

**FIRST HOME OWNER GRANT AMENDMENT BILL 2009**

*Introduction and First Reading*

Bill introduced, on motion by **Mr T.R. Buswell (Treasurer)** and read a first time.

Explanatory memorandum presented by the Treasurer.

*Second Reading*

**MR T.R. BUSWELL (Vasse — Treasurer)** [12.13 pm]: I move —

That the bill be now read a second time.

This bill seeks to make a number of changes to the First Home Owner Grant Act 2000, firstly, to give legislative effect to the First Home Owners Boost scheme, announced by the commonwealth government on 14 October 2008; secondly, to limit the availability of the first home owner grant in the future to transactions involving a property valued at \$750 000 or less; and, thirdly, to make a number of minor amendments to improve the administrative arrangements applying under the act.

Part 2 of the bill proposes amendments related to the new First Home Owners Boost scheme, which is a temporary measure designed to stimulate housing activity and funded by the commonwealth. These amendments seek to legislatively authorise the payment of an additional \$7 000 grant to first home owners who purchase established homes, taking the total grant payable under the act to \$14 000. To be eligible for the additional \$7 000, an applicant must enter into the contract to purchase the established home between 14 October 2008 and 30 June 2009. The bill also provides for an additional \$14 000 grant to first home owners who enter into a contract to purchase or build a new home, or owner-build a new home, taking the total grant payable under the act in these circumstances to \$21 000.

In the case of a contract to purchase or build a new home, to be eligible for the additional \$14 000 grant an applicant must enter into the contract between 14 October 2008 and 30 June 2009. In the case of an owner-builder, to be eligible for the additional \$14 000 grant an applicant must commence construction of a new home between 14 October 2008 and 30 June 2009. It is intended that the grant will revert to the existing \$7 000 after 30 June 2009, although the bill contains a provision to prescribe a new end date should the commonwealth decide to extend the scheme beyond that date.

First home owners who apply for the additional grant amount during the specified dates will not only need to satisfy all existing first home owner grant eligibility requirements, but also be subject to additional eligibility requirements, the nature of which depend on whether the first home is being purchased or built. Details of these additional eligibility criteria, along with the relevant discretions available to the Commissioner of State Revenue, are contained in the explanatory memorandum associated with this bill. In cases in which these additional eligibility criteria are not met, the applicant will nonetheless continue to receive the state government's \$7 000 first home owner grant.

It is acknowledged that some people will miss out on the additional grant because they signed a contract before the new scheme was announced on 14 October 2008. Furthermore, some of these people may seek to cancel their pre-existing contract made prior to 14 October 2008, and enter into a new contract on the same or substantially similar terms but dated on or after 14 October 2008. To discourage such practices, specific provisions have been included in the bill to ensure that the additional grant is not available in these circumstances.

It is estimated that the cost of the additional First Home Owners Boost payments will be \$101 million in 2008-09 and \$31 million in 2009-10. Whilst the commonwealth is funding the additional \$7 000 or \$14 000 available to grant applicants, there will also be an increase in state costs to the extent that the scheme encourages more first home buyers into the market, each of whom will also receive the state-funded \$7 000 grant. The impact on the state budget is estimated to be \$29.7 million in 2008-09, but only \$7.5 million over the four years to 2011-12, reflecting the expected pull-forward effect of the boost. These estimates were incorporated in the government's December 2008 *Government Mid-Year Financial Projections Statement*.

Furthermore, although the boost grant is being administered by the states and territories on behalf of the commonwealth, no commonwealth funding has been provided for its administration; these costs are to be met solely by the state. The amendments to give effect to these arrangements are proposed to apply retrospectively from 14 October 2008. Notwithstanding the boost scheme is only temporary, legislation is considered essential to ensure that an applicant's objection rights are available and to support compliance and recovery activity, as well as prosecution action when necessary. The scheme is being administered by the Commissioner of State Revenue under administrative arrangements, in accordance with guidelines provided by the commonwealth.

Part 3 of the bill contains amendments to limit the future availability of the first home owner grant to properties that are valued at \$750 000 or less. Members may recall that the 1999 Intergovernmental Agreement on the

Reform of Commonwealth-State Financial Relations included the principles around which the First Home Owner Grant Act 2000 was based, including a requirement that the grant not be means tested. The Intergovernmental Agreement on Federal Financial Relations, which recently replaced the 1999 agreement, also specifically notes that the grant is not to be means tested. However, schedule A to the new agreement contains an additional principle that permits a jurisdiction to limit eligibility for the grant by reference to a value cap, should it wish to do so. The new agreement also provides that any cap can apply only from the date of expiry of the commonwealth's First Home Owners Boost scheme. Details of the conditions governing the cap and its calculation, along with how and when the property value is to be calculated for the various transaction types, are contained in the explanatory memorandum associated with this bill. The proposed cap of \$750 000 equates to 1.8 times the Perth median house price of \$418 000 for the December quarter 2008, as estimated by the Real Estate Institute of Western Australia. Setting the cap at this level will allow for regional differences in property values throughout the state. It is the same as the cap announced in New South Wales, and compares with the cap of \$1 million announced by Queensland. A cap of \$750 000 will still enable around 98 per cent of first home buyers in Western Australia to continue to access the grant, while nonetheless improving the targeting of the assistance. Savings to the state from the proposed cap are estimated to be \$1.25 million annually.

The bill also provides for the ability to vary the cap amount by regulation, thereby providing a ready mechanism to adjust the limit in a timely manner in the future to ensure that the requirements of the intergovernmental agreement are met. The \$750 000 cap that is proposed by this bill will be applied in all cases to the value of the home, plus the value of the land upon which the home is situated.

Part 4 of the bill contains minor amendments that seek to improve the fairness and equity of the legislation. A number of these amendments seek to more closely align the administrative provisions of the First Home Owner Grant Act 2000 with those of the Taxation Administration Act 2003. Minor differences in the operation of certain provisions of these acts did not previously cause issues. However, since the introduction of the first home owner duty exemption in the former Stamp Act that linked qualification for the exemption to eligibility for a first home owner grant, subtle differences in the operation of certain provisions have emerged.

A number of recent objection and review matters dealt with by the commissioner have caused attention to be focused on these differences. This bill seeks to better align the manner in which interest is applied to objection and review matters, as well as to specify a power to refund any interest paid on a tax payment arrangement and the cost of lodging a memorial in certain cases. The bill also seeks to ensure that a memorial can be lodged to secure certain amounts when the commissioner becomes aware that a first home owner grant recipient is in the process of selling the home for which a grant was received prior to first residing in the property for the period required by the first home owner grant legislation. A detailed explanation of each of the clauses of the bill is contained in the associated explanatory memorandum. I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.