental programs and temporary emissions licences. Currently in the Environmental Protection Act there is no ability to cancel these approvals if they are no longer required and the amendments in the bill seek to provide a power to cancel those approvals in limited circumstances. Those circumstances relate to when the operator has agreed that it is no longer required or in the circumstance where the activity ceases to occur. The failure to cancel these could potentially lead to uncertainty in the relationship between the conditions of the environmental authority and the conditions of the approval and so the amendments seek to provide certainty which is important for investment decisions. Thank you.

**CHAIR:** Thank you. Is there anybody else who wishes to provide comment before we go into questions? If not, we will begin asking questions. I want to ask first about the Revenue and Other Legislation Amendment Bill 2014. The committee has noted that the bill contains many of the provisions included in the Revenue and Other Legislation Amendment Bill 2014. Could you briefly outline for the committee what the changes are in this new bill?

**Ms Kross:** That is actually a fairly simple answer. The only additional amendment that has been inserted into this bill from the previous bill is the amendment relating to the payroll tax rebate; otherwise it is exactly the same.

**CHAIR:** Great. Thank you very much.

**Ms Goli:** That is in relation to all of the revenue measures, that is.

**CHAIR:** Yes, of course.

**Ms Goli:** The other ones from the other departments have been added into this bill.

**CHAIR:** Thank you for clarifying that.

**Mr CRANDON:** Let me start by saying that the explanatory notes suggest or outline that there was not any consultation undertaken for changes to the Payroll Tax Act 1971. Could you explain why?

**Ms Kross:** Yes, sure. With regard to the amendments that relate to the Payroll Tax Act, the first one obviously is the rebate which is implementing a government election commitment. So given that, it is generally not considered necessary to consult on government proposals of that nature. The other amendment to the Payroll Tax Act is in relation to providing certainty in relation to the operation of the contractor provisions, so that is to ensure that the provisions are actually operating exactly as intended. This one is, I guess, more of a revenue protection measure so that the provisions cannot be utilised in a manner that certainly was not contemplated in their drafting. So again in the nature of those amendments consultation is generally not considered appropriate in a revenue context.

**Mr CRANDON:** Thank you.

**Miss BARTON:** I turn to the amendments to the Environmental Protection Act and again ask you to detail why no consultation was undertaken with regard to those amendments.

**Mr Wade:** Sure. The amendments are administrative in nature entirely. They do not provide any disadvantage to an operator by the way they are constructed and therefore there is no loss of rights or obligations for an operator. At the same time if a transitional environmental program, for example, was to be cancelled, the operator is still required to comply with the requirements under their environmental authority and therefore the environment is also protected. So we have an administrative amendment with no adverse impact on the operators and no adverse impact on the environment. In those circumstances it was felt that it was reasonable to proceed without wide consultation.

**Mr CRAWFORD:** Just jumping back one, in relation to the electronic conveyancing of transfer duty, the committee understands that consultation on the amendments to support electronic conveyancing for transfer duty was undertaken with all of the relevant departments and the Queensland Law Society. Can someone elaborate further on which departments were consulted?

**Ms Kross:** All departments were consulted in relation to the standard consultation of any bill and submission that is brought forward to cabinet, so that was the broad range of all departments. Specific consultation was undertaken with the Department of Natural Resources and Mines given that it runs the titles register, so very close consultation was undertaken with that department. We gave it a presentation in relation to the model, gave it a copy of the consultation paper with detailed summaries of what the intended model was and responded to any feedback that it gave us in relation to that. The Department of Justice and Attorney-General was also consulted in relation to the range of the new offence provisions that were included in that framework's head of provisions and it was happy with the offence and penalty amounts that were set for those new offence provisions.

**Mr WEIR:** The committee also notes that industry consultation was undertaken. Could you please elaborate further on who or which industry groups were consulted and the results of this consultation?

**Ms Goli:** I am sorry, which measure was that for?

**Mr WEIR:** That is for the same one—amendments to the revenue legislation, the explanatory notes, pages 27, 28.

**Ms Kross:** I think that is in relation to the farm-in agreement amendments. That was the industry consultation that was undertaken in relation to the farm-in agreement concession. The industry representatives who were consulted for that were the Queensland Resources Council, the Australian Petroleum Production and Exploration Association, the Association of Mining and Exploration Companies and we also have an Office of State Revenue taxation consultative committee that has representatives from the various accountants, the Bar Association, the Law Society, which has a property group, and other individual representatives. So that group was also utilised in undertaking consultation on those amendments.

**Mr PEGG:** I want to ask about the amendments to the Plumbing and Drainage Act and also the Water Supply (Safety and Reliability) Act. I note that the amendments to the Plumbing and Drainage Act and the Water Supply (Safety and Reliability) Act were the result of extensive consultation by the former State Development, Infrastructure and Industry Committee. Could you please advise the committee about the consultation process used during that examination and also what feedback was received during that consultation period?

**Mr Walsh:** I am not sure if I understand the question, sorry.

**Mr PEGG:** I wanted to ask about the consultation process during the examination of the amendments.

**Mr Walsh:** In the 2014 previous amendments?

**Mr PEGG:** Yes.

**Mr Walsh:** I was not around for that. I do not know in great detail what took place. I do not know if anyone else is here who was around at that time.

**CHAIR:** Would someone be able to provide the committee with the feedback from that process?

**Mr PEGG:** Yes, that would be helpful.

**Mr Walsh:** Yes.

**CHAIR:** Thank you. Also, the consultation with the water sector and the plumbing industry following the state election. Paul, are you the person to ask?

**Mr Walsh:** My colleagues in Housing and Public Works facilitated that, which was—

**CHAIR:** So Mike, can I ask about that? This is the consultation since the state election and the process and what feedback you received.

**Mr Essery:** Yes. I will have to declare that this proposal was prepared while I was undertaking another role. So I am happy to take on board some of the notes that have been provided to me as a broad undertaking. As a result of it being a 100-day election commitment, the department had to move fairly quickly in terms of consultation, as I understand it, with a number of key stakeholders, including the Master Plumbers' Association of Queensland, which obviously has a vested interest in the licensing of plumbers, the Plumbers Union of Queensland, the LGAQ—the Local Government Association of Queensland—and, of course, through my colleagues in the Department of Energy and Water Supply and also associations such as Queensland Urban Utilities, who are our major water service proprietor and also Unitywater as a major service provider. Just for the benefit of the committee, local governments outside of those bulk water infrastructure providers are the service providers generally speaking in those areas. So we spoke with each of those parties in a combination of face-to-face and telephone interviews and we have received some feedback from them. That formed the basis of how we went forward with the proposals in the bill.

I think it is fair to say that there was general consensus across-the-board about the amendments, although it is also fair to say that service providers were not especially happy with the change and certainly had reservations about the transitional aspects of it, hence why we have inserted a provision in the bill to transition this process over a two-year period, which gives particularly the bulk service providers and the councils the opportunity to re-adjust their programs, re-adjust their management practices and so forth and also use this as an opportunity to transition some of the water service officers perhaps into further skilling through plumbing apprenticeships and traineeships and so forth and provide them with a way forward for a new job perhaps beyond that work as well. That is in addition to the work that has been done since the amendments occurred in 2014 by those individual service providers to train up their individual staff to do this work.

**CHAIR:** So the concerns of the service providers were essentially just around the housekeeping of this?

**Mr Essery:** It is fair to say in the correspondence that we received they disagreed with it. They felt that that work could be adequately done by service providers, but they said in that correspondence that, should this proceed forward, they would need adequate time to transition from a business management perspective and also from a training perspective.

**CHAIR:** If you could provide us with that feedback I think the committee would find that really helpful?

**Mr Essery:** Yes.

**CHAIR:** Thank you.

**Mr Essery:** We have a response back from Queensland Urban Utilities, I think from memory, on the books here, which I can provide to the committee on notice as well.

**CHAIR:** That would be very helpful. Thank you very much.

**Mr Essery:** Does my colleagues want to add anything more?

**Mr Walsh:** No, that was very succinct.

**CHAIR:** Thank you.

**Mr CRANDON:** The indications are that the cost of implementing the electronic conveyancing is around \$1 million. Have there been any numbers done on the benefit? We would assume that the benefits are going to far outweigh \$1 million. Have any numbers been done on that? Have any projections been done on that?

**Ms Kross:** Certainly, none that we are aware of. Obviously, the \$1 million cost is the cost of the Office of State Revenue in relation to the transfer duty components.

**Mr CRANDON:** Yes.

**Ms Kross:** The entire implementation and commencement of the electronic conveyancing process is principally being run out of the Department of Natural Resources and Mines. It may well be that they had done some analysis in relation to the overall benefits. It is certainly not something that we have been privy to.

Our understanding is that they are anticipating that the overall cost and benefits will be a reduction in compliance costs, the speed of getting things registered—those kinds of things—and savings to people purchasing homes and needing to interact with the registry and in terms of getting settlements done through financial institutions and their lawyers. We are aware that that is the overall statement of benefit but we are certainly not aware of any particular costings.

**Mr CRANDON:** So the way of the future is really what we are talking about here rather than doing things—

**Ms Kross:** Face-to-face, yes.

**Mr CRANDON:** Rather than doing things face to face. Would it be worthwhile making some inquiries as to whether or not there are some—

**CHAIR:** Yes. In fact, I just mentioned that to Deb, who is our very helpful person who looks after us all here. So, yes, absolutely right.

**Ms Goli:** I just make the point that the amendments that are in the bill here are to facilitate the participation from a revenue perspective in e-conveyancing. The actual e-conveyancing itself is being done effectively through the titles office. Revenue is part of it in that, to get registered, you have to pay stamp duty effectively and as the system is changing as a result of electronic conveyancing, because it is being done in this electronic environment. The amendments that are in the bill are about facilitating it, because the provisions that are currently in the law are designed to follow the conveyancing practice as occurs now. The conveyancing practice will be changing because of the electronic environment that is being introduced. We will still have the current—it is not that it is being replaced completely. People will still be able to do their conveyancing the way they do it now; this is an alternative. But in the future this will be the way that people will go. So in a sense we have to have two systems running from a stamp duty perspective: one for people who are doing it the conventional way that it is done now and one for the future. So in a sense, the costs that are involved are about making the changes to our computer systems in the revenue office to be able to support that, but the benefits are going to be much broader not just for the titles office but for the banks, for solicitors. The whole point of electronic conveyancing, which is now operating in New South Wales and Victoria, is all about micro-economic reform and going from a paper based system to an electronic system.

**Mr CRANDON:** Are there likely to be job losses as a result of going this way?

**Ms Goli:** Not in our office and I do not think in the titles office. Where it is going to have the impact is in solicitor's offices in that what happens now with settlements is that you have the vendor and the purchaser; they go down to the titles office and the banks turn up—everybody turns up for settlement. What will happen under e-conveyancing is that there will be an electronic workspace and someone through their computer in the solicitor's office—the vendor's solicitor, the purchaser's solicitor and the banks will all be logging on to this workspace and they will be doing everything

electronically. So there will not be file clerks who will be walking down to the titles office to do settlements anymore. So that will be where the change will be. So it will not necessarily have an impact on the bureaucracy.

**Mr CRANDON:** When they front with their 15 folders or whatever it might be at the titles office, there is someone on the other side of the counter who is dealing with those. That is not going to happen anymore. I suppose that is where I was coming from.

**Ms Goli:** I am not really in a position to speak for Titles as to what impacts is going to have for them. The introduction of electronic conveyancing is a phased approach. They are already doing releases of mortgages as a first phase. This conveyancing for transfers of titles is the second phase. So they have already done that. I really cannot speak for what is happening in Titles. It is not part of my remit.

**Mr CRANDON:** The one million dollars, where is that money coming from?

**Ms Kross:** It is coming from within our own savings internally—

**Ms Goli:** It is internal budgets.

**CHAIR:** And the timing of this is linked to a national rollout. I recall seeing this in the explanatory notes about the timing—

**Ms Goli:** Yes. With electronic conveyancing, there is one entity that is called PEXA that is rolling out electronic conveyancing. It was introduced in New South Wales. They have a staged release across the country. It was introduced in New South Wales in December. They call it going live. It went live in New South Wales in December. It went live in Victoria in January. Their go-live date is May but it is dependent on the passage of the bill. So that will need to be adjusted depending on when the bill is passed and they are aware of that. We were going live with Western Australia at that time and then the other states are next year, I think it is. There are various stages but there have been slippages over time.

**CHAIR:** One can imagine. It is a massive thing to get national agreement.

**Miss BARTON:** I just had a question about the payroll tax rebates. It is a two-part question. Firstly, will this have any impact on the current threshold and any previous plans for the threshold to ascend annually? What is the anticipated cost over the next few years of the rebate in terms of the impact on state revenues?

**Ms Kross:** In terms of the impact of the introduction of the rebate, the current figure in relation to the costings of the rebate is that the government has committed \$45 million over three years. So that is the anticipated potential cost of the rebate.

In relation to the threshold, the provision of the rebate is not legislatively directly linked to the threshold; they are completely separate issues in terms of the way that the legislation is designed. One does not have any direct impact on the other. So in terms of the general question as to whether there is going to be any impact of the previous slated increases in the threshold, that would obviously now be a matter for the government to decide as to whether it is going to alter any of those policy settings, because they are separate.

**Mr CRAWFORD:** In talking about the other acts—the Financial Accountability Act, criminal law, environmental protection, the plumbing and drainage and water supply—the notes indicate that amendments to these acts have no administrative cost with them. For example, for the Plumbing and Drainage Act and the water supply act the explanatory notes state that the government will not incur any additional costs to implement the amendments. Could someone just clarify what could be meant by ‘additional costs’ and whether that means that there are costs already incurred or set aside or are there no costs at all?

**Mr Walsh:** I think with the plumbing amendments there is no additional cost to the Department of Energy and Water Supply, but I think building, with their regulatory framework for plumbers, already administer and prosecute people who do plumbing who are not authorised. So it is just the same and business as usual, as I understand it.

**Mr Essery:** Yes, the administration of disciplinary action for licensees is handled by the Queensland Building and Construction Commission, so they will continue to work in that area in terms of monitoring those people who are working without licences. The actual cost to the department will merely be in bringing into effect the legislation, obviously representation at the parliament and then subsequently advising stakeholders of that. I guess that would be in conjunction with both the QBCC and also with our stakeholders through our various industry and consultative groups. I do not anticipate any costs to the department for us to enact this legislation.

**CHAIR:** Will the training that you referred to before be provided by the providers themselves?

**Mr Essery:** That is right. Yes, exactly. We work very closely with the stakeholders in the training organisations and we have a very good relationship with the Queensland Building and Construction Commission. We meet with them regularly, and we are keeping them up to speed with what is happening with these developments so that we maintain a good relationship going forward and they are fully aware of the transitional arrangements. When they are out doing their investigations and inspections, they will be able to understand the impact if they happen to find somebody installing a meter and they will know the relevant bits and bobs of the legislation. Ironically, staff in the QBCC have worked in the department beforehand and are familiar to all of us, so I think the relationship is quite good.

**Mr WEIR:** My question is in relation to the Duties Act. The committee understands that the proposed amendments to the Duties Act 2001 have been previously discussed at the departmental briefing on 16 December 2014. Could the department please clarify that there are no additional changes to what has been previously suggested and if there are any changes, could the department please outline what they are?

**Ms Kross:** Yes, the only additional amendment in relation to the revenue amendments is the payroll tax amendment. In terms of the Duties Act itself, there are no changes.

**Mr PEGG:** I wanted to ask you a question about the amendments to the Payroll Tax Act. The explanatory notes state that the amendments to the Payroll Tax Act are to put beyond doubt that the contractor exemptions require the contract as a whole, as opposed to a portion of payments under the contract, to qualify for exemption. Could you please expand on the reasons for this amendment?

**Ms Kross:** Yes, the amendment was originally sourced from a case in New South Wales: the Smith's Snackfood case. In that case the particular taxpayer basically claimed that they could use the contractor exemption provisions by applying it to a proportion of the amounts that were paid, whereas the intention behind the contractor exemption provisions was either the contract was entirely exempt, or if it was not entirely exempt, then you had to pay payroll tax on it. That was originally successful, which is why New South Wales moved to amend its provisions. On appeal it was overturned so that the original intended operation of the provisions was confirmed; however, in that time Victoria had already moved to amend. Because we are trying to maintain, as much as possible, a harmonised approach in relation to payroll tax, it was considered better that our provisions be amended so on their face they remained harmonised with the New South Wales and Victorian provisions so there was not any confusion for taxpayers out there. It really is just to ensure the correct operation and to maintain harmonisation.

**CHAIR:** I have another question on the payroll tax. Could you please explain the reasons behind the traineeship payroll tax exemption?

**Ms Kross:** This is the amendment to the apprentices and trainees exemption itself, so not the rebate. This is very much an administrative amendment. When these provisions were originally introduced, certain provisions were included so that people would not take someone who was effectively an employee and do what we called a 'Friday-Monday', which meant that they were an employee on Friday, and suddenly an apprentice or trainee on Monday. There were certain anti-avoidance provisions introduced when the exemption provisions were inserted. Some of those just by effluxion of time no longer had any relevance because they were tied to people moving between different levels of certificate study in apprenticeships. There is one provision that we are removing that, just by effluxion of time, is no longer relevant.

The other change that is being made to those provisions is in relation to the nomenclature of the categories of the training. We were using old terminology which has now since been updated under the vocational training rules. We are just maintaining our legislation to ensure it is currently referring to the correct training schemes for those apprentices.

**Mr CRANDON:** The bill proposes to amend section 48 of the Financial Accountability Act to add to the powers that the Treasurer is able to delegate. Could you please explain why it is considered necessary to expand the powers delegated to officers from Treasury and the Queensland Treasury Corporation?

**Mr Miller:** This amendment is largely to clarify the existing provisions in the legislation. Basically, the legislation requires the Treasurer to operate the consolidated fund bank account and so on a practical level, as you would expect, it falls to the department to make transactions on the Treasurer's behalf. In reviewing the legislation we identified that there was not a specific delegation

of some of these powers in terms of operating those bank accounts and receiving transactions and making payments, so the amendment here is to confirm that that power can be delegated to officials.

**Mr CRANDON:** The committee notes that the bill proposes to amend section 53 of the act to clarify that the Treasurer has the ability to enter into derivative transactions, but only to hedge against a risk to which the state is or will be exposed. Could you please explain why it is considered necessary that this amendment be made? What is the impact of this amendment on the existing derivative transactions?

**Mr Miller:** At the moment, the legislation provides for departments or accountable officers to enter into derivative transactions to hedge against a risk. There is currently no provision for the Treasurer to enter into a transaction on behalf of the state as a whole. Certainly if there was a risk that we considered was a Treasury risk, he would be allowed to do it under the current legislation. We have a number of situations, particularly around large infrastructure projects, where in the planning stages it is not clear which department is going to ultimately take on the financial risk associated with the project—if there is an interest rate risk—and there can be complications. If you think it is going to be one department and you get approval for that department to manage the derivative transaction, and then later on it turns out that another department is going to take responsibility, in those cases we think it is a sensible approach for the Treasurer to enter into that derivative transaction on behalf of the state as a whole and managed as a whole of government exposure.

**Miss BARTON:** It is proposed that section 86 will be amended to acknowledge that derivative transactions may move between departments—particularly where there has been a change in the administrative arrangements—and require the appropriate minister to be given a report on, and to monitor, derivative transactions administered by the department. Could you please explain what the past practice has been and why there is a need for a change?

**Mr Miller:** Certainly. This could be about things like machinery of government change or a sort of related change in responsibilities, but where a department has entered into a derivative transaction and the reporting arrangements have been set up through the minister, there can be times where the responsibility for the project or the risk that the derivative transaction relates to can move to another department. The purpose of this amendment is to clarify that that reporting responsibility can be transferred to the new minister for the department that the derivative transaction has moved to. At the moment, if you took a strict interpretation of the legislation you would still be reporting to the minister that originally entered into the transaction.

**Mr CRAWFORD:** Section 48 was amended by the Treasury and Trade and Other Legislation Amendment Bill to allow for the head of internal audit, or HIA, to be nominated from outside the department. Has it been found that the previous amendment did not meet the government's requirements? Can you provide some examples?

**Mr Miller:** The previous amendments which allowed the head of internal audit to take responsibility for more than one department or to share a role met the government's requirements at the time that the amendment was introduced. Since then a number of departments have taken on some alternative arrangements in relation to their internal audit practice, so a number of them have made greater use of private sector providers in internal audits. As part of that, there are a number of cases where departments think it would be more appropriate for the people conducting that internal audit process, being private sector providers, to be nominated as the head of internal audit, so that is what is being sought under this amendment.

**Mr CRAWFORD:** Can you quantify the number of requests that have been received to put in place a non-public service employee as the HIA?

**Mr Miller:** We have not received any requests because the current legislation does not allow for it. There have been a number of departments that have raised the issue with us, but obviously they have considered that there was no value in putting forward a request when the legislation did not provide for it.

**Mr CRAWFORD:** Why is it considered that there is a need to expand on a non-public service employee?

**Mr Miller:** It is to reflect the practice of non-public service employees undertaking the internal audit roles, and there is a consideration that it may be appropriate for a department to nominate one of those employees as the head of internal audit if they are the one who is in the best position within the organisation to undertake that role.

**Mr CRAWFORD:** What are the risks and benefits of departments retaining an internal versus external HIA?

**Mr Miller:** In those cases where they have made use of external providers, the benefits are that the person who knows the role best would be undertaking the role. Some of the risks around it are whether the person has a clear understanding of the operations of the department, and certainly we are intending to issue guidance in our supporting guidance material around the relationship between the head of internal audit in those situations and the accountable officer, so making sure that there is clear reporting and discussion between the head of internal audit and the accountable officer of the department, which is consistent with the Auditor-General's response and consultation on this amendment.

**Mr WEIR:** With regard the insertion of section 88A, the explanatory notes state that a strict interpretation of section 88 could create a number of administrative difficulties. Could you please explain what these administrative difficulties are and how the amendments would rectify the problems?

**Mr Miller:** This is about preparing a business case and obtaining the Treasurer's approval before becoming a member of a company. The issue we have there is around when a company is transferred between departments; for example, following a machinery of government change. If you took a strict interpretation of the legislation, you would have to seek the Treasurer's approval before that transfer happened as part of the machinery of government change. In standard practice, departments are not aware of machinery of government changes that are forthcoming and are not typically consulted in those changes, so it seems unreasonable for a department to have to seek approval for a transfer that they are not currently aware of. Following the machinery of government change, the intention is to provide them with four months to consider whether they think their participation in that business is the way to go forward and if so, to then seek the Treasurer's approval and prepare a business case to support that.

**Mr PEGG:** I have a question about the changes to the Environmental Protection Act, and in particular the bill inserting a new division which contains the provisions for the cancellation of the approval of a transitional environmental program. Could you please explain the present cause of action for the cancellation of a transitional environmental program, or TEP?

**Mr Wade:** There is no current provision for cancelling a transitional environmental program, hence the need for the amendment.

**CHAIR:** My question is about the first home owner grant. The amendments to the First Home Owner Grant Act 2000 were previously introduced in the lapsed bill, and there were some concerns about the definition of 'new home' in the legislation. Section 61 states that a home is a building affixed to land, and in section 62 a new home is defined as one that has not been previously occupied or sold as a place of residence. The element of 'affixed to land' is not included. We have already received a submission about this. I do not know if you are aware of it.

**Ms Goli:** We were not aware that you had received a submission, but we were aware that there had previously been a submission on this.

**CHAIR:** Can you please clarify the definition of 'new home'? Does it extend to a home that is built using a relocated structure and materials?

**Ms Kross:** Obviously the amendment that is being brought forward in this bill does not relate to that. I am happy to provide the clarification, but it is not related to the amendment. The query that has been raised is not related to the amendment that is being brought forward to this bill; it is in relation to existing provisions that are in the first home owner grant legislation.

When the first home owner grant changes were made to remove the availability of the grant for what is classed as existing homes and limit it only to new homes, changes were made in relation to those definitions. In particular, previously there was a provision that related specifically to what is classed as relocatable homes. In determining the policy parameters of those amendments, it was decided that relocatable homes were not new homes. The purpose of the amendments to those provisions was to promote benefits to the construction industry, and it was considered that those were best targeted to the stricter, traditional definition of new home. The provision that was related specifically to relocatable homes was removed as part of that exercise. The current position from the Office of State Revenue is that the current eligibility for FHOG in relation to new homes does not extend to relocatable homes.

For our purposes I understand that the previous submission, if this one is the same, is on the basis that there is uncertainty in relation to that. We are of the view that it is not an uncertain position, that it is delivering the intended policy of those provisions and that it might just be a difference of opinion, although the proponent would prefer it to be an alternative position.

**CHAIR:** But some further clarity would be helpful.

**Ms Kross:** We can certainly provide further clarity. That is not an issue at all. If it is truly considered that it is uncertain in the market, we can certainly provide clarity in relation to that. Obviously, however, it is a policy setting so if a change is sought, that is a completely different process.

**Mr CRANDON:** Just picking up on section 62, a new home is defined as one that has not been previously occupied or sold as a place of residence. There are a lot of new houses being built in the Coomera electorate, as you can probably appreciate. Quite often homes are built, used as show homes, and quite often those show homes are sold to investors and rented back to the builder or whoever it is that is making the sales, and then ultimately someday down the track those homes—that have never been previously occupied or sold as a place of residence—would potentially be sold to a first home owner. Would they qualify?

**Ms Kross:** Not if the property has actually been sold once it has been constructed. The test is whether it has actually been occupied as a residence or whether it has been sold basically with the potential to reside in it as a residence. It is truly intended to be on the first sale or the first occupation; however, you have to enter into that particular arrangement of terms of having had it sold and then leased back in terms of the display or spec homes. If they are just constructed by the builder and then run as a display home and then the first sale of that home is to a first home buyer, then they will be eligible.

**CHAIR:** I do not have any other questions. Does any other member of the committee have further questions? I apologise to the officers who were here to talk about the amendments to the Criminal Law Act. I think your opening statements pretty much covered any questions that we might have, so thank you very much for putting the time in and for coming here today.

There being no further questions, we will now conclude the public departmental briefing. If members require any further information, we will contact you. Thank you very much for your attendance here today. We really appreciate your assistance. I declare this briefing closed.

**Committee adjourned at 11.21 am**