

REVENUE LAWS AMENDMENT (TAXATION) BILL 2007

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Kate Doust (Parliamentary Secretary)**, read a first time.

Second Reading

HON KATE DOUST (South Metropolitan - Parliamentary Secretary) [4.54 pm]: I move -

That the bill be now read a second time.

This bill seeks to implement the taxation measures announced in the 2007-08 budget that focus on first home buyer stamp duty relief, motor vehicle stamp duty cuts and reform of the land tax and metropolitan region improvement tax scales. These measures are broadly in keeping with the priorities identified in the government's state tax review, and are a subset of a broader tax reform agenda under consideration by the government. The total value of the tax relief to be provided by these measures is \$433 million in 2007-08 and \$2.1 billion over four years. They build on the stage 1 state tax review measures that were announced last year that incorporated the abolition of three more taxes, including hire of goods duty, mortgage duty and non-real conveyance duty, as well as a range of reform measures with smaller budgetary costs.

I will now outline each of the proposed measures in greater detail, starting with the stamp duty measures contained in part 5 of the bill. The exemption thresholds under the first home buyer stamp duty exemption scheme introduced by this government in 2004 will be doubled, from \$250 000 to \$500 000 for home purchases, and from \$150 000 to \$300 000 for purchases of vacant land. A concessional rate of duty will apply to purchases of homes priced between \$500 000 and \$600 000 and to purchases of vacant land priced between \$300 000 and \$400 000. These measures are to be effective from 10 May 2007, the day they were announced in the 2007-08 budget, to avoid any disruption to property market activity.

Under the new thresholds, around 88 per cent of first home buyers will receive a full stamp duty exemption and a further six per cent will pay a concessional rate of duty. This compares with around 22 per cent currently receiving a full exemption and a further 31 per cent paying a concessional rate of duty under the existing thresholds, which have been in place since October 2004. As a result of these changes, Western Australia will be the only state to provide a full stamp duty exemption for first home buyers on the purchase of a median-priced home of around \$450 000 in the metropolitan area. The maximum stamp duty saving on the purchase of a \$500 000 home is \$20 700, which is in addition to the \$7 000 first home owner grant.

As announced by the Premier on 11 April 2007, the government is also providing a full stamp duty exemption for purchases under the First Start shared equity scheme, which commenced on 12 February 2007. As purchases under First Start are subject to a maximum property value of \$365 000, this exemption will be delivered through the higher exemption thresholds for all first home buyers from 10 May 2007 onwards. However, transitional provisions are necessary for the period between 12 February 2007 and 10 May 2007. In total, these benefits for first home buyers will cost around \$11 million in 2006-07, \$80 million in 2007-08 and \$350 million over the four years to 2010-11. They will recognise that strong house price growth in Western Australia has made it increasingly difficult for first home buyers to enter the market, and should also help relieve pressures in the rental market.

Motor vehicle licence stamp duty relief is provided in this bill, by increasing the value thresholds under the stamp duty scale that apply to light passenger vehicles. Currently, vehicles valued below \$15 000 are subject to a minimum duty rate of 2.75 per cent and vehicles valued above \$40 000 are subject to a maximum rate of 6.5 per cent. Between these thresholds, a sliding scale progressively increases the duty rate from 2.75 per cent to 6.5 per cent. Both thresholds will be increased by \$10 000, to \$25 000 and \$50 000 respectively, resulting in significantly lower stamp duty for vehicles valued between \$15 000 and \$50 000. This will be implemented in two stages, with a \$5 000 increase in the thresholds from 1 July 2007 and a further \$5 000 increase from 1 January 2009. For a standard family vehicle, such as a new Falcon or Commodore valued at around \$35 000, the amount of stamp duty payable will be reduced by 26 per cent, or \$525, by 1 January 2009. The largest dollar reduction will be \$600 for a vehicle valued at \$40 000. This measure will cost around \$27 million in 2007-08 and \$197 million over the four years to 2010-11. Combined with Western Australia's low motor vehicle licence fees and third party insurance premiums, it will help ensure that our overall statutory charges on motor vehicles remain competitive with those of other states.

The bill also provides a stamp duty exemption for the grant or transfer of caravan and camper trailer licences from 1 July 2007. This brings Western Australia's taxation treatment of caravans into line with that in a number of other states and reduces any tax incentive to purchase a caravan interstate. This measure will cost around \$7 million in 2007-08 and \$33 million over the four years to 2010-11, and should be a boon to intrastate tourism.

The final motor vehicle stamp duty measure is to extend the single rate of duty of three per cent currently applicable to new heavy vehicle licences so that it also applies to the grant or transfer of used heavy vehicle licences. This will simplify the stamp duty treatment of heavy vehicle licences by eliminating the sliding scale that is currently applied only to used heavy vehicle licences. It will also eliminate an inequity whereby purchases of used heavy vehicles above \$20 000 currently incur more stamp duty than purchases of new vehicles of the same value. This measure will cost around \$2 million in 2007-08 and \$8 million over the four years to 2010-11.

Parts 2, 3 and 4 of the bill contain the proposed new land tax and metropolitan region improvement tax scales for 2007-08 and subsequent financial years.

Debate interrupted, pursuant to standing orders.

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