

**REVENUE LAWS AMENDMENT BILL 2014**

*Introduction and First Reading*

Bill introduced, on motion by **Mr D.C. Nalder (Minister for Finance)**, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR D.C. NALDER (Alfred Cove — Minister for Finance)** [12.14 pm]: I move —

That the bill be now read a second time.

This bill seeks to amend the Duties Act 2008 and the Land Tax Act 2002 to implement two of the revenue and savings measures announced in the 2014–15 state budget, which make changes to the first homebuyer transfer duty concession and introduce a new land tax scale from 2014–15. This bill also seeks to amend the Pay-roll Tax Assessment Act 2002 to implement the government's 2013 election commitment to progressively increase the payroll tax exemption threshold to \$850 000. In response to the high demand for services in this state and the costs of providing those services, combined with weaker than expected revenues and a lower share of the goods and services tax revenue, the government announced a new package of revenue and savings measures in this year's state budget.

These new measures build on the fiscal action plan announced in the 2013–14 state budget and allow additional spending to be directed towards front-line services, including health, education, disabilities and child protection services. One of the new measures announced in this year's state budget seeks to adjust the property value thresholds under the first homebuyer transfer duty concession to provide a full exemption for home purchases of \$430 000 or less, down from the current exemption threshold of \$500 000.

The concession will then phase out for homes valued between \$430 000 and \$530 000, down from the current \$600 000. These changes better reflect the value of homes being purchased by first home buyers in Western Australia. Amendments to the Duties Act 2008 are required to implement this measure. No changes will be made to the concession for the purchase of vacant land, with a full exemption continuing to be available on land valued up to \$300 000, phasing out at \$400 000. It is estimated that 64 per cent of first home buyers will be unaffected by the changes, as the purchase price of their properties would either be below the new exemption threshold of \$430 000, above the previous concessional scale threshold limit of \$600 000, or they qualify for the concession for vacant land, which will not change.

Even after these changes, Western Australia's assistance to first homebuyers is still generous compared to most other states, with many providing no transfer duty concession or no first home owner grant on the purchase of an established home. An interstate comparison of the duty payable by first homebuyers on the purchase of an established home worth \$450 000 shows that the duty currently payable in other states and territories, other than Queensland, ranges from \$11 382 to \$20 057. In comparison, first homebuyers in Western Australia will pay just \$3 838. This measure is expected to save \$222 million over the four years from 2014–15 to 2017–18. This amendment is proposed to commence on 1 July 2014, or on the day after the amending legislation receives royal assent, if assent is not received before 1 July 2014.

The 2014–15 state budget also announced a 10 per cent across-the-board increase to land tax rates to apply from the 2014–15 land tax assessment year. The change to the land tax rates will offset lower than expected growth in land values and help fund the demand for additional expenditure on government services. Subject to the passage of legislation, the new land tax scale will be reflected in the 2014–15 assessment notices that the Commissioner of State Revenue will start to issue from around late September this year. The majority of taxpayers are expected to experience only a small increase in their land tax bills in dollar terms as a result of the changed scale. For example, just under half of taxpayers—those holding land with an unimproved value of up to \$500 000—will experience an increase of \$20 or less per year as a result of these changes. For around 80 per cent of taxpayers—those with land valued up to \$1 million—the increase in their land tax bills will be no more than \$70. Despite the increase in rates, Western Australia's land tax will remain lower than that of other jurisdictions for land valued up to \$10 million. For example, for a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will increase from \$700 to \$770, substantially below the \$9 508 payable in New South Wales, the \$2 975 payable in Victoria and the \$4 500 payable in Queensland. This measure is estimated to raise \$334 million over the four years 2014–15 to 2017–18.

The final measure included in this bill is to amend the Pay-roll Tax Assessment Act 2002 to increase the payroll tax exemption threshold from \$750 000 to \$800 000 from 1 July 2014, and from \$800 000 to \$850 000 from 1 July 2016. This honours the 2013 election commitment given by the state government and builds on the tax rebates provided for the 2009–10 and 2012–13 payroll tax years to support small businesses. This measure is

estimated to benefit over 16 000 employers at a total cost of about \$121 million over the three years 2014–15 to 2016–17. The associated explanatory memorandum contains further details on the amendments. I commend the bill to the house.

Debate adjourned, on motion by **Ms S.F. McGurk**.