

**REVENUE LAWS AMENDMENT BILL 2004**  
**REVENUE LAWS AMENDMENT AND REPEAL BILL 2004**

*Declaration as Urgent*

**MR E.S. RIPPER** (Belmont - Treasurer) [4.22 pm]: I move -

That the Revenue Laws Amendment Bill 2004 and the Revenue Laws Amendment and Repeal Bill 2004 be considered urgent Bills.

I am advised that we are one day short of the normal notice period that would allow the Bills to proceed without the passage of the motion that I have just moved. It is important that the Bills pass through both Houses of Parliament by 30 June so that first home buyers can have access to the concessions embodied in the Bill, and those people who want to take advantage of the five per cent cut in property conveyances duty can also experience that tax cut. Therefore, I hope that the House will support the motion I have moved for the Bills to be considered urgent.

Question put and passed.

*Cognate Debate*

**MR E.S. RIPPER** (Belmont - Treasurer) [4.23 pm]: I seek leave for the Bills to be debated cognately, and I propose that the Revenue Laws Amendment Bill 2004 be considered the principal Bill.

**MRS C.L. EDWARDES** (Kingsley) [4.23 pm]: We propose to support the proposition put forward by the Treasurer for the Bills to be debated cognately. In a spirit of cooperation, we also support the motion that the Bills be regarded as urgent Bills. It is quite clear that the Revenue Laws Amendment and Repeal Bill flows on from the Revenue Laws Amendment Bill. As such, it is appropriate that they be treated in a cognate way.

Leave granted.

*Second Reading - Cognate Debate*

Resumed from 12 May.

**MRS C.L. EDWARDES** (Kingsley) [4.24 pm]: I am not the lead speaker on the Revenue Laws Amendment Bill. However, until such time as the lead speaker arrives, which will be only a short period, I indicate that the Opposition supports the Revenue Laws Amendment Bill and the Revenue Laws Amendment and Repeal Bill. The proposals that the Treasurer outlined in his second reading speech -

Mr P.G. Pandal: What is your view on revenue?

Mrs C.L. EDWARDES: Although there can be some levity in this debate, and there is always an opportunity to ensure that there are greater rebates for our constituents, the issue is that considerable benefits will flow to our respective constituents as of 1 July. That is the reason for the urgency of these Bills. I know that the Leader of the Opposition has a number of questions about how they will be implemented. He will be able to explain those in some detail. As significant benefits will arise from these two Bills, we will support them.

**MR T.K. WALDRON** (Wagin) [4.26 pm]: I say from the outset that I am also not the lead speaker. However, I will make a few comments on these Bills. First of all, the coalition supports these Bills. I want to acknowledge some points. We welcome stamp duty relief for first home buyers. I believe that is long overdue. We also welcome the new phase-out thresholds for duty on places of principal residence and for small business. That was also overdue. We welcome the extension of the family farm exemption, which allows the transfer of farming land for the purpose of farming or reforestation. I believe that is a good measure. We also welcome the news that privately owned land held under a conservation covenant will no longer be subject to land tax.

It is important to recognise those property owners in our State who are committed to preserving our valuable bushland and waterways. There are many of them. Sometimes people, particularly those on the land, get accused of knocking down trees etc. As I said in a recent debate in this House, 99 per cent of farmers are the best conservationists we have, because their future depends on it. They are real, practical conservationists.

We also welcome the new provisions extending the payment period for some conditional contracts. On this point, I indicate that we have no issue with the intent of that provision; however, we believe that the provision is a little clumsy. I might come back to that a little later and get the Treasurer's response to that. People would think from what I have said that we will be relatively happy to see this legislation enacted. However, we certainly have some concerns, and I would appreciate the Treasurer taking some of those concerns on board and addressing them in his reply.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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These two Bills provide a framework to introduce and support the Gallop Government's taxation agenda for its fourth, and hopefully its final, year in government. On 6 May the Treasurer stood before us and announced that in 2004-05 the Gallop Government's budget would improve the lot of Western Australians. In fact, he talked about a budget for the family. He said that it was a budget that would allow those trying to buy their first home the opportunity to realise that dream. It would put a freeze on household expenses, so that more money could stay in the family's pocket.

The Treasurer would have the Opposition and the Western Australian public believe that the Government is in a position to implement these initiatives due to sound financial management. He would have us believe that this budget is the result of the Government's good financial management. However, it hardly comes as a surprise that it has been left to the Opposition, the media and, of course, the business community to temper those claims with what I would say is a good dose of reality. I point out that this Government has hiked up taxes across the board each year for the past three years. Property tax revenues alone have increased by \$501 million since 2000-01. The total tax relief in this year's budget for Western Australian taxpayers will be only \$133 million. The Gallop Government was able to announce tax relief provisions in the budget, to be enacted by the Bills that we are debating, because of the massive tax hikes over the past three years, the windfall gains from the commonwealth goods and services tax grants - we hear the Government knock the Commonwealth time after time, but it does not knock back the GST grants - and, of course, the increase in mining royalties. These are genuine points that must be considered. These tax relief provisions are not due to the Government's ability to manage the State's finances in a sound and accountable manner. We have raised the management of the State's finances in this Parliament time and again. I will talk about a few areas. Perhaps the Bermuda Triangle for taxpayers' money is the state health budget. I draw attention - I think it has been done pretty well today already - to the cost blow-out in the Perth to Mandurah railway. I also draw attention to the Attorney General's failed electoral reform package. More than \$3 million of public funds were wasted in pursuing the Attorney General's obsession to disfranchise country voters, and that, too, is a fact.

Members have spoken a lot about Western Power. I draw attention to the \$750 000 spent on the 127-page Cronin committee report analysing Western Power's handling of the power crisis. Over the past three years we in the Opposition have highlighted all those points. It was plain for everyone to see. This report works out at almost \$6 000 a page. We need to take those points into account. I could go on, but I will not; I want to turn to some of the provisions in the Bills.

I will talk about stamp duty. We have some concerns with these two Bills. It is our understanding that a number of industry representatives tried to meet with the minister, following the announcement that tax relief for first home buyers would be available from 1 July 2004. I understand that they did not have any success. The major issue with the legislation is the operative date of 1 July 2004 from which the new provisions will apply. This operative date is regardless of the Bill's ultimate date of passage through the Parliament. The details of concessions were leaked by the Government well before the state budget was officially announced.

Mr E.S. Ripper: No, they weren't.

Mr T.K. WALDRON: That is not how I understand it. Industry is very keen for these provisions to apply immediately, and we support that. The effect of waiting until 1 July has meant that many first home buyers and other home buyers have deferred making decisions until after this time, because there is a great benefit involved. It follows, therefore, that this segment of the market is not the only segment affected by the delayed start date. The flow-on effect is evident in many other sectors of the property market. For example, the purchase of a second home is very often conditional on the sale of a person's current house. If the Government's target market in this budget is first home buyers, they will be restricted from moving until 1 July. In effect, this delayed start date has created a two-month hole in the market, and that is causing a lot of problems. This provision should have been enacted immediately to prevent that problem.

I will touch on the conveyancing of farm properties. I have stated that the coalition welcomes the extension of the family farm exemptions so that transfers of farming land to a third party for tree farming or reforestation are not subject to tax. This amendment will allow farmers to take advantage of this exemption, and I think it is a good one. Previously, if a portion of farming property was leased for tree farming or reforestation, that portion of the property was not exempt from the duty. This is a good move. Under current legislation, portions of farming properties that are undeveloped bushland are subject to duty when they are transferred. There is an exemption for reforestation. Often undeveloped bush is left by farmers and landowners for conservation purposes. In many cases, it is unable to be cleared because of flat ironstone, wetlands etc. I am interested to know whether the minister would consider including undeveloped bushland along with reforestation in the inter-family exemption. I believe it is a suggestion that has some merit. It is in keeping with the other provisions in the Bill, such as the exemption for the conservation of land.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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Mr E.S. Ripper: Are you saying that farmers are paying stamp duty on transfers involved in that type of land? Have you had some complaints about that?

Mr T.K. WALDRON: On bushland they do.

Mr E.S. Ripper: Yes.

Mr T.K. WALDRON: If something has changed in the past few years that I do not know about, the Treasurer should let me know. People sell bushland and purchasers pay stamp duty on it. An exemption is given for reforestation, which I think is great. However, bushland that a farmer will not or cannot clear because of the physical nature of the land - for example, flat ironstone or low-lying land that cannot be farmed -

Mr E.S. Ripper: Even when it is part of an overall farming block and is not on a separate title? Are you saying that people are paying stamp duty on the portion of a farming block that is uncleared?

Mr T.K. WALDRON: Yes, and I ask the Treasurer to consider that. I think it is in keeping with the other provisions in the Bill.

I will briefly refer to payment periods for some conditional contracts. I mentioned earlier that the National Party had a proposal for the provision relating to payment periods for some conditional contracts. It is our understanding that, further to advice we have received, contracts to which this amendment relate, and specifically farming land conditional contracts, will now include a standard clause along the lines that "the contract is subject to the vendor completing shearing/harvesting/selling of sheep". This clause will enable the deferment of the stamp duty payable on farming contracts when the farm is sold. Although it achieves its purpose - I am not saying that it does not achieve its purpose - I think it is clumsy. It would be simpler to provide a 12-month period for the payment of stamp duty on primary produce contracts. It seems fairly loose when sheep are sold or cropping is finished. It would be better to have a simple 12-month period for payment of that stamp duty. People pay stamp duty when they purchase a farm, but they might not take possession of the farm until nine or 10 months later. I think that needs looking at.

Mr E.S. Ripper: Are you arguing that even for an unconditional farming conveyance there should be a 12-month delay in the payment of stamp duty? Is that what you are arguing?

Mr T.K. WALDRON: There definitely should be for conditional contracts. I would need to think about unconditional contracts a little. I do not see why it could not be considered. I know from my time in rural real estate that a lot of money is paid up front in stamp duty on farms, and that might be carried for nine or 10 months. I think it needs to be looked at.

Another area is stamp duty on the acquisition of a 90 per cent interest in a listed company. Originally, this scheme was to be introduced in the business tax review Bills. I understand that the complexity has meant that the introduction has been delayed until now. We have some concerns with this scheme because it has implications for future investment prospects in the Western Australian resources and mining sectors. The imposition of another tax will be a disincentive for prospective investors. There is no question that state taxation and environmental legislation are the two key factors taken into account by those interested in a mining venture. The tax burden is being shifted away from individuals and families to industry and business. It is a short-sighted Government that hikes up taxes for a particular sector during a period of growth. Inevitably, the burden of increased taxation will be shifted to shareholders, creating a flow-on effect that could well lead to reduced investment in the sector that underpins our State's economy. Of course, the royalties that the Government has received from that sector are significant.

Mr E.S. Ripper: I want to demonstrate how quickly we respond to your representations: I advise that farming land conditional contracts are to be lodged within two months of the date of execution, and will have a date for payment of the assessment that is 12 months from the date of execution.

Mr T.K. WALDRON: But that will not apply to unconditional ones.

Mr E.S. Ripper: That is the conditional, not the unconditional, contracts.

Mr T.K. WALDRON: The unconditional contracts should be considered as well for the reasons I have outlined.

I am no expert on this matter, but I must mention a point raised with the Opposition. Further to the introduction of legislation in Victoria that will abolish mortgage duty from 1 July, the Revenue Laws Amendment and Repeal Bill 2004 will protect revenue collected on a mortgage that secures property in WA and outside WA, including Victoria. I seek clarification on how WA mortgage holders with property in WA and Victoria will be affected by the provisions. I understand that people will pay duty in Western Australia on any proportion of their property holdings situated in Victoria, as well as those in Western Australia. That would appear to be a further imposition. I would like the Treasurer to think about that matter as well.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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I said at the outset that the Opposition will support both the Revenue Laws Amendment Bill 2004 and the Revenue Laws Amendment and Repeal Bill 2004; however, it has some serious concerns about some of their provisions. Undoubtedly, the Labor Government could have made further concessions given the revenue it had to work with in pulling together this year's budget. The total revenue for 2004-05 is calculated at about \$12.719 billion, and the total tax relief is \$133 million. This equates to about one per cent of the total revenue available to the State Government. In many ways, this is a cynical attempt to try to fool the public in this pre-election budget. The Opposition supports the Bills, and I look forward to the Treasurer's answers to the points I raised.

**MR C.J. BARNETT** (Cottesloe - Leader of the Opposition) [4.42 pm]: As the previous speaker stated, the Opposition supports these Bills, the main effect of which is to reduce taxation. Nevertheless, they are belated. Without doubt, this Government has been the highest taxing Government in this State's history. This Treasurer will go down in history as the Treasurer who increased rates of tax across the board like no previous Treasurer in the State's history. Tax increases in excess of \$100 million in each of this Government's first three budgets resulted almost solely from increases in rates of taxation. This was not as a result of the so-called property boom with high asset values or the increased number of transactions. Increases in tax revenue were primarily due to increases in rates of tax.

The budget papers for 2001-02, when this Government came to power, indicate that total tax receipts were \$2 945 million. For the financial year about to conclude, the figure has increased by approximately \$600 million to \$3 543 million. The figure will increase further to \$3 712 million. Something like an \$800 million increase in the taxation take has occurred during the term of this Government. Two-thirds of that increase resulted from increases in the rates applied to payroll tax, stamp duty and land tax. Some minor concessions have been made along the way. Under the goods and services tax package, some so-called nuisance taxes were abolished, and the tax review process in this State, which the Opposition broadly supported, also saw some other taxes go.

It was a misuse of public money and blatantly misleading for the Government to run a series of newspaper and television commercials around Christmas implying that this Government was reducing taxes. It was simply not the truth. I expect Governments to behave with a higher standard of priority and openness to the public than exhibited on that occasion. To run a newspaper advertising campaign about reducing or getting rid of taxes, but at the same time failing to divulge that those taxes had increased by more than \$600 million during the time of this Government, was dishonest, misleading and unreasonable. However, that is the standard of Labor Governments, which are notorious for not telling the truth to the people of this State.

Mr E.S. Ripper: Do you support the Howard Government's advertising on Medicare?

Mr C.J. BARNETT: I support advertising that conveys legitimate and fairly based information to the public. I do not support the use of taxpayers' moneys for what are essentially public relations exercises. Information can be made appealing and attractive as with any marketing exercise. That campaign was misleading. It did not convey the truth about taxation under this Government.

The measures outlined in the two Bills relate primarily to the Land Tax Act and the Stamp Act. A change will be made to the land tax threshold; namely, an adjustment upward so the scale will allow for rises in property values. An otherwise identical house may attract higher rates of land tax than another house. Stamp duty rates on conveyancing will reduce by five per cent across the scale. If that stood alone, I would stand in Parliament and say it was a good measure. However, I must consider it in the context of the previous three budgets; namely, the Government has increased stamp duty rates on conveyancing by an average of 25 per cent over that time. The rate is now reduced by five per cent. The Government takes \$25 off people, it gives them \$5 back, and then states that people should be thankful. The Government's record means that otherwise significant concessions are simply giving back one-fifth of what has been taken off taxpayers, both householders and businesses.

The existing rate of concession will be extended on the purchase of a place of residence. The main feature in this legislation is the exemption from stamp duty of first home buyers on the purchase of a house up to \$220 000. The concession reduces and phases out at the \$300 000 threshold. A corresponding concession will apply for a first home buyer who buys land rather than a house-land combination. I will say more about that aspect in a minute.

Also, changes will be made to stamp duty payable on the acquisition of a 90 per cent interest in a company deemed to be land rich. The main changes are the adjustments to the land tax scale, the decrease of five per cent in the rate of stamp duty, and the first home owner exemption extension. When viewed overall, the package is interesting. When the Treasurer presented his budget speech, he referred to revenue concessions and revenue relief valued at \$133 million. Legislation before Parliament indicates that revenue relief is not \$133 million, but about \$113 million. I said that that was the case at the time of the release of the budget. There is not \$133 million of revenue relief. It is misleading for the Government to claim that not increasing the price of

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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something is revenue relief. The Government claimed \$20 million in increases not made. I give a comparison; if I were Treasurer, I could state that last night I thought I would increase taxes by \$100 million, but today I had decided not to do so; therefore, people are \$100 million better off. It is an absurd argument. My suggestion, which seemed to upset the Under Treasurer, is that Treasury should not fall for that sort of stunt. Financial information deserves to be presented in a balanced and factual way. The Treasurer could have made a song and dance, if he wished to do so, about the fact that charges were not increased. That would stand or fall on its own merit. The Treasurer should not pretend or imply that he gave a concession or relief to taxpayers. For example, during the eight years I was Minister for Energy, the price of electricity increased in one year only - by 3.75 per cent. I never claimed - other than that I was holding the price of electricity constant - to be somehow handing money back to people. It is misleading to claim otherwise.

Mr P.D. Omodei: You could have said that you saved hundreds of millions of dollars.

Mr C.J. BARNETT: With this analogy, we could rewrite previous budgets and add hundreds of millions of dollars to the figures - the member is right. The Government's actions are dishonest and have no credibility. The Treasurer did not need to do it. Labor Governments are so used to being sneaky and presenting untruths to the public that when they have a reasonable story to tell, they cannot tell it straight. All this Government needed to say was that it had reduced taxes by \$130 million and that it had not increased charges for one year, which had the net effect of reducing taxes by about \$20 million as those charges had not otherwise increased by inflation. However, that point of reference is not valid, as not all charges go up by inflation; some go above it, some go below it.

I will make some general comments on land tax. The thresholds that affect the stepped nature of land tax have changed, which will ameliorate some of the impact of rising property prices. It is interesting to note, however, that revenue from land tax, even with those changes, is still anticipated to grow by \$24 million in the coming financial year to a total of \$301 million. Therefore, even with the so-called adjustment to the scales, there will be an overall 8.6 per cent increase in land tax revenue; that is, approximately three times the rate of inflation. Yes, there has been an adjustment to the scales, but in the coming financial year people will pay in total almost nine per cent more in land tax. In that sense, I can understand why property holders are somewhat sceptical about this Treasurer and this Government.

The Government increased taxes in its first three budgets by some \$410 million a year, the highest component of that increase being stamp duty. In 2003-04 the increase in taxation revenue was about 15 per cent. Massive increases in tax revenue have occurred under this Government. As I said, as a result of this Treasurer's previous budget increases in stamp duty, about 25 per cent has been added to stamp duty rates. This budget gives back some of those increases, but revenue will still grow substantially.

Land tax revenue in 2003-04 and going into 2004-05 will go from \$277 million to \$297 million; that is, another \$20 million. Stamp duty revenue, especially for conveyances, will go from \$969 million to \$1 027 million. Even with these concessions, such as they are, there will be a huge increase in revenue windfalls. This Government has had probably the easiest economic environment of any Government since the 1960s. It has not experienced a recession; it has had a very buoyant domestic economy fuelled by low interest rates and high consumer spending; and it has had an international economy characterised by the growth in commodity prices, including growth in volume demand, fuelled essentially by the rapid development of China's economy.

Mr E.S. Ripper: So would you agree that the State has performed well economically during the term of this Government?

Mr C.J. BARNETT: I make the comment that a good Government can be judged only against the way it performs in the economic environment with which it is confronted. The Treasurer has an environment - good luck to him - in which he has enjoyed incredibly low domestic interest rates, falling unemployment nationally, rising employment nationally and strong demand for exports, particularly the high prices and high demand for the products Western Australia produces, such as minerals and petroleum. After three fairly poor years for agriculture, last year was a bumper season for primary industry, which was brought about by good rains and coincided with poor conditions on the east coast and high prices for wheat and other commodities. That has been almost a dream combination of conditions. In such an environment, the Western Australian economy would perform well, as it is a commodity-orientated economy. However, the real test of a Government is how it advances the economy during such a period. I suggest to the Treasurer that the previous Government had similar very good conditions during its first term of government. There had been a recession in the early 1990s and it inherited a high level of debt - \$4 billion - courtesy of the previous Labor Government. Nevertheless, the economy was reasonably strong, investments took place and demand was growing fairly strongly. Our Government enjoyed similar good economic conditions, the difference being that in 1997 the Asian economic crisis occurred, which required an adjustment. Now, thank goodness for the State, this Treasurer has not had to

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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face an external shock like that. The closest he came to facing such a shock was the September 11 tragedy in the United States immediately following the last election. Those events had an impact on financial markets and affected one or two US-based companies - Syntroleum Corporation would have been one. However, this Treasurer has not had a major shock that has impacted on the economy. The Treasurer goes on and on trying to imply that he inherited an economy in poor condition. He did not.

Mr E.S. Ripper: We inherited 1.2 per cent negative economic growth.

Mr C.J. BARNETT: Yes, and the Treasurer should listen while I explain that to him. He inherited an economy that was going through strong economic growth through the mid 1990s. The Asian economic crisis hit, but construction projects under way sustained the economy. Throughout that period the economy continued to grow; then the delayed impact of the Asian economic crisis hit this State around 1999-2000. The economy did not grow at the five to seven per cent growth rates it had been achieving. It essentially flattened out, but at a high level of activity. The Asian economic crisis eventually washed through and the emergence of China's economy resulted in renewed confidence and renewed growth. The test, therefore, of a good Government is a Government that can not only be in the sunlight during the good times but also steer the economy through difficult economic times. This Government has not been tested by that -

[Quorum formed.]

Mr C.J. BARNETT: I note that in the financial year that is about to end, revenue from conveyances has grown by \$259 million, or 31 per cent. Massive increases have taken place under this Government. A major feature of the tax changes relates to the stamp duty exemption for first home owners. The Opposition has made a lot of this issue. The introduction of the goods and services tax resulted in a restructuring of the first home owner grant from the Commonwealth Government to ensure that the GST did not impact on the price of new housing. This Government, through its previous two budgets, increased the rates of stamp duty so much that a young couple buying a typical average Perth house were paying more in stamp duty than they received from the Commonwealth Government. They were in the ridiculous situation of being better off with no government involvement by way of taxes or subsidies. This Labor Government in Western Australia was, therefore, appropriating from first home buyers more than they received from the Commonwealth. It was a disgraceful act at one level of government; it was essentially appropriating revenues provided by the federal Government to assist home buyers. This Government shamefully and shamelessly continued to do that.

The Treasurer announced a stamp duty exemption for a house up to the cost of \$220 000 and reductions thereafter phasing out at \$300 000. It was interesting to note the impact on the market of a Government announcement of a change such as that. It had an immediate impact on the market. It is conventional to make tax changes from 1 July or 1 January, but the market was immediately impacted on by that announcement. People considering buying a house will inevitably delay their purchase. It is logical to delay the purchase of a house or completion of a land transaction until after 1 July; that has happened. First home buyers have walked away from the market, and why would they not? They are affected, as can be seen in the property market.

We have seen the impact on first home buyers who have recently purchased a house and who are feeling absolutely aggrieved. They paid record rates of stamp duty on their purchase and now find that stamp duty has been effectively abolished. They are left with typically an \$8 000 or \$10 000 stamp duty bill added to their mortgage, which they will continue to pay for the next 20 or 30 years. They are locked into that. They look at their neighbour next door who bought his house a few months later and will not have to pay it. A letter addressed to the Premier, with a copy addressed to me, reads -

Dear Sir

I refer to the 1 July 2003 increase in Land Transfer Stamp Duty and the recent announcement to cancel this charge for first homebuyers in certain circumstances from 1 July 2004.

Today's *West Australian* editorial says, "... there is an inequity in what the Government has done here. People who have bought property - particularly first homes at the lower end of the market - at the higher stamp duty regime, are entitled to feel cheated."

My daughter purchased her first home in November 2003 for \$215,000 paying over \$8,000 to your Government. Well Dr Gallop, don't just take it from *The West*, - we feel VERY, VERY CHEATED.

Your Government has behaved most irresponsibly in this affair. First homebuyers, who paid your Government another 15% higher stamp duty on purchases since 1 July 2003, have also seen higher interest rates on their mortgages after paying record prices for homes. I realize interest rates are not within the Gallop Government's control, but Stamp Duty is within your control.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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You have acted in a cowardly and deceitful manner. Those first homebuyers since 1 July 2003 are struggling.

That letter is from someone who is caught in that trap. The Treasurer put up stamp duty by 15 per cent, so that a person buying a home, particularly a first home buyer, during that 12-month period was paying an extra 15 per cent. That person then found that the rate not only dropped by five per cent but also was effectively removed for first home buyers. There is little wonder that all those people feel cheated by this Government. There is a lesson there about taxation policy. The Government should not cause wild swings in taxes. It should not increase stamp duty by 15 per cent and then a year or so later reduce it by five per cent. It simply creates all sorts of unintended winners and losers. It is not fair to treat people in that way. Although some people may feel happy that they will get a reduction, an equal number involved in previous transactions will feel cheated. The Treasurer would have been far better to have maintained stamp duty rates and been consistent in his policy. An inconsistent policy is a failure of government.

Mr E.S. Ripper: Would you concede that something significant happened interregnum, which was essentially a change of heart by the Commonwealth Grants Commission?

Mr C.J. BARNETT: I am not bemoaning the tax, but that does not justify the increases in the previous year. That is the problem.

Mr E.S. Ripper: You do not concede that there was an explanation for why in one year we had to do what we did and in the last year we were able to offer some concessions?

Mr C.J. BARNETT: I would never concede that there was any justification for a 15 per cent increase in the rate of stamp duty on conveyancing. I would never concede that there was justification for other increases that the Treasurer put in place. Sometimes Governments might be forced to increase rates, but never on the scale that this Government has increased them. This has been by far the highest-taxing Government and Treasurer in this State's history. Governments simply create inequities when they ram taxes up and then drop them because of a change in circumstances. When Treasurers put what they think are their political interests ahead of fairness to taxpayers, the public does not forget. The public will not forget this Treasurer. The five per cent reduction across the board that the Treasurer is now giving is neither here nor there, because people measure it against the 15 per cent - effectively 25 per cent - increase that followed from the previous two budgets.

Although first home buyers deserve special recognition, let us also realise that first home buyers make up probably only 15 per cent of home purchasers. They used to comprise 25 per cent or more, but under this Government first home buyers have been forced out of the market. Their share of transactions fell consistently in line with the increases in stamp duty. When Governments put up stamp duty, it is like squeezing a big lump of rubber - something pops out. Those first home buyers popped out of the market. What about the other purchasers? The Treasurer might well argue that many people are buying their second or third home. They may be in more difficult financial situations. Think of a young mother with three children from a broken marriage, who has lost her original home for whatever reason in the split up and now, with her children, she is struggling to buy a second home. She is probably having to work part time, nights and weekends. That young woman might be facing more severe hardship than a young couple who are both working and buying their first home. She will still be left to pay 20 per cent more stamp duty. Although I do not criticise the recognition of first home buyers, I do question the equity of this. Giving all the benefit to first home buyers while ignoring others might not be the most equitable way of giving a taxation reduction. Elderly people might be buying into suitable retirement accommodation, which is not their first home purchase. Country people might need to move to the city because of health requirements. The value of their house in the country is nothing like the amount they will have to pay in the city. They will be under more financial pressure than two young kids without children who are both working and buying their first home.

I do not think that this Government thought the matter through. As an Opposition, we raised the plight of first home buyers, which also got a lot of national attention. However, in delivering the so-called cuts, late as they are, I do not think that this Government compassionately thought through the issues with which groups in the community were struggling. I would argue that the married couple on an income of \$35 000 or \$40 000 a year who are trying to put their kids through school, buy a car, get to work and pay for groceries may be doing it a lot tougher than people like my son who is approaching his first home purchase. It is great that he and his girlfriend are saving up to buy a home; it is lovely. However, they have no dependants, they both work and they both earn quite good money. Some young people are in that position. Their circumstances are far more favourable than those of a woman with three children from a broken marriage, who is trying to find a place for her kids; she will find it far more difficult. I am not saying that we should ignore first home buyers, but the young mum with three kids, because hers is not a first home, will effectively pay 20 per cent more in stamp duty under the Treasurer's Government than she would have paid previously, even with the five per cent cut.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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Mr E.S. Ripper: If you have a certain amount of money that you can apply to a tax concession, are you saying that you would put that money into a general reduction in stamp duty rather than a first home buyers' exemption? That is the policy choice. Given the amount of money, what would you devote it to? The tenor of your argument is that you would not have given it to first home buyers.

Mr C.J. BARNETT: I would certainly have assisted first home buyers, but I would have given far more thought than I suggest the Treasurer did to the equity of different demographic and age groups in the community.

Mr E.S. Ripper: If you had the same pot of money and you gave more to others, you would have given less to first home buyers.

Mr C.J. BARNETT: I may well have. I may well have looked at the equity across the board. I certainly would have concentrated a large part of any tax relief on first home buyers, but I would have looked very carefully at the demographics, particularly of single parents supporting children and the needs of elderly people who have to move into more suitable accommodation. I do not think that the Treasurer did that. I think he again thought about the politics of the issue. We raised in this Parliament the issue of first home buyers. The Treasurer jumped on the politics. He also followed Premier Carr in New South Wales and Premier Bracks in Victoria, although Premier Bracks took a slightly different route. This is not a Government that carefully thinks through policy; it is a Government that lurches towards whatever it thinks will be immediately popular. It is little wonder that the Premier and I get letters such as the one I read out. There is a young person who bought her first home and paid 15 per cent more stamp duty courtesy of a Labor Government. Does the Treasurer expect her and her family to thank the Treasurer and the Government for reducing the rate by five per cent? I do not think so. That person will be paying Labor's higher stamp duty on her mortgage for the next 25 to 30 years. The Government is bouncing around policy. There is only one way in which to treat taxation fairly; that is, to have a consistent policy of reducing the rates of tax, even if they are only moderate decreases year in, year out, to take advantage of the growth in the State, the growth in the value of assets and the increase in transactions to try to return some of the benefits of that to the taxpayer, and to give taxpayers certainty.

How can people operate in the property market in a commercial sense when stamp duty rates are bouncing all over the place - when they rise by 10 per cent, then 15 per cent and then come down by five per cent, and when similar changes occur with land tax? That does not create an environment of stability in which financial institutions will invest in property and people will invest in property as part of their superannuation or retirement package. Good financial policy is about not only low rates, but also stability of rates. Probably one of the major reasons for the success of the Howard Government is that inflation and interest rates have come down and have stayed down. There is now an expectation in the Australian economy that there will be low inflation and low interest rates, and that there will not be unpredictable changes in taxes. That is important. The Howard Government made the major change of introducing the goods and services tax. However, that was done only after years of debate that went back to when Paul Keating was Prime Minister. It was not unexpected, and it included the compensating income tax changes. It is the level of stability and predictability at the federal level that more than anything else has fuelled Australia's strong domestic economy. However, that has not been the case at the state level under this Government.

To return to the broader economic issue that I was talking about, the Government has presided over a benign economic environment. That has been good for the State. During the 1960s and 1970s and the postwar development of Australia, and particularly Western Australia, the major force in the Western Australian economy was the postwar reconstruction and emergence of Japan as a dominant economy. During that time, the Pilbara was developed. The Premiers and ministers of the day, particularly Sir Charles Court, and also David Brand, who was the Premier in the early years, had the vision of developing the Pilbara. Huge infrastructure developments took place in the Pilbara during that time. There was also the emergence of the alumina industry in the south west. During that time the State did not just sell more commodities; it took a huge step forward.

During the current period of economic expansion, when China has the potential to have a similar, if not greater, impact on the Western Australian economy than Japan, how is the State Government taking steps forward? Sure, we are exporting more iron ore and more unprocessed natural gas, but where is the quantum step forward?

Mr E.S. Ripper: HIs melt is one example.

Mr C.J. BARNETT: A very small example.

Mr E.S. Ripper: But a good example.

Mr C.J. BARNETT: And built in Kwinana. That is the point. I cannot think of any other developed city in the first world, or even in the third world, that would build a pig iron plant, albeit using sophisticated technology, in the middle of an urban area in which there is already a well-established air quality problem and an inversion potential. The HIs melt project not only produces large amounts of greenhouse gas - which admittedly does not



Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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affect air quality - and large amounts of nitrogen and sulphur oxides, but also returns coal burning to the Kwinana industrial strip. That is not an advance in improving the quality of life and environment of the city of Perth. The Hismelt project uses great technology that has yet to be commercially proved - hopefully it will be - but it should have been developed in the Pilbara, or at the minimum in the mid west of the State, as the agreements that Rio Tinto Ltd signed 30 years ago made clear. This Government let Rio Tinto off the hook. Rio Tinto ran to this Government after the election, and the Government fell for it, because I as the former minister had said that the Hismelt project is great but, if it is to be done, it should be done in regional Western Australia. However, about two months after the election, Rio Tinto had gotten a deal from the Labor Party, and state and federal subsidies. It is outrageous that the taxpayers had to subsidise the world's second largest international mining house to do a research and development plan, which it was obligated to do in any case, and to do that in an urban area. I do not want to knock Rio Tinto, and I do not want to knock the Hismelt project. I hope it succeeds. However, the point is that the Government had the opportunity to take the State forward, and it failed to do so.

It is very hard to get value adding and sophistication in this State. When issues arise, this Government walks away from them. Windimurra is a classic example. The Government has been inept in dealing with the Windimurra issue. It has been inept in dealing with the pipeline issue for gas supplies. It has been inept in dealing with the need to expand the energy infrastructure. This is the time when the Government should have been able to do it. It is very hard to do it during a period of low economic activity, rising unemployment and falling investment. If the Government continues with its policy stance, the gross figures for this State will look fantastic. Investment and exports will be high. Population may grow in some areas; I doubt it, but it may grow modestly. All the headline figures will look great. However, when we peel away the cover and ask has the Western Australian economy advanced, have we achieved regional development, have we achieved sophisticated value adding, and have we provided innovative and creative employment opportunities to keep young people in the State, we have to say that the Government is missing the opportunity. Many young people, across all professions, are leaving the State. It is not enough just to give young people a first home owners grant. People in my generation - the baby boomers - love Western Australia. They travel around the world, and they come back to Western Australia. The children of the baby boomers love Western Australia too. They travel around the world, but they do not come back, because they find better career opportunities and perhaps also a more exciting lifestyle, and because of the cheap international airfares they can afford to fly back and visit mum and dad every Christmas or twice a year, so that is what they are doing. They are leaving because they are not seeing the State advance. They are seeing the nice numbers for sales turnover and property transactions, but they are not seeing any intellectual, artistic or sophisticated development in this economy.

I am getting off the point of these Bills. The Treasurer is simply bouncing around with tax rates. The young people of today are switched on to this sort of thing. They understand clearly that if they want to buy a four-wheel-drive vehicle or a BMW, if they are into that sort of thing, they can buy it far cheaper in Queensland and either drive it back or put it in a container and train it back. They know that. They are not fools. They know that they can buy property far cheaper in Queensland, and pay far less stamp duty and get far greater capital appreciation, than they can in Western Australia. The international and national investment funds know that they can get better returns on property by investing in Brisbane, Sydney or even Melbourne than they can in Western Australia. If young people are ambitious and want to acquire an asset, they will find jobs that are exciting and a lifestyle that is exciting and put their money into assets outside this State. Some of the major equity investors and institutional investors in property have a black mark against Western Australia. They are not attracted to investing in Western Australia because the cost of transactions and property transfers is prohibitive. Many of the major institutional investors in this country do not invest in Western Australia. Some of them have no portfolios in this State. Some of them have only marginal portfolios. Some are selling their portfolios.

The problem in this State is that the Government is complacent about economic policy, simply because the good times are here. We should not think about economic policy only in the bad times. During the current economic times, with the emergence of China, and low domestic interest rates and strong domestic demand, this Government should have made great advances for this State, yet it has not done so. That is a great pity. When people, particularly young people, see the Government put up stamp duty by 10 per cent and then by 15 per cent, then put it down by five per cent, and then throw a concession at first home buyers, which it will probably take back next year if it is re-elected, they have no confidence in the Government at all. We need good tax policy. None of us likes paying taxes. However, taxes need to be fair and predictable and have a consistency and equity about them. That is not present in what the Government has been doing. However, having said that, we support the Bills, because they provide for reductions in taxes, and I will always support any Bill that reduces the tax burden, particularly on individuals but also on businesses and small businesses. The Bills contain a lot of

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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detailed provisions that we will need to look at further during consideration in detail. I and the Opposition support the Bills.

**MR A.D. MARSHALL** (Dawesville) [5.18 pm]: In speaking on the Revenue Laws Amendment Bill 2004 and the Revenue Laws Amendment and Repeal Bill 2004, I ask: why did the Government announce a stamp duty reduction that will commence on 1 July 2004 instead of making it effective from midnight on the day of the announcement, as is normal procedure? Does the Government realise that in trying to impress the taxpayers and give back something to the buyers, it has sent the real estate industry into disarray? That was an ill-timed and poorly planned announcement, and it has put a hiccup into the real estate market. It has also contributed to the slowing down of sales. This announcement created a chain reaction for the real estate industry. For buyers, there was uncertainty, stress and delays. For sellers, it caused disruption and interference with cash flows and staff planning.

I will deal with this so-called stamp duty bonanza. The stamp duty reduction for normal buyers was very little, even though it was put all over the newspapers that it was great. Let us look at the figures. For a normal buyer in the arena - someone who does not fit into the category of a first home buyer - who was purchasing a house for \$220 000, the stamp duty was previously \$7 280. On 1 July, it will be \$6 919. Glory be! On a house sold for \$220 000, there is a saving of \$361 in stamp duty. Big deal! If a property is sold for \$300 000, the saving in stamp duty is the difference between \$12 605 and \$11 907; that is, a saving of \$698. The saving is a little better as the price of the property increases.

Incidentally, this still gives a huge stamp duty increase benefit to the Government. I am talking about the previous occasion on which stamp duty was increased. Now we are supposed to believe that we are getting something back. On a house sold for \$220 000, we will get back \$361, having been clipped about \$4 000 or \$5 000 in the previous year's budget increase. On a house sold for \$300 000, the reduction is \$698, which a person cannot sniff at. If someone puts \$600 on a horse at 10 to one, he will get back \$6 000. However, by golly, when people are buying houses and mixing in real estate, they do not have money like that to throw away. An amount of \$698 is quite a considerable sum. However, it is chicken feed compared with the \$4 000 or \$5 000 that was taken from the investor only 12 months ago in the previous budget. Nothing really went to the normal buyer. However, the major concern was for and the major advantage went to the first home buyers, and that is gratifying.

On a property priced at about \$220 000, the stamp duty this month is \$8 230. If a person were to buy that house today, he would be charged, as a first home buyer, stamp duty of \$8 230 on a moderate home worth \$220 000, which is the norm for first home buyers. When that is the amount of stamp duty that will be taken off, why would a person not wait for four weeks until 1 July and thereby save \$8 000? Some young people in today's community would find it very tough to save \$5 000 in a year. Therefore, it is good business to wait for four weeks; it is good savvy. The Leader of the House, in the previous speech, said that youngsters in the community today are smarter than they are given credit for.

The result of this delay - that is, people hanging back for those four weeks before they buy - has brought about a disruption in the real estate industry. First home buyers have experienced uncertainty and stress. While they have been waiting for the reduction in stamp duty on 1 July, they have experienced anxious days. They have spent months looking for the house of their dreams - the one they will buy. Now, for this month, they are sitting, sweating it out, just in case someone else buys the house from under their nose. Likewise, normal home buyers have been stymied, as the sale of their house to improve their standard of living in their next house has also been delayed.

Something I learnt a few years back when talking to a real estate person is that most people own four to five houses in their lives. That stands to reason. People start with the one they can afford as first home buyers. Then they have a child, so they need a bigger home. Then they have a couple more children, so they need an even bigger home. Then the children become adolescents - you have been through this, Mr Acting Speaker, I know - so the house must have more study rooms and more rooms for guests and to have sleepovers. The houses keep getting bigger. Then when people get to the zenith of the homes, they start, as the member for South Perth has done, going back to a smaller home, where they do not want grass - they pave it - many flowers or much upkeep. They have a house that is nice but moderate. Therefore, most people have four or five homes in their lifetime. At whichever percentage those people are on the turn of their careers, this month and the delay waiting for 1 July have set them back enormously.

People might be selling their house and waiting for the bigger house to come. Everyone is excited; the family is excited. There will be more room to kick the football and more room to study. However, the house that they want to sell is the first one that they bought, which is worth about \$200 000, and that is the one that the first home buyer is looking for. Therefore, there is a delay. For that normal buyer, there is also concern, stress,

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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worry and anxiety. I could go on with adjectives. However, I promised the Whip that my contribution to this debate would be rather short.

Therefore, in closing, I would like it recorded that I support this Bill because of the clause that helps first home buyers with the limited stamp duty. However, I remind this Labor Government that it has cost the real estate industry millions of dollars in these past few weeks. Not only has it cost it millions of dollars in a monetary way, but also the 1 July decision has caused huge unrest and uncertainty in the real estate industry. This Government has caused a chain reaction of doubt among sellers as they try to sell in order to buy. This Government has slowed down the building industry, which of course affects employment in our State. In addition to this, the stamp duty reduction for normal buyers has turned out to be a sham. This Government should apologise to the people of Western Australia for the setback it has caused to all home buyers in this past month.

**MR J.P.D. EDWARDS** (Greenough) [5.27 pm]: I also support the amendments in the two Bills, and I, too, will take only a little time in putting forward my support for these Bills. It needs to be said, as other speakers have already said, that although the Treasurer seems to be handing out goodies to the electors, I do not think they are fooled by the fact that over the past three years they have paid increased taxes. They recognise that there is a share of the goods and services tax from the federal Government. Of course, there is now a vast increase in mining royalties and an upturn in the resources sector, which have helped to give the Treasurer a fairly heavy financial war chest to be able to come up with exemptions such as he has in these two Bills. It is not necessarily the generosity or the good management of the Government; it is more the fact that the taxpayers have paid for it, and they are getting back a minuscule amount.

Having said that, I recognise one exemption that is fairly dear to my heart; that is, the exemption from land tax for land that is the subject of an approved conservation covenant. In fact, I raised this issue in estimates - it was mainly on the heritage side of covenants. I was pleased to be given the answer that the Western Australian branch of the National Trust of Australia has been recognised as one of the bodies through which covenants can be continued. There was a question mark about that. However, I am aware that the Department of Conservation and Land Management and the National Trust are bodies through which people can, if they wish, give land to the State, and an exemption is involved. That is a very good incentive. I am aware of quite a few people who have already taken up that incentive. I encourage the Treasurer to keep it in mind for the future, if he has the opportunity to do so, because it helps the State through not only conservation, but also the environment and all the other issues associated with it.

I support the stamp duty exemption in limited circumstances on the conveyancing of family farms. Other members have mentioned the issue. People can relate to it. However, stamp duty on advances of property will be reduced by only some five per cent. We must not forget that it had already been increased by some 25 per cent. Many people see that as a cynical exercise, but they will take some heart from the fact that they do not have to pay the 25 per cent increase. The Government is making good money from the increases in land and house prices, and that just proves my point.

I pick up the point that the Leader of the Opposition made about the Government's priorities and where it has focused those exemptions. Some young people must hang in until 1 July. I have certainly received quite a few phone calls from constituents in my electorate who have asked for some confirmation about what they should do prior to the reduction in stamp duty on property conveyances on 1 July. However, some elderly people who move from country areas to the city probably will not have the amount of money they need to pay for a property similar to that which they owned in the country. Perhaps those people should have been given a little more consideration. Single parents do get a reasonable amount of support, but perhaps not for paying stamp duty on a capital investment such as a house. Obviously it is hard for people who move to the city from rural areas to pay for the same sort of house they are used to living in, because there could be some increased capital outlay in the city. I am aware of young people who are in similar situations in the real estate market to those mentioned by the member for Dawesville. They are sweating on a house and want to put in an offer, but are not prepared to do so until 1 July when the provision will come into effect. There has been a slowdown in both the building and real estate markets. I am aware of that in the mid west. That point was conveyed to me the other day. Again, that has an impact on the State from an investment point of view.

Although these Bills obviously are necessary and have been a long time coming, they should have been introduced a lot earlier than they were. I guess the Government's argument is that it did not have the money because it had not collected the increases in taxation. I did say that my contribution to the debate on these Bills would be brief. It has been. However, having said that, I support the amendments in both Bills.

**MR E.S. RIPPER** (Belmont - Treasurer) [5.34 pm]: I thank members of the Opposition for their support of the legislation. I will deal with a couple of the issues that have been raised. It was said, I think, by the Deputy Leader of the National Party that the Government's proposal to offer tax concessions had been leaked. I strongly

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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refute that proposition. One newspaper had a front-page article. I believe that the article was the product of a fantasy by the journalist in question, and was not the subject of any information conveyed to that journalist by the Government. In fact, an examination of the article shows that some very significant aspects of the article were wrong.

A second point that was made by the Deputy Leader of the National Party was the date of operation of the proposed concessions for first home buyers. The point was also made by a number of other speakers in the debate. The usual practice in Western Australia is for changes in taxation arrangements to proceed through the Parliament following the budget and to be applied from 1 July. That allows Parliament to consider the changes before they are implemented. Similar concessions for first home buyers have been applied in other States. The New South Wales assistance commenced in the week it was announced. However, Queensland's scheme did not commence immediately following the announcement. There was a formal announcement of an earlier election commitment on 23 February 2004, and the scheme was to start in Queensland on 1 May. There are administrative reasons that it is a good idea for the scheme to start on 1 July. Often assessments of stamp duty are made by settlement agents. It is important that the settlement agents' arrangements and software and the Office of State Revenue's arrangements and software be adjusted. It takes time to put proper administrative arrangements in place. In particular, when offering a concession, there is always the possibility that someone will seek to rot that concession; in other words, someone who is not a first home buyer will seek to take advantage of that concession. Proper administrative arrangements to prevent rotting also must be put in place.

With regard to the impact on the market, first home owners accounted for about 15 per cent of housing finance commitments for homes in 2003. Given that first home buyers account for only about 15 per cent of the market, I do not think there would be a seriously negative effect on the housing market. The fact is that second home buyers purchase in roughly the same price range as first home buyers, so there is still 85 per cent of the market out there -

Mr T.K. Waldron: They will get a five per cent reduction in stamp duty. Do you think that might make some of them hold off?

Mr E.S. RIPPER: I think it would be expected and rational that some people would hold off. If stamp duty was the only factor influencing their decision and all other things were equal, it would be expected that some people might hold off. However, of course people are influenced in their decision making by a number of factors. They might have found the very house they want in the very suburb they want that is close to the school they want, and that will influence their decision. It may be the case that the industry might respond in certain circumstances and say that if people are prepared to buy now, it is prepared to lower the price to counteract the impact of their paying stamp duty at the higher rate.

Mr T.K. Waldron: That can go the other way, too. I used to be in real estate.

Mr E.S. RIPPER: I have heard from vendors who have said that they are prepared to do the same. My view is that it is normal practice for a tax change to apply from 1 July. There are good administrative reasons for making the change at 1 July. Also, I do not believe there will be a significant negative effect on the market because first home buyers comprise only 15 per cent of the market, and an enormous amount of work in the housing construction area is still in the pipeline. I was being told by people last November that bricks ordered then would not be delivered until May of this year. The amount of housing construction work in the pipeline should help to counteract what could be an impact of first home buyers delaying -

Mr T.K. Waldron: There are realistic concerns out there about that aspect.

Mr E.S. RIPPER: The Opposition is doing its job in bringing to Parliament concerns expressed. I know that peak industry groups have made public comments and written to me on the matter. Yes, it is natural for the housing, real estate and property industries to have a preference for the concessions to apply from the day they were announced - namely, budget day. Nevertheless, good arguments exist for doing it in the way the Government has done; this is in accord with usual practice in this State.

I had a little debate with the Deputy Leader of the National Party on exemptions for undeveloped land. An argument was raised in connection with the measure in the legislation to provide a stamp duty concession for transfers of farming land when part of the land transferred is leased to a third party solely for the purpose of tree farming or reforestation. There may have been a potential for misunderstanding in our dialogue. The stamp duty exemption applies to the transfer of farming land between family members. This clarifies the stamp duty exemption that exists on farming land between family members to include a transfer that involves some land that is leased to a third party for the purpose of tree farming or reforestation.

Mr T.K. Waldron: It applies only to family members.

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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Mr E.S. RIPPER: Yes. The current stamp duty exemption applies to family members. However, a glitch has arisen with regard to a transfer between family members in which the land is used for a plantation.

Mr T.K. Waldron: The third party is involved with the tree plantation; I'm with you.

Mr E.S. RIPPER: Even some transfers between family members have raised the prospect of stamp duty being applied because of the lease to a third party. The Government is rectifying that anomaly.

Mr T.K. Waldron: If there is natural bush, there is no third party - is that what you're saying?

Mr E.S. RIPPER: I am advised that when part of the land is left as bushland, it would be exempt as part of the transfer between family members.

Mr T.K. Waldron: I am happy to clarify that point later.

Mr E.S. RIPPER: We may explore this issue when I have advisers present. As I always say on these matters, do not take the Treasurer's word on technical taxation matters. Get professional advice. At the very least, ring the Office of State Revenue. I do not want to be held responsible for people making commercial decisions on the basis of a politician's advice on taxation. It is a complicated area, and large amounts of money can be at stake. People should take proper advice. Having calmed any anxiety that may exist in the hearts of my Office of State Revenue advisers, I move on to the other questions raised.

The Deputy Leader of the National Party raised the question of mortgage duty, and the way it applies to mortgages secured by Victorian property. The Government has included in the legislation provisions with regard to Victorian property similar to those that apply to, I think, Northern Territory and Australian Capital Territory property where mortgage duty does not apply. We will treat mortgages secured by property in both Western Australia and other places in Australia where no mortgage duty applies in the same way.

Mr T.K. Waldron: That duty will be there.

Mr E.S. RIPPER: In essence, to combat the possibility of Victoria being used for tax avoidance reasons, a mortgage secured by property in Western Australia and property in Victoria will attract mortgage duty on the total property package, even though Victorian mortgage duty has been abolished. I realise some people might regard that as unfair. The matter will be re-examined. The Government is trying to reach agreement across all jurisdictions for a consistent way of dealing with the fact that some jurisdictions charge mortgage duty and some do not. When that agreement is achieved for a consistent approach by all jurisdictions, the Government intends to return to the House to have the harmonised arrangement implemented. In the meantime, to deal with the possibility of avoidance, the same rules will apply to Victorian property as would apply to other places in Australia that already do not charge mortgage duty.

The Deputy Leader of the National Party also raised the question of the impact of stamp duty on a land-rich company. The proposition is that when a land-rich company that is publicly listed is acquired, and it ceases to be listed, stamp duty should be paid on the underlying value of the property conveyances. This was part of the business tax review measures. Many of those measures, such as the abolition of six taxes, benefited taxpayers. Other measures broadened the taxation base and protected the revenue of the State. This proposition regarding land-rich companies that cease to be listed on stock exchanges is part of the overall package. Yes, it could lead to an increase in taxation paid in particular circumstances contemplated compared with the situation under existing law, but that is balanced by the other elements of the business tax review package that have seen the abolition of six taxes. It was part of a package. It was one of the 46 measures in the complementary package. This is a means of protecting the revenue base of the State. Otherwise, circumstances may arise in which mainly international companies would be able to acquire mineral tenements in Western Australia without in effect paying any stamp duty on those acquisitions. There is no stamp duty on shares. Therefore, they would not pay any duty at all if it were not for such measures.

The Deputy Leader of the National Party also raised the question of conditional contracts. The answer is that farming land conditional contracts are to be lodged within two months of the date of execution, and will have a date for the payment of the assessment that is 12 months from the date of execution. I think that deals with the issue the member raised, and it can be dealt with in consideration in detail if necessary.

The Leader of the Opposition commented on the level of taxation imposed under this Government. He argued that the Government did not have a consistent taxation policy, having increased taxes in the previous budget and reduced them in this year's budget. I will go back in history to illustrate the problems that State Governments on both sides have faced. For the past decade, Western Australia has received a hammering at the hands of the Commonwealth Grants Commission. In eight of the past 10 years, Western Australia's share of commonwealth grants has been reduced, so much so that before the Commonwealth Grants Commission's decision this year, Western Australia had lost more than \$500 million a year in its share of commonwealth grants as a result of

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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cumulative decisions made by the commission. At last this State has had some redress, because our share of commonwealth grants has increased by \$231 million. That increase does not fully compensate us for the loss of more than \$500 million; however, some of that has, in effect, been returned through the \$231 million increase that was secured this year. In eight of the past 10 years, the Commonwealth Grants Commission bashed Western Australia, and in eight of the past 11 state budgets, taxes increased. The coalition Government increased taxes five times and this Government has increased taxes three times. In eight of the past 11 state budgets, taxes have gone up. There is a link between those two things. State Governments in Western Australia have responded to being savaged by the Commonwealth Grants Commission in eight of the past 10 years by increasing the level of state taxation. Now there has been a change, because we have got \$231 million back. That is quite a significant difference from the State's experience over the past decade. Faced with more financial flexibility as a result of the Commonwealth Grants Commission's decision, the State Government was determined to give something back to Western Australian taxpayers. There is an explanation for the level of taxation in this State and there is an explanation for the fact that last year taxes went up and this year they are going down. The explanation in both cases is the impact of the activities of the Commonwealth Grants Commission. Although we have had something of a win from the Commonwealth Grants Commission - I pay tribute to the professionalism and technical expertise of the Department of Treasury and Finance in securing that win - the State is still being punished for its economic growth. We are still seeing the proceeds of our economic growth being equalised away to other States, including Queensland, while the cost of the infrastructure required to secure that growth is not being equalised away. Western Australia and its taxpayers stump up for the infrastructure of the State's large projects. Most of the revenue benefits flow firstly to the Commonwealth Government. The benefits that flow to the State are largely taken away and given to other States through reductions in our commonwealth grants. That is a disincentive to growth and to growth-promoting policies. Further, it reduces the overall economic growth in the country. Even the so-called beneficiary States suffer a penalty when they improve their rate of economic growth, which is what is happening to Tasmania. Tasmania's economic growth has been good in recent years. Now it is being punished by a reduction in the level of subsidies it receives from other States. If the Commonwealth Grants Commission had treated Western Australia more fairly and if it had returned to us some of the proceeds of our economic growth, both coalition and Labor Governments in this State would have been better placed to lessen the taxation burden on the people of Western Australia.

I could go through the history of taxation measures undertaken by both sides of politics. This Government's impact on Western Australian taxpayers compares favourably with that of the coalition Government. I will not go through all the detail, but it is worth pointing out once again that the coalition increased taxes in this State in five of its eight budgets. It ran five budget deficits in that eight-year budget period. Part of the reason for that was the impact of the Commonwealth Grants Commission. Part of the reason for this Government's requirement to increase taxes in its earlier budgets was the Commonwealth Grants Commission. After the excellent work done by specialists in the Department of Treasury and Finance in Western Australia, Western Australia's position has been reconsidered by the Commonwealth Grants Commission, and that has given us more financial flexibility, which has produced the measures that members see in this Bill today.

The only other point I raise relates to the Leader of the Opposition's argument that first home buyers who purchased homes before the advent of these concessions will somehow feel cheated. Of course, I sympathise with people who, if they had bought a house after the budget announcement and after 1 July, would not have had to pay stamp duty.

Mr C.J. Barnett: You're missing the point. The reason they feel cheated is that in the previous year stamp duty was increased by 15 per cent and now it has been taken away totally. They had to pay not only the going rate, but also 15 per cent more, and now it has gone down. It is that 15 per cent that makes them feel cheated.

Mr E.S. RIPPER: I have already explained that the fundamental reason for the tax increases was the situation delivered to Western Australia by the Commonwealth Grants Commission. If the Commonwealth Grants Commission had treated Western Australia fairly over the past decade, the Court and Gallop Governments would not have increased taxes in the way they did. The situation has changed, because the Commonwealth Grants Commission is giving us back \$231 million of the \$500 million it took from us. Nevertheless, I sympathise with those who paid up and whose counterparts in exactly the same circumstances will now be exempt. Unfortunately, that is the way taxation laws work. We cannot deal with them retrospectively. If we were to avoid a situation in which people feel cheated, we would end up making no improvements in the taxation system. The Leader of the Opposition pointed to the circumstances of other people who may be equally under financial pressure or, in some cases, under more financial pressure than first home buyers. The argument I ask the Leader of the Opposition to consider is this: in certain circumstances a pot of money can be devoted to tax concessions and we have to choose who gets those concessions and who does not. Quite frankly, if I took the Leader of the Opposition's argument at face value, I would assume that he was really suggesting that a smaller concession should have been given to first home buyers so that some of the money could have been given to

**Extract from *Hansard***  
[ASSEMBLY - Tuesday, 1 June 2004]  
p3134a-3146a

Mr Eric Ripper; Mrs Cheryl Edwardes; Mr Terry Waldron; Mr Colin Barnett; Mr Arthur Marshall; Mr Jeremy Edwards

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other people. I am not sure whether even the Leader of the Opposition would be prepared to argue that position in public. He would probably argue that first home buyers should keep their concession and that everyone else should get more of a tax concession, thus increasing the amount of money forgone by the State. Quite simply, we start with the amount of money that the State can responsibly forgo and then we decide how it should be divided up. If the Leader of the Opposition thinks that more should have been given to other people, he is, in effect, arguing that less should have been given to first home buyers. I do not agree with that conclusion. The Government has made a sound decision about the way to use the improved financial flexibility given to it by the Commonwealth Grants Commission's decision and by the strength of the State's economy in generating the additional royalties that have been generated.

Question put and passed.

Bill (Revenue Laws Amendment Bill 2004) read a second time.

*Sitting suspended from 6.00 to 7.00 pm*