

REVENUE LAWS AMENDMENT BILL 2014

Consideration in Detail

Clause 1 put and passed.

Clause 2: Commencement —

Mr B.S. WYATT: I have a question related to the three tax decisions that we are dealing with: two tax increases and an effective tax cut with a lowering of the payroll tax threshold. This clause sets out, as most clauses do, that part 1 will come into operation on royal assent and the rest of the bill on set days. My first question to the minister is: which amendments have to pass through Parliament by 30 June for them to have impact; which can be effectively deemed so that the revenue impact will happen regardless of the passage of the legislation before or after 30 June; and why is that the case? I am curious about this. Secondly—no doubt the minister will be able to provide some advice to Parliament about this, as it may be a standing order issue—we are dealing with two tax increases and effectively a tax cut in the one piece of legislation and I would like some advice from the minister on why we are able to do that and why this bill did not come in as two separate pieces of legislation. Perhaps the minister can provide the chamber with some advice in that regard.

Mr D.C. NALDER: Both the payroll tax and the land tax are annual taxes and therefore considered deemed; whereas the duties tax can only be deemed once it has passed royal assent and is therefore effective on 1 July or immediately after royal assent. To provide the answer that the member is looking for, for this tax to become effective from 1 July, the duties tax will need to go through and have royal assent before then so that it can be effective from 1 July.

Mr B.S. Wyatt: While the minister is on his feet, just to save some time, in respect of payroll tax and land tax, it effectively does not matter when they come into effect. They could come into effect in mid-July, and there is no impact.

Mr D.C. NALDER: The revenue would still flow —

Mr B.S. Wyatt: It would be deemed to be in operation. But in respect of duties, part 1 of this legislation would have to receive royal assent by 30 June.

Mr D.C. NALDER: Yes. Does that answer the member's question?

Mr B.S. WYATT: It does. I think the minister was seeking advice on one other question when I was asking it. Why are we dealing with this in one bill, bearing in mind that we have two tax increases and effectively a tax cut with the payroll tax threshold? I am sure there is an easy answer to my question: are we able to deal with this in the one piece of legislation or, ordinarily, should this be in two separate bills?

Mr D.C. NALDER: Two of them are part of the budget process. Therefore, it is deemed to be a prudent and efficient way of dealing with them. They are the deemed ones. One of them—payroll tax—is a credit back to people, so it was just seen as an effective way of bundling them together.

Mr B.S. WYATT: There is no constitutional procedural problem with having them in the one bill.

Mr D.C. NALDER: No, not on tax matters.

Ms R. SAFFIOTI: I have a follow-up to that question. We did find it unusual to have both a tax increase and a tax cut in one bill, and we found dealing with this legislation a bit difficult as a result. Has it happened in the minister's living memory that a tax cut together with some tax increases are all contained in one bill? I do not seem to recall it, but I wonder whether this has happened in your advisers' memories?

Mr D.C. NALDER: My advisers have indicated that they do not recall, and I can certainly not recall, this ever occurring, but at the same time the advice I have received is that it is a legitimate process to bundle them together.

Ms R. SAFFIOTI: I just want to follow on from that. It may be legitimate, but, as I have said, when there have been amendments to the Land Tax Act, we have had a land tax amendment bill; when there have been amendments to the Duties Act, we have had a duties amendment bill; and, of course, when we have had payroll tax changes, we have had a payroll tax amendment bill. The minister says that it is for efficiency. Is it because of the need to try to get this legislation passed by 30 June? Is that one of the reasons why we are bundling all this together, because, again, the minister seems to have a very tight time frame to try to get this legislation passed by 30 June?

Mr D.C. NALDER: I will add that parliamentary counsel was consulted throughout the process before we proceeded with this bill. Just about every year we have one revenue laws bill going through the house at the same time, so it is not uncommon to see that. I think that answers the member's question.

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Ms R. SAFFIOTI: If this bill is not passed by 30 June, what would be the estimated loss of revenue by not having the Duties Act changed in time?

Mr D.C. NALDER: I think the financial impact depends on how long it is deferred. As I pointed out to the member for Victoria Park, the duties tax applies only once it has received royal assent, so if it is deferred, obviously, we cannot collect the duties at that point. How long is a piece of string? The member asked how much it would be.

Ms R. Saffioti: I asked what the daily impact would be.

Mr D.C. NALDER: The daily impact would vary on a daily basis depending on how many houses would go through.

Ms R. Saffioti: But you must have an average.

Mr D.C. NALDER: I will check whether there are some forecasts on a daily basis, but I doubt that that would exist. No, we do not have any data that would suggest a daily impact.

Mr B.S. WYATT: With specific reference to the payroll tax issue, I want to seek the minister's confirmation that this bill does not deal in any way with the issue regarding the state tax exemptions for charitable organisations, prompted by, I think, a decision around the Chamber of Commerce and Industry of Western Australia. I note the Treasurer is nodding at me as well. My question is in two parts. I guess, by indulgence, when can we expect to see that? Secondly, why would we not deal with the payroll tax in one piece of legislation in terms of the threshold that we are dealing with now and the issue regarding the charitable organisations, which I think, from memory, from the Treasurer's speech, is due to come in in the not-too-distant future?

Mr D.C. NALDER: The charitable organisation amendments are scheduled to be dealt with later this year. One of the reasons that they have not been included, according to the advice I have, is that they go across all acts, and they are not drafted at this time.

Mr B.S. Wyatt: Just while the minister is on his feet, and because it will be quicker, that amendment in respect of charitable organisations will amend a number of pieces of legislation, will it?

Mr D.C. NALDER: It requires amendments to all three taxation acts.

Clause put and passed.

Clause 3 put and passed.

Clause 4: Section 142 amended —

Ms R. SAFFIOTI: My question relates to the number of first home buyers who will be affected by this change. I think the second reading speech and the explanatory memorandum claim that 64 per cent will not be affected. In raw numbers, what does that 64 per cent represent? By the government's own calculations, 36 per cent will therefore be affected. Can the minister give us that number in raw figures, and can he also let us know how that figure was calculated?

Mr D.C. NALDER: The breakdown was derived from the 2012–13 first home owners grant data in the last full year for which this data was available. According to the breakdown of the 64 per cent of first home buyers who would be unaffected by the changes, it is estimated that 4 900 first home buyers will purchase a home under \$430 000 in 2014–15, and that 1 900 first home buyers will purchase a home over \$600 000 in 2014–15. Four thousand one hundred first home buyers will purchase land in 2014–15. In the 12 months since the rates were changed to provide a focus around new homes—that is, using vacant property and home-and-land packages—the percentage of people buying and building increased from 27.85 per cent to 37.97 per cent. We have seen a shift, which was a deliberate strategy.

Mr B.S. Wyatt: I am sorry; I missed that. From which date was it?

Mr D.C. NALDER: This is from the 12 months prior to the government increasing the first home owners grant from \$7 000 to \$10 000.

Mr B.S. Wyatt: For new dwellings.

Mr D. C. NALDER: Yes, for new dwellings. There has been a shift of people buying either home-and-land packages or buying and building on vacant land. As I shared with members last night, with a home-and-land package, a person pays stamp duty on the land and it is treated as vacant land; therefore, there is an increase in that space. I was a little unsure about that at the time. We have not touched the vacant land duties rate in this provision; we are affecting only established homes. Does that make sense and help the member?

Ms R. SAFFIOTI: It is always hard to nail these figures through this process. Can I go through these figures again? There were 4 900 first home buyers in 2012–13 who bought—

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Mr D. C. Nalder: In 2014–15.

Mr B. S. Wyatt interjected.

Ms R. SAFFIOTI: No, I am talking about the 64–36 per cent figures.

Mr D. C. Nalder: That is the 64–36 percent figures for 2014–15.

Ms R. SAFFIOTI: Sorry, I thought that the 4 900 figure the minister gave was based on first home owner grant figures in 2012–13.

Mr D. C. Nalder: No, the percentages are based on 2012–13, and then we estimated what the growth would be, and all those things have gone into the calculations, so we have given a 2014–15 estimate.

Ms R. SAFFIOTI: So it is expected that 4 900 homes will come in under \$430 000, and 1 900 are estimated to be —

Mr D. C. Nalder: Over \$600 000, and therefore not affected by the change in duties. Those homes over \$600 000 are not affected either. We are talking about the same duties.

Ms R. SAFFIOTI: Sorry—between \$430 000 and \$600 000 —

Mr D. C. Nalder: About 6 000 first home buyers are expected to purchase a home valued between \$430 000 and \$600 000.

Mr B. S. Wyatt: How much?

Mr D. C. Nalder: It is roughly 6 000 first home buyers; we have rounded off the figures, obviously. Approximately 6 000 first home buyers are expected to purchase a home valued between \$430 000 and \$600 000.

Ms R. SAFFIOTI: So 4 900 first home buyers will purchase homes under \$430 000, and 1 900 first homes will cost over \$600 000 —

Mr D. C. Nalder: And 4 100 first home buyers will purchase vacant land.

Ms R. SAFFIOTI: Sorry—is that 6 000 first home buyers will purchase a home worth between \$430 000 and \$600 000, and 4 100 will purchase vacant land?

Mr D. C. Nalder: That is correct.

Ms R. SAFFIOTI: To get to the figure of 64 per cent —

Mr D. C. Nalder: That is 10 900 versus 6 000 first home buyers.

Ms R. SAFFIOTI: I do not understand that. The homes costing over \$600 000 are not affected. That equates to 10 900 first home buyers, and the 4 100 are not affected —

Mr B. S. Wyatt interjected.

Mr D. C. Nalder: That is what I said. It is 10 900 versus 6 000. The only ones affected are the 6 000, so there are 16 900 in total. Has the member got it?

Ms R. SAFFIOTI: Okay—cool.

Mr P. PAPALIA: Can the minister tell me what growth values are utilised in the projections and what factors were taken into consideration, such as growth in the state's population? Was it considered that the population growth will be constant and whether demand for housing, therefore, will be in accordance with the projections that the minister made?

Mr D. C. NALDER: Last night the member used the \$475 000 figure as his first home median price. I assume he took that figure off the Treasury website. That number looks only at established homes and does not include new homes, or home-and-land packages. When we look at the lot, the median price used to determine the basis for setting this figure was \$430 000 in the December quarter last year. With regard to forecasting forward, the information I have was that it was the estimated growth in median house prices that was then adjusted to reflect the expected number of first home buyers. I do not have that maths formula on me.

Mr P. PAPALIA: Is the minister saying that the median price he utilised was solely a house-and-land package median price or a new home—

Mr D. C. NALDER: No, it was the whole lot. The number on the Treasury website looks at established homes. We need to get all first home buyer homes in there to get a median price across the lot. The \$475 000 figure is missing the home-and-land package median price. Three things have gone into deriving the \$430 000: the cost of new homes, the cost of established homes and the cost of off-the-plan homes. Vacant land alone is not in there.

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Just established homes are in the \$470 000 figure. We had to combine the three and, in doing that, as at the December quarter, it came to \$430 000.

Mr P. PAPALIA: What percentage of first home buyers are represented by the 6 000 who purchased, based on the 2012–13 figures, below \$430 000?

Mr D. C. Nalder: For the projected 4 900, it was 29 per cent in 2012–13.

Mr P. PAPALIA: Was it 29 per cent in 2012–13 or is it 29 per cent in 2014–15 by the minister's projections?

Mr D. C. Nalder: The 29 per cent is the forecast for 2014–15. I am trying to determine on what basis that may have been made. It is 2012–13 data, so it uses the same ratio.

Mr P. PAPALIA: Understanding that the minister may not have the calculations that were done, is he aware of whether they anticipated a further shift in the market of first home buyers towards the house-and-land package as opposed to established homes as a result of government's intended strategy, or did Treasury just assume the same historical ratio of established homes versus house-and-land packages?

Mr D. C. NALDER: The advice I have received is that it potentially overstates it in the sense that they have not taken into consideration any further swing towards home-and-land packages or people building new homes as opposed to buying established homes. It could be slightly overstated, as it was last year when the changes went through. We have seen a swing, and I shared that with members. It has shifted now from 27.85 per cent for new homes up to 37.97 per cent. I assume Treasury is holding that 37.97 per cent or thereabouts at the moment but it is our desire that that will continue to grow.

Mr B. S. WYATT: The assumptions are based on the 2012–13 figures. Is the minister saying that those percentage assumptions of first home buyers are then assumed, for the purposes of expected revenue for 2017–18, to hold the 2012–13 percentage of first home buyers out through to the end of the forward estimates?

I will give the minister an example. I think he said that 29 per cent of properties valued under \$430 000 in 2012–13 were purchased by first home buyers, and he is assuming that in every year out to 2017–18, 29 per cent of property sales will be by first home buyers.

Mr D.C. NALDER: There are some assumptions that some people might change the ratio of the mix of the type of properties that they will purchase. On the assumptions in the outlying years—I still need to confirm this—is it forecast that it will be retained at 29 per cent or will that be indexed? The advice I am getting is that there is likely to be potentially up to a five per cent change in buying preferences in the \$430 000 to \$530 000 range. That is what Treasury has calculated.

Mr B.S. Wyatt: There is a five per cent leeway. So is the assumption that the number of first home buyers will increase as a percentage of the market or is it 2.5 per cent either way? I'm just a bit uncertain about what you mean.

Mr D.C. NALDER: Over the longer term, Treasury is expecting the first home buyer average to return to the long-term average. It has been above the long-term average for the last couple of years and Treasury expects that to revert in its modelling.

Mr B.S. Wyatt: What does it decline to by the end of the forward estimates? For example, the way we calculate the long-term average price of iron ore is set out in the budget; it's fairly clear. Over what period is the long-term average percentage of first home buyers calculated? Is it a period over 15 years leading up to that date so it is fairly accurate or is it just a couple of years?

Mr D.C. NALDER: Is it reset every year?

Mr B.S. Wyatt: That's right; we're assuming that it declines.

Mr D.C. NALDER: In 12 months, Treasury is forecasting it to return to the long-term average. We are just trying to locate what the long-term average is.

Mr B.S. Wyatt: So within 12 months it does and then it stays at that across the forward estimates.

Mr D.C. NALDER: That is correct.

Mr B.S. Wyatt: You have answered the first part.

Mr D.C. NALDER: The long-run average is around 26 per cent.

Mr B.S. Wyatt: I'm trying to work out whether that 26 per cent long-term average is calculated on the previous 12 months, two years, three years or 10 years. I'm just trying to work out what the liability of that long-term figure is.

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Mr D.C. NALDER: The first home owner grant has been in place since 2000, so that is the earliest data. I cannot tell the member that it is specifically from 2000, but Treasury knows it is longer than one or two years. I hope that it goes back to the beginning of it, as it is only 14 years ago, but we cannot confirm that here.

Mr B.S. WYATT: This is probably my final question, because I dare say that I know the answer to this. I was trying to work out the sensitivity to the revenue assumptions from what the government is doing tonight. The budget is predicated on rapidly declining dwelling investment across the forward estimates and significantly increasing interest rates across the forward estimates. I am trying to work out whether that has been factored into the assumptions around the activity of first home buyers.

Mr D.C. NALDER: Yes, all of that has been factored into the forward estimates.

Mr B.S. Wyatt: You mean into the revenue assumptions from this bill.

Mr D.C. NALDER: Yes.

Ms R. SAFFIOTI: I think the minister said that the split between first home buyers purchasing new homes and those purchasing established homes has gone from 27 per cent to 37 per cent.

Mr D.C. Nalder: Yes. Because it has been only 12 months, Treasury has looked at it for the quarter, and for the last quarter it was 37.97 per cent. But over the last 12 months, we have been looking at it on a quarter-by-quarter basis, so in the quarter from February to April, it was 37.97 per cent.

Ms R. SAFFIOTI: I am trying to get my head around whether the minister has the estimated number of first home buyers buying established homes and new homes for 2012–13, 2013–14 and 2014–15.

Mr D.C. NALDER: No; I do not have that level of detail of numbers with me. All I have are the forward estimates for what we are predicting, which is what I have shared. It has been based on 12 months, but I do not have data around the 12 months.

Ms R. SAFFIOTI: Does the minister have a breakdown of the number of people buying new home-and-land packages and those buying established homes for 2014–15?

Mr D.C. NALDER: I think they are the numbers I have given the member. There are 4 100 people who will purchase land, so I imagine that that will be land-and-home packages or just land; that is how I interpret that. We do not have a further breakdown of off-the-plan homes and established homes, so there is a difficulty in giving an accurate assessment of that. On the previous question about historical data, I did receive advice that that is on the Treasury website, so the member can extract that data from that site.

Ms R. SAFFIOTI: Has any forecasting been done on the impact that a softening of the real estate market, which may happen as a result of slow economic conditions and slow population growth, will have on the number of dwelling commencements, particularly if there is any downward pressure on house prices?

Mr D.C. NALDER: Is the member asking what economic forecasts, both positive and negative, were applied to the model to establish the level of confidence?

Ms R. Saffioti: Yes; for example, the Abbott budget is slamming confidence.

Mr D.C. NALDER: All the input is disclosed on page 25 of budget paper No 3. I will not read it all out, but it explains what is in the forecasting.

Ms R. SAFFIOTI: What is happening with the economy interests me significantly at the moment, because I think that things are changing rapidly for us. One of the issues post the Abbott budget has been the massive sledgehammer taken to consumer confidence in particular. All indicators are showing that consumer confidence has dropped significantly since the Abbott budget was handed down. The Abbott budget was handed down after the state budget. Have there been any revisions of some of the forecasts, given that confidence levels seem to be declining significantly?

Mr D.C. NALDER: That is something that we examine for the midyear review, so we will look at those adjustments at that point.

Mr P. PAPALIA: Can the minister inform the house whether he did any projections about the sensitivity of the first home buyer market to increases in the threshold for this particular tax and whether there is vulnerability in the first home buyer market turning away from purchasing a home, particularly in light of the damage done by the recent Abbott budget that has been mentioned and the loss of consumer confidence as a consequence? If that is coupled with an increased impost on first home buyers, it is another hurdle for them to overcome. What consideration was given to whether first home buyers might be deterred from entering the market as a consequence of this being done?

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Mr D.C. NALDER: For a start, the federal government budget came out after ours was announced, so for this budget process we obviously have not taken that into consideration; however, in our forecasting with the state of the economy, there is no expectation of any great variance in first home owners taking up or buying in the market. We do not see there being any significant change.

Mr P. PAPALIA: That is an interesting observation because as someone with just an interest in the property market, we only have to take recent times into account and we do not have to go very far back in history to confirm that consumer sentiment plays a big part in all house purchases, but in particular the first home buyer segment of the market, and all it takes often is a focus by the media on some new impediment or cost to have an impact. Even an anticipated drop in costs can have an impact in deterring new entrants to the market because, instead, they choose en masse to defer their entry into the market, and it happens. I find it interesting that an additional cost burden for people to overcome is not anticipated to have any impact on the number of entrants into the market.

Mr D.C. NALDER: One of the reasons for that is that homeowners affordability is quite high at the moment. I understand that market perception, sensitivities and concerns can drive behaviour. However, if we look at homeowners affordability being high and the impact of this, and actually multiply it through, for someone who is purchasing a home for \$450 000—I will not get into the relativities, because we know we are still less than the other states—the impact on the price of that duty is less than one per cent; it actually accounts for 0.8 of one per cent.

Mr P. PAPALIA: That is something I am interested in, actually. Does the minister have a breakdown of the 36 per cent of people who will be impacted by the tax increase that is about to be imposed? Does the minister have a breakdown of the numbers within that 36 per cent who will be impacted by one per cent, to whom the minister just referred, as opposed to 10 per cent, 20 per cent or whatever the breakdown is? Does the minister have a breakdown or a curve within that 36 per cent that indicates just how many people will be impacted?

Mr D.C. NALDER: No, that was actually just a figure I checked myself. I just did the one measure and we do not have a table that shows all of the breakdown. I wanted to understand it for myself, so I just did that calculation at \$450 000 to get a sense of what that impact was.

Mr P. Papalia: You know those figures I read out to you yesterday regarding the median prices in every suburb in the electorate of Warnbro. Of them, only two were below \$430 000.

Mr D.C. NALDER: At a median.

Mr P. Papalia: I know, so half of the costs of those houses in those suburbs are going to be higher, for sales anyway. I am interested in what percentage of the 36 per cent you anticipate will get hit to a significant amount, because that will have an impact. I think you will deter people and my observation was that as a consequence of that, some people who might otherwise have purchased will delay and they will look for rentals, and you will put pressure on the rental market and it will drive up the cost of rentals.

Mr D.C. NALDER: The member poses an interesting dilemma and I can only speak from my personal experience. When I was young, a lot of my friends thought I was mad because I bought the worst possible house in as good a location as I could get, and I must admit it was pretty ordinary. I think there will be people who will still continue to buy in higher value suburbs. I know people who are buying places closer to the city that are worth around \$450 000. Although it is a long way off the median price and they may be apartments —

Ms J.M. Freeman: Where are the inner city houses at \$450 000?

Mr P. Papalia: Tell me so I can go and buy one.

Mr D.C. NALDER: I would not necessarily want to live there myself, but there are some. They are triplexes and quadruplexes; anyway, I will not go there.

I know that there are cheaper homes available close the city and that is one of the challenges for people who are buying their first home: Do they want the new house out a long way? Do they want to sacrifice some of the benefits of having a nice, shiny house versus an older property in closer? That is the decision that individuals have the right to make. I chose to take a poorer quality property and get in closer. That is the decision I took for my first time. I cannot speak for anybody else about what they want to do. A lot of my friends went further out to have that nice home.

Mr B.S. WYATT: Following on from the comments the minister made, I want to get something on the record and query the extent to which housing stress was factored into the decision-making of government in respect of the first home owner grant. The minister was just talking about that. I know it is the Treasurer's view that many people borrow to pay their stamp duty and it forms part of the mortgage payment. There was a very useful document put out in April this year by the Curtin University Bankwest Curtin Economics Centre entitled "Housing Affordability: the real cost of housing WA". In that document there is a quite good analysis of housing stress in WA. It has information about the last 10 years, the percentage of disposable income being spent on housing costs and the

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quintiles, from the poorest to the richest people in Western Australia, as well as information on first home buyers, changeover buyers and settled homeowners. There is an interesting statistic in this document. I will read a short part of this document; I will not take too much time. It states —

The proportion of households in the bottom two quintiles of the income distribution —

That is the poorest two —

and paying more than 30 per cent in mortgage repayments has been increasing over time for both WA and the rest of Australia, from just under one in ten in 2003–04 —

About 10 per cent —

to around 13 per cent 2011–12. The proportion of households experiencing greater forms of housing stress —

That is about 40 per cent to 50 per cent of their income going into housing costs —

... has also slowly increased across the period, and currently around 10 per cent of low income households in WA are paying more than 40 per cent in mortgage costs.

That is then broken down further in much more detail that I will not go into. My question is: knowing that first-time buyers will effectively borrow to pay the stamp duty, which I think everyone recognises is a significant barrier to housing, to what extent is the inability to access the housing market and the impact of housing stress factored into the decision-making of government around this issue? The same graph I refer to on page 30 of the Curtin Economics Centre report also shows that the three ratios, 30–40, 40–40 and 50–50—that is, 30 per cent, 40 per cent and 50 per cent of income on housing costs—are now higher than the Australian average. Unsurprisingly, that would be due to big property prices in Western Australia. To what extent was it considered that this will make it much more difficult for first-time buyers to enter the market and will increase housing stress due to the borrowings that are then being forced on to those first home buyers—I think it will affect some 6 000 of them? I am always curious about the extent to which that came into play in the decision by government to pursue this particular model.

Mr D.C. NALDER: There are two elements there that I can think of right off the top of my head. One is that we used the median housing price, which is \$430 000, as a guide to underpin the support for first home buyers.

Mr B.S. Wyatt: Again, the median house price you used is the blended figure of established and new; is that right?

Mr D.C. NALDER: Yes, it is established homes, home and land, and off the plan.

Mr B.S. Wyatt: But, the majority—it is significant—60 per cent of people impacted by this are actually buying new; that is also an assumption. Is that what you are saying?

Mr D.C. NALDER: This shows that 4 100 first home buyers will purchase land.

Mr B.S. Wyatt: And 6 000 are buying established homes.

Mr D.C. NALDER: The numbers I have shared with members of 4 900 and 1 900 include all three categories—established, new and off-the-plan homes. I do not have a further breakdown; it is a blended figure. The other figure of 4 100 is vacant land that people may have bought and then claimed their first home owner grant, but they plan to build in the future.

Ms R. Saffioti: If the percentage of people buying new homes increased from 27 per cent to 37 per cent, then surely 63 per cent must be buying established homes?

Mr D.C. NALDER: Yes, it would be 62.03 per cent or whatever. That would be right. That is what these figures show, but I do not know how that is split out and whether that is only home and land packages because I obtained those figures from two different sources.

Mr B.S. Wyatt: It has to be 63 per cent who are buying established homes.

Ms R. SAFFIOTI: The minister said that the mix between new home packages and established homes increased from 27 per cent to 37 per cent because of the change to the first home owner grant scheme, quarter to quarter, in that year's analysis; therefore, 63 per cent must be for the purchase of established homes.

Mr D.C. NALDER: The member's logic is correct for that one quarter, from February through to April. I have taken these figures from two different sources, and one source shows the blended categories—home and land packages, new homes and established homes—and that is making this complex. I want to give the member as specific an answer as I can, but it is a little convoluted in the sense that I cannot break down these figures. I have the figure for land purchases, but established, off-the-plan and new homes are bundled in another report. That is why it is confusing for members. I am sorry that I cannot be more specific, but I am trying to give members the best answer I can with what I have.

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Ms R. SAFFIOTI: The government is trying to direct people into the new housing market, which is good for the construction industry and necessary to keep people in jobs at this time. However, there were issues about the supply of land, in particular. I know that in some corridors, some estates are reporting no availability for the next quarter and developers are selling further and further back from title because of a lack of supply. I understand that in some areas developers are selling around six months before title is granted, which is a long way back in the pipeline. I understand that has caused significant changes and fluctuations in land prices. I understand that land prices per square metre increased by about 13 per cent last year. Although it is admirable that the government is trying to encourage people to build homes, has this put pressure on land prices and has there been an increase in land prices because the supply is not there to meet the demand?

Mr D.C. NALDER: I am not in a position to comment on the supply of land. The member would have to ask the Minister for Planning. That is not a cop-out, but I do not have the information to comment. The forecasting that Treasury has done does not foresee a major impact on land prices in the next 12 months. Treasury has forecast that at the end of 12 months we will see a reversion to the long-term average. I do not know whether that is because of the supply of land or other factors. I cannot give the member a further answer on that.

Mr P. PAPALIA: I find the minister's answer interesting, because it indicates a fairly flimsy level of analysis prior to imposing what is effectively a philosophically driven social agenda. The minister has articulated the intent of driving first home buyers away from established homes into the far reaches of the outer suburbs into new subdivision developments where house and land packages are available. The minister has said that is what the government wants to do, yet he has not identified whether this might be driving land prices up or whether there are adequate land supplies to meet the new demand it is hoped that will create. The minister has not considered whether the 10 per cent quartile growth in shift of purchases to house and land packages might continue and escalate. What if we see a 10 per cent increase every quarter? How long before no-one is buying established homes, everyone is competing for new homes, the price is beyond people's reach and the minister's imposed lower threshold is exceeded by people trying to get into their first homes?

Mr D.C. NALDER: If I had a crystal ball, I would probably be sitting on a beach in Tahiti or somewhere like that. I do not have one.

Mr B.S. Wyatt: Why would the minister not be in Alfred Cove?

Mr D.C. NALDER: I love being in Alfred Cove. I am having a ball, member for Victoria Park.

The ACTING SPEAKER (Mr P. Abetz): All jokes aside, let us listen to the minister.

Mr D.C. NALDER: In answer to both questions, I have the median prices for vacant land. In the December 2013 quarter it was \$211 000, and in the March 2014 quarter it was \$213 000. The median price for vacant land for the year to 30 April 2014 was \$210 000.

Ms R. Saffioti: What is the average block size?

Mr D.C. NALDER: It is all vacant land. I do not have the block sizes here.

Division

Clause put and a division taken, the Acting Speaker (Mr P. Abetz) casting his vote with the ayes, with the following result —

Ayes (29)

Mr P. Abetz	Ms M.J. Davies	Mr S.K. L'Estrange	Mr D.C. Nalder
Mr F.A. Alban	Mr J.H.D. Day	Mr R.S. Love	Mr D.T. Redman
Mr C.J. Barnett	Ms W.M. Duncan	Mr W.R. Marmion	Mr A.J. Simpson
Mr I.C. Blayney	Ms E. Evangel	Mr J.E. McGrath	Mr T.K. Waldron
Mr I.M. Britza	Mr J.M. Francis	Mr P.T. Miles	Mr A. Krsticevic (<i>Teller</i>)
Mr G.M. Castrilli	Mrs G.J. Godfrey	Ms A.R. Mitchell	
Mr V.A. Catania	Mr A.P. Jacob	Mr N.W. Morton	
Mr M.J. Cowper	Dr G.G. Jacobs	Dr M.D. Nahan	

Noes (14)

Ms L.L. Baker	Mr D.J. Kelly	Ms M.M. Quirk	Mr B.S. Wyatt
Dr A.D. Buti	Mr F.M. Logan	Mrs M.H. Roberts	Mr D.A. Templeman (<i>Teller</i>)
Mr R.H. Cook	Mr M.P. Murray	Ms R. Saffioti	
Ms J.M. Freeman	Mr P. Papalia	Mr C.J. Tallentire	

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Pairs

Mr M.H. Taylor
Mr B.J. Grylls
Mr J. Norberger
Mr C.D. Hatton
Mrs L.M. Harvey
Mr T.R. Buswell
Mr R.F. Johnson

Mr W.J. Johnston
Ms J. Farrer
Ms S.F. McGurk
Mr J.R. Quigley
Mr M. McGowan
Mr P.B. Watson
Mr P.C. Tinley

Clause thus passed.

Clause 5: Schedule 2 amended —

Mr P. PAPALIA: I am looking at the schedule detailed at clause 5. We have just heard how flimsy the analysis and projections were that were undertaken to identify the impact on first home buyers. Is there a corresponding flimsiness in the projections as to the revenue to be garnered from this increased tax measure? I am referring to page 90 of budget paper No 3. I refer to the impact of the first home buyers' tax increase that this government is introducing and the suggestion that it will make \$53.9 million this financial year; is that right?

Mr D.C. Nalder: Yes.

Mr P. PAPALIA: And subsequently \$55.3 million, \$56 million and \$56.6 million?

Mr D.C. Nalder: Yes.

Mr P. PAPALIA: Are they solid projections? What are they based on? Are they based on 36 per cent of the first home buyer market? The minister must have some sort of breakdown to determine a specific figure. The minister cannot say that he punched in one per cent to personally figure out the impact for someone buying a \$450 000 home. The minister must have done more than that to be able to enter such specific figures into the revenue for the state budget projections. Does the minister have that information and is he able to provide it to us?

Mr D.C. NALDER: There has been an assumption of an overall decrease in the number of first home buyers, which has been historically high. I have provided the breakdowns of the total number of first home buyers, which I have given the member in previous questions.

Mr P. Papalia: That is the projection for this year?

Mr D.C. NALDER: For 2014–15; which is a lower number. It has been forecast based on the historical being exceptionally high. They are forecasting a slight decrease back to the longer term average.

Mr P. Papalia: Which would be a percentage decrease of?

Mr D.C. NALDER: My adviser is getting that information.

Mr P. Papalia: Do you want me to talk?

Mr D.C. NALDER: The member can talk while we are getting that.

Mr P. PAPALIA: I am interested in that. The minister might want to respond to this: would that not be a negative impact on the first home buyer market in terms of numbers of people entering that market as a consequence of this tax increase? Is that one way we might be able to portray this reduction in first home buyers entering the market or buying houses? Is that something that would be legitimate to say? I understand that the minister said it is historically high but that is the current level. If it is going to diminish from there, surely the only thing that has changed in recent times that might cause that diminution is this new tax that the government has introduced. The heat should be coming out of the market in many respects with a reduction in the overall number of people coming into the state. As the minister would be aware, there has been lower interstate migration.

Mr D.C. Nalder: That is the heat.

Mr P. PAPALIA: It is taking some of the heat out of the market. Essentially, that should be reducing the pressure on the market. The minister's cost increases will drive people out of the first home owner market.

Mr D.C. Nalder: No, no, no.

Mr P. PAPALIA: If it will drop back, what will cause the drop?

Mr D.C. Nalder: Fewer people coming into the market.

Mr P. PAPALIA: Is that the only factor?

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr D.C. Nalder: The member actually just acknowledged that.

Mr P. PAPALIA: In that case, exactly what is the reduction in the population that has been used as a projection? How much of the drop in first home buyer numbers can be attributed to the drop in population growth as opposed to the impost of this tax increase that the minister is introducing?

Mr D.C. NALDER: We have not been able to locate it in the budget papers, but a lot of the assumptions the member is requesting are in the budget papers. The member is correct that migration into the state is falling. That is the anticipated drop. There is no forecast to suggest that the changes to the duties rate will impact the number of first home owners coming into the market. We are forecasting that there will be —

Mr P. Papalia: They are very hopeful projections.

Mr D.C. NALDER: It is stated in the budget papers —

The outlook of a softening in housing demand is in line with expectations of weaker labour market conditions ...

It is taking that into consideration as well.

Ms R. SAFFIOTI: I want to clarify that. Sorry, I did not catch the first part of that conversation; only the last part. Is the minister saying that this tax increase will not deter any person from purchasing a home? Is the Liberal Party saying a tax increase will have no impact on consumer activity?

Mr D.C. NALDER: I will clarify that. What we are forecasting is very minimal impact; that it is not really applicable. The drivers of the decrease are the broader economic impacts and the changes in migration flow and those sorts of things. We are forecasting the impact will be negligible or minimal.

Mr P. Papalia: The minister has to concede that if he puts up a tax that first home buyers did not used to have to save for, it will have some negative impact.

Mr D.C. NALDER: I will take that interjection. I will reinforce that we have unashamedly been directing it towards new homes rather than established homes. For vacant land, there is no change to the duties at all. Treasury has not forecast it, but we would love to see the majority of that stay within that new home market. Treasury is forecasting an overall drop that will impact that as well, from the broader economic reasons driving that. I think that is plausible.

Mr P. PAPALIA: That is an incredible social-engineering approach that I did not expect from the Liberal Party prior to now. The minister is suggesting that all the predominantly young people who might be saving to buy a home near where their parents live, in a rim that is inside the outer metropolitan growth area where big subdivisions and house and land packages are not available, will decide that instead of saving to buy near those areas that they grew up in, near their family structure and all those sorts of things, they will go out to the distant, far-flung outer metropolitan areas. That is what the minister wants for all those people. He does not think anyone will say that they will save for a bit longer until they can get over the hurdle that the Liberal Party has just put in front of them.

Mr D.C. NALDER: I would love for my kids to be able to buy around the area where my wife and I live. Do I expect them to be able to do that? No, I do not.

Mr P. Papalia: Not everyone lives in Alfred Cove.

Mr D.C. NALDER: The principle is the same.

Ms J.M. Freeman: I live in Nollamara. I am not sure it is the same.

Mr D.C. NALDER: The member possibly does not have a problem with kids buying in the area where she lives. I would love my kids to be able to afford to buy in the area where I live but they will not be able to. They will have to go out further. That is the reality of life for my children, and I accept that. That is part of what they have to do.

As I have got older, and under different circumstances, I have been able to afford more than what I could when I established our first home. There is a big difference between my first home and what I own today. I do not know what connection the member is making between where one's parents live and —

Mr P. Papalia: I am just reflecting on the social engineering that you are engaged in.

Mr D.C. NALDER: It is not a matter of social engineering. Last night the member for Armadale raised this exact point, quoting Saul Eslake, who believes that we should move away from existing homes and into new homes, under the first home owner grant. It sounded like he was promoting that—to remove it all together. I was a bit confused. We have not done that. We have allowed people to continue to purchase established homes. We have not moved away from it altogether. At the same time, over the last couple of years we have provided more

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

incentives to encourage and support people buying their first home to go into new homes to help support that market.

Ms R. SAFFIOTI: I can understand what the minister is saying; he wants to encourage people to construct homes. We can construct homes anywhere, whether it be infill or green fill. I do not think it is all about new housing developments; it can be infill developments. I asked about land supply and some of the pressures on land prices and stock availability. It seems that the minister is intent on basically pushing first home buyers into house and land packages. If that is the intent, I accept what he is saying. If that is the philosophy or the driver of what he is doing, would he not be aware or understand or want to be across what is happening with land supply? Frankly, if all he is doing is boosting or shifting land prices in the short term, that is not an ideal outcome either. Basically, it would all flatten out in the long run; it will work itself out. These changes to taxation policy that continue to alter what is happening in the market have price impacts and then the market corrects itself, but people lose out or are impacted over that period. I do not understand how the minister can say it is all about new house and land packages when in trying to drive construction—to keep people in jobs in construction—we can do it with infill developments. Also, we have not had an analysis of land supply and what is happening in the land development area.

Mr D.C. NALDER: All the drivers behind the economic forecasts are explained in the budget papers. I refer the member to those.

Ms R. Saffioti: I read them.

Mr D.C. NALDER: They are in there. Budget paper No 3 might be helpful. Treasury has taken land supply et cetera into consideration, along with the broader economic factors that are driving it. I do not have that level of information to hand at this point. I said that that question was probably better directed to the Minister for Planning. I do not have those numbers on me, so I cannot comment on land supply.

Do I have an understanding of the property market as an individual? Yes, I do. A lot of factors are coming in to drive what is going on in the market at the moment. We understand that. The economic forecasters are taking those into consideration. Their broader consideration is that there will be a decline back to the longer term average over the next year or so. They are expecting it in the next 12 months or so. That is all I can give the member—those broad economic parameters, not specific economic parameters at this point.

Dr A.D. BUTI: The minister's response to the member for West Swan really alludes to the speech I made last night. My criticism was that this bill before us is not a part of any overarching strategy that he may have. All it seems to be is a money grab. That is what he is hoping for. He is saying in one breath that not many people will be affected but it will be a revenue raiser. How much money will be raised? Can the minister please provide us with his forecast? How much revenue does he believe will be raised by the state as a result of the changes to stamp duty and land tax? This is the first question. How much money does the minister predict will be raised through the changes under this bill?

Mr D.C. Nalder: For both land tax and duties?

Dr A.D. BUTI: Yes. That is the first question. As was mentioned by the member for West Swan previously, the minister's forecast was done prior to the federal budget. Second, does the minister have any idea what effect the budget will have and the lack of confidence as a result of that budget? Third, does the minister believe that tax changes affect people's behaviour? He seems to be suggesting that they do not. I do not have an economics degree, as the member for West Swan has, but I did economics at university, which may surprise some people. Actually, I do have a master's degree in economics—in industrial relations; that is economics.

Mr B.S. Wyatt: Is there a degree you didn't do?

Dr A.D. BUTI: That is right. I do have some understanding of economics, even though I may not talk about it a lot. Generally, the orthodox position is that tax changes do affect behaviour. It is very strange, especially for a conservative, to come to this house and say that tax does not affect behaviour. Of course it affects behaviour. The minister seems to be suggesting, in answer to the questions put to him by the members for West Swan and Warnbro, that it does not have any effect. I find that strange.

Mr D.C. NALDER: I think there were a couple of questions in there and a lot of statements. The total measures are expected to save \$556 million across land tax and duties over the next four years. The member asked for the combined figures, so I was doing some sums.

Mr B.S. Wyatt: Very impressive.

Mr D.C. NALDER: Thank you. We do expect a change in behaviour but we have said that under this change, 64 per cent of people, based on previous spreads, will be unaffected by this change—that is, two-thirds. It will affect one-third of the people.

I have also shared with members that from an economic perspective, with the changes to the first home owner grants focusing on new properties as opposed to established homes, we have seen a shift to increased levels of buying. Treasury forecasts that will back off over the next 12 months, but some of that will be from those broader economic conditions we talked about. I also said that although 64 per cent will not be affected, we are not changing the duties that are applicable to vacant land and that will allow people to come in through that process. We could get into philosophical discussions about whether that will push people out and those sorts of things, but that is a separate argument to the economic or financial argument that the member for Armadale is making. I hope I have answered the questions that the member was asking. I believe I have.

Mr B.S. WYATT: Like you, minister, as an individual I have an understanding of the property market. Indeed, I have an innate ability to purchase property at exactly the time that property peaks. In fact, perhaps my ability and knowledge of the property market should be measured, because I can buy at the exact moment that property peaks, and I can sell at the exact moment when the buyer's market comes in! When you want to talk about property, come and speak to me. Thankfully, I married somebody who has a better understanding of when to buy and when to sell property.

However, I am curious about this idea of the impact of tax on behaviour. It is an interesting discussion. At page 92 of budget paper 3 is a table of the transfer duty payable for first home buyers before and after 1 July 2014. When one looks at the current situation, duty payable by first home buyers before 1 July 2014 is displayed in a pretty table. There are lots of little dashes; no duty payable all the way up to \$510 000. Then there is the ugly table, which is post the passage of this legislation, that shows the amount of duty to be payable on houses priced at \$430 000 and upwards. I think that the minister mentioned a moment ago that Treasury has advised that we are entering a buyer's market and it is a good time to purchase property. A very interesting discussion paper written in June last year by Ian Davidoff and an outstanding federal member of Parliament Andrew Leigh shows how stamp duties affect the housing market. Andrew Leigh and Mr Davidoff carried out an analysis of the impact of stamp duty on those who pay it depending on whether it is a buyer's or seller's market. The article entitled "How Do Stamp Duties Affect the Housing Market?" is all about price elasticity, or inelasticity. I will not pretend to understand everything that Mr Leigh and Mr Davidoff wrote in the discussion paper, but at page 3 they make the point in their findings that stamp duties reduce house prices and turnover rates and that that obviously is a clear behavioural impact of stamp duty. In fact, I think it is well recognised that stamp duty is one of the most inefficient and distorting taxes that states use.

Davidoff and Leigh's discussion paper goes on to assert, "The price impacts imply that the incidence of stamp duty is on the seller." It is actually the seller who ends up wearing most of the cost in terms of the value at which a property is sold. We are now about to enter—in fact, I think we are probably at the beginning and are going to spend some time in—a buyer's market, and we are going to get better value than we have had for some time. What impact will clause 5, which deals with properties valued from zero to \$430 000, have on people selling properties in that space? I dare say, going from what Leigh and Davidoff have said, and bearing in mind the impact of stamp duties and taxes generally on behaviour, the value of properties in that price range of \$430 000 to \$450 000 will be depressed in a buyer's market. What would ordinarily be, prior to the passage of this legislation, a house that a person could probably sell for \$440 000 or \$450 000, 12 months from now, Davidoff and Leigh are saying that is pulling that down to \$420 000—getting under those rates. So it is actually the seller who is wearing the cost even though the buyer, as the Treasurer has pointed out in many an article prior to entering this place, is borrowing to pay that stamp duty, and if they are buying a \$500 000 house, that will be \$13 500, whereas right now it is zero. They are borrowing that amount for stamp duty and then the seller is wearing the cost also. Mr Leigh is saying that the effect of this as we go into a buyer's market will depress the price of all properties in the \$430 000 to \$450 000 price range.

Mr P. PAPALIA: I am enthralled by this argument, which sounds counterintuitive, and I want to hear more from the member for Victoria Park.

Mr B.S. WYATT: I am nearly done. I thought I had a couple more seconds.

I am curious whether, as a result of that, and if the buyer's market gets more aggressive and prices generally start to decline, the minister can see the impact that will have and he will not be capturing anywhere near as much revenue as he thought he would. Does the minister have any comments on some of the findings of Davidoff and Leigh and what I have extrapolated from them?

Mr D.C. NALDER: I find this conversation really interesting because it resonates with what the member for Armadale was talking about yesterday concerning what Saul Eslake has said, who makes exactly the same point. If we take the point that the member for Victoria Park makes around who wears the cost, at the same time it suggests that whenever there is a first home owner grant, the benefit therefore does not flow through to the home purchaser.

Mr B.S. Wyatt: According to Leigh and Davidoff, it depends on the nature of the market.

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr D.C. NALDER: Mr Eslake says that it flows through, because of increased demand and everything else, to the seller of the home. That is one of the arguments that Saul Eslake makes. However, now we are getting into a broader philosophical debate around the merits of first home owner grants.

Mr B.S. Wyatt: My comments are probably actually more about general stamp duty.

Mr D.C. NALDER: Member for Victoria Park, I am not sure that, for the benefit of the passage of this bill, now is the time to get into those broader philosophical arguments, although I do enjoy them. I have spent time with my former colleague Mr Eslake discussing these very things.

Mr P.C. Tinley: He has gone to Tasmania now.

Mr D.C. NALDER: That is where he is originally from.

The SPEAKER: Minister, carry on please.

Mr D.C. NALDER: All I am saying is that I think these broader philosophical discussions do not have a huge impact on what this bill is about. This bill is about the passage of legislation for three changes in our taxation structures, a revenue raising issue that we have—one is the Duties Act, one is the Land Tax Act and obviously payroll tax, which we have not spent a lot of time talking about because it is a credit back to small business.

Mr B.S. Wyatt: We have not got to it yet.

Mr D.C. NALDER: I look forward to getting towards it. I think I have probably spent enough time discussing this matter and we should move on.

Mr B.S. WYATT: I must admit that I am disappointed with that response from the minister. This has been quite a good discussion, and to fall back onto the response that it is not in the bill, therefore, it is not to be discussed —

Ms R. Saffioti: It is a narrow interpretation.

Mr B.S. WYATT: That is right; it is a narrow interpretation. I am not sure when broader philosophical discussions should take place. They are not taking place at the cabinet table; this is the place for them. There has not been any overt filibustering by this side of the house at all!

Mr D.T. Redman: It is all covert.

Mr B.S. WYATT: The Minister for Regional Development should go back to his Christmas cards.

This is a legitimate conversation and this is exactly the time to have these broader philosophical discussions. I am disappointed with the Minister for Finance's response. To make the point, because I am not sure if the minister is aware, we do not get to payroll tax until part 4 of the bill, so I assure the minister that we will get there and discuss it.

Coming back to clause 5, I would like to know, now that the minister has his advisers here: if I sold my house, as I expect to do, at a massive loss, for \$429 999, would that be treated by the tax office as \$430 000? I am curious about this simply because so much property on the market is for sale at \$499 999 or \$699 999. I am curious how the tax office treats those sorts of sales.

Mr D.C. NALDER: To answer that question, it would be \$430 000. It is per \$100 or part thereof, so, \$101 —

Mr B.S. Wyatt: If they go to \$429 899, it would become \$429 900.

Mr D.C. NALDER: Yes, that is right.

Ms R. SAFFIOTI: I am looking at this table; has it ever been possible that someone could purchase a house for \$430 000.50 and that would fall in a gap in this table, or would it be rounded to the nearest dollar?

Mr D.C. NALDER: It is the same answer; it is per \$100 or part thereof, and it always rounds up.

Mr P. Papalia: It is like going to the casino; you always lose.

Mr D.C. NALDER: I am trying to be open and transparent.

Ms R. SAFFIOTI: This one was \$430 000.50. Would that be nil or would someone be liable for some stamp duty if that was the price?

Mr D.C. NALDER: The amount of tax payable in this instance would be \$19.19.

Ms R. SAFFIOTI: Can I have that explained? Basically, if it is anywhere in the dollar, we round up to the nearest —

Mr P. Papalia: To the nearest \$100.

Ms R. SAFFIOTI: To the nearest \$100. If it is 50c, do we automatically round it up? Is that written in the Duties Act?

Extract from Hansard
[ASSEMBLY — Wednesday, 11 June 2014]
p3722b-3746a

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr D.C. NALDER: No, it is not written in the Duties Act. It has given us the calculation. It is not for 50c; it is for \$430 000. I am not sure where the member is going with that.

Ms R. Saffioti: There would be no tax payable.

Mr D.C. NALDER: If it is \$430 000, there is nil tax, but for \$430 000.50, it is treated as \$430 100. Therefore, the tax payable is \$19.19.

Division

Clause put and a division taken with the following result —

Ayes (29)

Mr P. Abetz	Ms M.J. Davies	Mr S.K. L'Estrange	Mr D.C. Nalder
Mr F.A. Alban	Mr J.H.D. Day	Mr R.S. Love	Mr D.T. Redman
Mr C.J. Barnett	Ms W.M. Duncan	Mr W.R. Marmion	Mr A.J. Simpson
Mr I.C. Blayney	Ms E. Evangel	Mr J.E. McGrath	Mr T.K. Waldron
Mr I.M. Britza	Mr J.M. Francis	Mr P.T. Miles	Mr A. Krsticevic (<i>Teller</i>)
Mr G.M. Castrilli	Mrs G.J. Godfrey	Ms A.R. Mitchell	
Mr V.A. Catania	Mr A.P. Jacob	Mr N.W. Morton	
Mr M.J. Cowper	Dr G.G. Jacobs	Dr M.D. Nahan	

Noes (13)

Dr A.D. Buti	Mr F.M. Logan	Mrs M.H. Roberts	Mr D.A. Templeman (<i>Teller</i>)
Mr R.H. Cook	Mr M.P. Murray	Ms R. Saffioti	
Ms J.M. Freeman	Mr P. Papalia	Mr C.J. Tallentire	
Mr D.J. Kelly	Ms M.M. Quirk	Mr B.S. Wyatt	

Pairs

Mr M.H. Taylor	Mr W.J. Johnston
Mr C.D. Hatton	Mr J.R. Quigley
Mr J. Norberger	Ms S.F. McGurk
Mr B.J. Grylls	Ms J. Farrer
Mr T.R. Buswell	Mr P.B. Watson
Mr R.F. Johnson	Mr P.C. Tinley
Dr K.D. Hames	Ms L.L. Baker
Mrs L.M. Harvey	Mr M. McGowan

Clause thus passed.

Clause 6 put and passed.

Clause 7: Section 5 amended —

Mr D.A. Templeman interjected.

The SPEAKER: Member for Mandurah!

Ms R. SAFFIOTI: I am on my feet, member for Mandurah. Show some respect! My question relates to the amount of people who are —

Several members interjected.

The SPEAKER: Members, that is enough!

Ms E. Evangel interjected.

The SPEAKER: You are going crazy, member for Perth! Do you want me to call you?

Ms R. SAFFIOTI: My question relates to the number of people who will pay this increase in land tax.

Mr D.C. NALDER: It is an across-the-board tax increase, so all landholders will pay. They total 126 609, as shown on page 94 of budget paper No 3.

Ms R. SAFFIOTI: Does the minister have the amounts in each of the brackets?

Mr D.C. NALDER: The breakdown is on page 94; the whole table is there. Is that the answer the member is looking for?

Mr B.S. WYATT: Can the minister confirm that those land tax rates reflect a 10 per cent increase?

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Mr D.C. Nalder: Yes.

Mr B.S. WYATT: I note that the rhetoric on pages 93 and 94 of budget paper No 3 is very similar to what was said last year to justify the 12.5 per cent increase in land tax. Noting that —

Despite the increase in rates, Western Australia's land tax will remain significantly below that of other jurisdictions for unimproved land valued up to \$10 million, as shown in the table below.

Presumably we will get beyond that. Is it the government's intent to increase the Western Australian land tax rates to the average of what the other states pay, bearing in mind that is now the second time the Barnett budget has pointed out specifically that land tax remains significantly below that of other jurisdictions?

Mr D.C. NALDER: I believe that will be for future budget considerations. It is not a consideration at this point. We are dealing with this budget. I cannot speak for what may be considered in future budget deliberations.

Mr B.S. WYATT: The minister may recall a question that was put to him by the member for West Swan some time ago about the broader land tax review announced by the former Minister for Finance. Will the broader land tax review announced by the former Minister for Finance, the member for Riverton, now the Treasurer, take place or is that broad land tax review in respect of primary production?

Mr D.C. Nalder: Yes.

Mr B.S. WYATT: Is that review in respect of that issue; it is not broader in respect of land tax?

Mr D.C. Nalder: No.

Mr R.H. COOK: One of the points raised on page 94 is that the 10 per cent increase is to offset lower than expected land values and generate net additional revenue of \$26 million in 2014–15. What is the justification for the tax other than simply to top up revenues?

Mr D.C. NALDER: Estimated land values did not increase as anticipated so some of it is to claw back what was anticipated from the land tax, moving forward. Because prices did not go up at that rate, it has been done to claw back that value.

Mr R.H. COOK: I appreciate that, minister, because it makes it quite clear that the government was disappointed with the grab in 2013–14 and, therefore, in 2014–15 it is going for the extra 10 per cent. However, there has to be some purpose for a tax beyond simply the government being disappointed that it did not collect as much as it thought it would.

Mr D.C. NALDER: Considering all the options, I think we explained that, relatively, Western Australia's land taxes are some of the lowest in Australia. In trying to work out what we should be considering for a budget and making sure we remain in surplus, it was foreseen that this was an opportunity to assist in balancing our budget. We are quite comfortable that the rates we are charging are still relatively generous compared to those in other states.

Mr R.H. COOK: I appreciate that, minister. The budget papers go to some length to justify the tax, from a political perspective, compared with other jurisdictions. Once again, I say that to place a tax upon something there must be some purpose and in increasing the tax there must be some purpose simply beyond being disappointed that we did not get as much revenue as we expected last year.

Mr D.C. NALDER: I think one of the aims of this is to ensure—I thought I had covered it—that the budget remains in surplus, and remaining in surplus will allow us to ensure that we continue to deliver on the health and education packages that we are delivering for this state.

Mr P. PAPALIA: I note the minister's continual reference to the fact that Western Australians have not to this stage been subject to as vicious a tax regime in this particular field as other states have. What comfort are the landowners of Western Australia to garner from the minister that it is not his intent to try to increase taxes in the future to equal or more closely replicate what happens in other states? Is he suggesting that our landowners are undertaxed and that it is his intent to narrow the gap?

Mr D.C. NALDER: I think it is a little premature to try to speculate on what consideration will be given in future budgets. We are dealing with the changes required for the budget announced in May. I keep repeating that we have a desire to make sure our budget remains in surplus so that we can continue to deliver on the great things we are delivering for this state.

Mr P. PAPALIA: If next year's surplus evaporates, as everyone in Western Australia expects, except for the Treasurer and the Minister for Finance, is it the minister's intent that the first thing he will do is put up land tax in an effort to try to achieve a notional surplus?

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr D.C. NALDER: Again, I think all governments consider everything that is at their disposal to ensure that they continue to remain in surplus. We will consider all options at the appropriate time. We cannot give any commitment that land tax or any other tax in this state will or will not be increased in the future. It is just not something that we can do. Again, I am trying to deal with what we have before us today, which is the impact from the recent budget announcements. That is what we are trying to get through. I simply cannot speculate on what may or may not be included in the future.

Mr B.S. WYATT: I have a policy question. As Minister for Finance, and therefore responsible for policy in this area —

Mr D.C. Nalder: The Treasurer is responsible for policy in this area.

Mr B.S. WYATT: The minister is a member of cabinet, which is responsible for government policy. Page 93 of the *Economic and Fiscal Outlook* makes the point that the member for Kwinana was just making. It is justifying the land tax increase we are debating at the moment. It states —

A 10% increase in land tax rates from 2014–15 will offset lower than expected land values and generate net additional revenue of \$26 million in 2014–15 compared to forecasts in the 2013–14 Mid-year Review.

Is it now the policy position of government that when tax revenue, whether it be from land tax or some other tax, is lower than expected, that is justification for raising those taxation rates for the following year?

Mr D.C. NALDER: Thank you, member for Victoria Park. We have explained that that is the basis for the decision this year. In no way can I perceive it to be a policy setting for future budgets. We just cannot do that. Yes, that is the justification for why we have approached it in this budget, but I cannot speculate on what application will be applied in the future. It is not seen as a policy setting.

Ms R. SAFFIOTI: My question relates to the valuation process—the taxable value of the land. As I recall, one of the most contentious issues with land tax is the valuation process. I am sure that many members in this chamber have had representations from constituent landowners with questions about the valuation process, particularly when there have been increases. I know that the increases have not been as significant as previously.

There are a couple of aspects to my question. As I recall, an evaluation process used to happen every three years and it was abandoned because there were significant increases—so one year there might be very significant increases just because of the massive evaluation jumps. I understand that the Valuer-General does annual evaluations, but exactly how is that done? The answer will help all of us when landowners come in to complain about the valuation process.

Mr D.C. NALDER: I am not a licensed valuer, so I cannot explain how they value something; all I can do is explain when it is done. The land tax is calculated on the aggregated taxable value of all land held in the same ownership as at midnight on 30 June. Since July 2009, any increase in an unimproved valuation of an individual land item has been capped to a maximum of 50 per cent of the previous year's evaluation. The unimproved value of land is its market value under normal sales conditions, assuming that no structural improvements have been made. Each year, the Valuer-General determines the unimproved values for all land in the state. The value is based on data from the August preceding the relevant assessing year. For example, for the 2014–15 assessment year the value is determined from data from August 2013. Does that explain what the member is asking for?

Ms R. SAFFIOTI: I expect that the actual process is not someone driving around looking at every property, so it is basically getting sales data and basically forming judgements on sales evidence. It is done yearly now. Are there wide fluctuations or is there some sort of stabilisation? On the sales data, in many places would there not be simple unimproved land that has a higher volume of sales on which a rigorous figure can be given? How exactly is it done? Is an estimation taken? For example, I suspect that there would not be a lot of empty blocks sold each year in Alfred Cove, so how is the unimproved land value actually determined from that market data?

Mr D.C. NALDER: We cannot answer that question because, as I explained before, we are not valuers and we do not know how they value the land. All I can explain is the process by which they capture the data, so I cannot answer that question for the member.

Mr R.H. COOK: I apologise to the chamber for continuing to burrow in to this particular issue.

Several members interjected.

The SPEAKER: Members!

Mr D.C. Nalder: I appreciate your apology!

Mr R.H. COOK: The minister went into some detail about the differential between the land tax rates in WA and the other states. Can the minister provide an explanation about why we have much lower rates than do the other states?

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Mr D.C. NALDER: I cannot. I do not know the basis upon which we have been placed in this position. I do not have that information at hand to go back into history and say how long we have been in that situation.

Mr R.H. COOK: Could it be because the other states have lower stamp duty rates or a system for establishing lower local government rates? Surely, at the end of the day this is about the bundle of taxes that the landowner incurs as a result of this. I understand that the minister is using this comparison as a form of political refuge, but there must be some reason other than simply the differential to explain why there is such a big difference.

Mr D.C. NALDER: We cannot explain why there is a huge difference. I do not know. What I can say is that every jurisdiction has a totally different mix of taxation, and, again, I do not have any idea why ours is a lot better, more generous system than other jurisdictions around this country.

Ms R. SAFFIOTI: I have one question that relates to the metropolitan region improvement tax, which is another tax levied alongside the land tax. I know there were some issues a number of years ago when some landowners were liable to pay the MRIT and not the land tax because of the change in thresholds. Is it still the case that some landowners are subject to MRIT and not land tax, and are there administrative cost issues around that?

Mr D.C. NALDER: They are aligned at the same thresholds, and I think that answers what the member is looking for.

Ms R. SAFFIOTI: I refer to land tax more generally. What impact will this increase have, in particular to rents in shopping centres? I think the member for Cannington raised some very good points yesterday about the impact these increases will have. I note that shopping centres are normally taxed at the upper brackets, so when there are increases, there are some significant increases for the tenants of the shopping centres because the land tax rates are actually passed straight on to the tenant. What analysis has been done and what is the estimated impact this will have on the tenants of shopping centres?

Mr D.C. NALDER: We do not know. We are not sure how owners of shopping centres pass that on and how they determine their charges for tenancy. I assume that most of them would have it calculated in as part of their overall costs and it would be in their modelling. But we cannot tell the member which ones are passed forward across all the charges they have, whether it be in rates, water rates, land rates et cetera. I do not know.

Ms R. Saffioti: But is it the minister's expectation that these increases would be passed on?

Mr D.C. NALDER: I think it would be prudent for any property owner that has tenants to ensure that they are operating at a profit. I think that is standard commercial practice. How that is done, I cannot tell the member because I think different ones would approach it differently. But everybody would look —

Mr P. Papalia: For commercial tenancies the landlords always pass things on.

Mr D.C. NALDER: Not specifically. Yes, they would —

Mr P. Papalia: Tell me when they don't.

Mr D.C. NALDER: In theory they would, but how they pass it on —

Mr P. Papalia: They never take the hit; it's always the tenants.

Ms R. SAFFIOTI: I return to the impact this will have on small business. As the supposed party of small business, was the small business minister specifically consulted on this change, given the likely impact this land tax increase will have on small businesses, particularly those in shopping centres?

Mr D.C. NALDER: What I can say is that this passes through cabinet, and every minister is involved through the cabinet process. That is all I wish to comment on.

Ms R. SAFFIOTI: I will again ask whether there were any specific discussions or deliberations with the small business minister before this decision was made and brought into the Parliament?

Mr D.C. NALDER: I repeat that every minister in the cabinet has a responsibility to understand the decisions that are being undertaken, so every minister has the opportunity to be involved.

Mr P. PAPALIA: It is an interesting subject, minister. It will, no doubt, be of interest to the small business sector; people will want to know whether there was any effort on their behalf, either in the cabinet room or outside or in discussions between ministers on their behalf, to ensure that these costs, which are going to be significant in the commercial sector invariably, were contained. As the member for West Swan has indicated, shopping centres and clusters of shops are expensive parcels of land where there are significant increases—a 10 per cent increase is a significant increase—and there will be on-costs to the tenants; they are always passed on. This government has done nothing to protect the small business sector from landlords imposing additional costs on their tenants. There is no opportunity for those tenants to appeal. On behalf of the small business owners of Western Australia, I want to know whether the Minister for Small Business bothered to open his mouth?

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr D.C. NALDER: That question is better directed to the appropriate minister. As the Minister for Finance I am responsible for dealing with this bill and that is what I am trying to do. It is probably easier if members opposite ask me specific questions.

Mr P. PAPALIA: In constructing this tax increase, what deliberations took place on the impact on small businesses around Western Australia that are tenants in large shopping centres where there will be a significant increase on land tax and, as a consequence, an increase in costs on top of the 12 per cent increase in land tax last year and all the other costs imposed on small businesses such as electricity and water charges? Were there any deliberations and what consideration was given to small business?

Mr D.C. NALDER: I will not reference anything that was discussed, debated or otherwise within cabinet. In the 12 weeks that I have now been in the portfolio, I have engaged with every minister.

Mr P. PAPALIA: In that time has the minister deliberated on this himself or asked questions on behalf of the small business sector about the likely increase in this tax?

Mr D.C. NALDER: As finance minister, I can say that I have not had detailed discussions with the small business industry personally.

Ms R. SAFFIOTI: Does the regulatory gatekeeping unit still exist in Treasury to assess the impact of all new legislation on small business and on red tape and all those things that the Liberal Party is meant to be looking at? Does that unit still exist and did this legislation go through that unit?

Mr D.C. NALDER: Budget bills are exempt from the regulatory gatekeeping unit; and, for the member's information, the unit is in the Department of Finance under my remit.

Mr P. PAPALIA: So, in the time that the minister has occupied the role, there has been no inquiry or investigation by him or by persons he has directed on the impact of this 10 per cent increase, coupled with last year's 12 per cent increase in land tax, on the small businesses that will be tenants in large parcels of land and subject to significant cost increases as a consequence?

Mr D.C. Nalder: As I said, I have not personally done that.

Mr P. PAPALIA: The minister has not, because it may have been a fair way down the path. I am disturbed that the minister has not, because these tax increases will have a serious impact on small businesses that are doing it tough as a result of the fall in consumer confidence that we are witnessing at the moment. If that does not turn around, there will be a lot of small businesses in Western Australia that will be hurting in the next few months, and yet the government will whack them with another big impost in the form of an increase to their lease. That will happen, because the landlords will not take the hint. They do not have to because there is nothing to constrain them. The government has avoided its responsibility and ignored the Labor Party's urging to provide protection to commercial leasehold tenants to protect small business. The minister has not done this to date, but I urge the Minister for Finance, as the minister responsible for this 10 per cent tax increase, to seek out some statistics, projections and modelling on behalf of the small business sector. I know that it is a bit late to stop it, but he may be able to inform his cabinet colleagues just what they are doing to a key sector of the community.

Mr D.C. NALDER: I am happy to take the member's advice and recommendation on board, and I thank him.

Mr R.H. COOK: My question is in reference to the estimated impact of this measure, which is to raise \$72 million in 2014–15 and \$334 million across the entire budget period. Without necessarily knowing the specific glide path of these particular measures, it is nevertheless a fairly gradual glide path. I also note from the budget papers that land tax receipts are anticipated to go from \$755 million in 2014–15 to just over \$1 billion in 2017–18. Given that the minister's expectations from land tax in 2013–14 were so off the mark, requiring this 10 per cent increase, what are the assumptions with regard to the economic activity that will lead to this increase?

Mr D.C. NALDER: It is based on all the forecasts within the budget papers and the economic activity that the state is expecting. That is a very broad brush, I am aware, but that is the best I can give the member.

Mr R.H. COOK: What went wrong in 2013–14 that resulted in the minister's expectations for land values not being met?

Mr D.C. NALDER: Land tax is determined on the Valuer-General's valuations, and as I have explained, we do not know how the Valuer-General arrived at that figure, but it came in lower than what was anticipated and forecast; the forecast is always based on history and it did not meet what was forecast in the budget papers.

Mr R.H. COOK: What is different in the forecasts from this point forward, given the experience of 2013–14? How has that changed from the previous forecasts?

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Mr D.C. NALDER: The forecast for 2014–15 is based on information that we receive from the Valuer-General; the out years are based on the long-term averages we hold. The Valuer-General dictates 2014–15 and we have more confidence around that; we have taken long-term averages to forecast forward and that will be adjusted every year.

Ms R. SAFFIOTI: My question relates to how this is applied. As I understand it, properties are classified under the Land Tax Act as residential, commercial or rural properties, and that is sometimes different from the zoning that is applied. There is a particular case in the Swan Valley relevant to how this is determined and the best way to get it changed. It is a rural property that is classified as commercial, which significantly impacts the land value costs and the land tax applicable.

Mr D.C. NALDER: It sounds like a valuation question, which we cannot answer. I will get a couple more points that I think would be helpful. The Land Tax Assessment Act does not have a different rate of tax. It has the one threshold across all aspects of it. The member needs to go back through the Valuer-General's office to get clarity around that specific issue. I assume it is for a constituent or family member or something.

Ms R. SAFFIOTI: Not family—a constituent. I would not be that bold to ask about family members! The word is not “bold”, but I would not do that.

Does the Valuer-General apply the unimproved land value and that is driven by the usage, or does the Valuer-General value the land according to the title?

Mr D.C. Nalder: It is based on the unimproved value.

Ms R. SAFFIOTI: If it is unimproved land value, it does not matter what the usage is.

Mr D.C. Nalder: That is right. Zonings may impact on valuing methodologies, but we cannot comment on that. That is through the valuation process. It is not something that we control or influence in here.

Ms R. SAFFIOTI: The land value is basically driven by what it can be used for, so is it the unimproved land value or not?

Mr D.C. Nalder: It is a valuation question. It is not one for Finance to answer. The member is in the wrong place if she really seeks an answer to that.

Ms R. SAFFIOTI: Can I go next door to ask the Valuer-General?

Mr R.H. Cook: Next office down on the left!

Ms R. SAFFIOTI: I thought they were in the bank—next counter!

Is it that the minister has no advice about the way the unimproved land value is classified?

Mr D.C. NALDER: The valuation process uses licensed people. It is not really for us, who do not have that skill set, to comment on that area. I encourage the member to direct that question through the appropriate channels.

Clause put and passed.

Clause 8 put and passed.

Clause 9: Section 8 replaced —

Ms R. SAFFIOTI: In relation to this change to the payroll tax threshold, was any consideration given to bringing forward the second stage to have it all done in one go; and, if so, what were the costings in trying to ease the burden on business sooner rather than later?

Mr D.C. NALDER: I cannot speak for the whole process because I came in late, but in the time that I have been there it has not been considered. It was part of the 2013 election commitment, and we are fulfilling that.

Mr P. PAPALIA: Before I ask my next question, I congratulate the minister and the government for the first promise that I can discern it has kept. Of all the promises I have observed, this seems to be the first real one it has kept of any significance. Congratulations; well done. It is wonderful to see. Unfortunately, there is not much of it.

I refer to page 98 of budget paper No 3. In the observations about projected annual growth in the forward estimates of payroll tax, there is reference to “efficient and effective administration under the Revenue Systems and Enhancements Program”. Can the minister explain what the revenue systems and enhancements program consists of? How is the minister able to quantify the expected outcomes and benefits? What can those expected outcomes and benefits be attributed to as far as potential changes?

Mr D.C. Nalder: Sorry, but I got lost a bit on that one.

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Mr P. PAPALIA: Can the minister speak to the revenue systems and enhancements program—what it consists of, where it is focused, what its targets are, and what its mechanisms are; and why is there an expectation that there will be additional revenue as a consequence of more efficient and effective administration as a result of that program?

Mr D.C. NALDER: I do not have an answer to that at this point in time.

Mr P. Papalia: Do none of your advisers know?

Mr D.C. NALDER: My advisers are not able to assist me at this point. I would have to take that on notice and provide the member with a more specific answer.

Mr P. PAPALIA: Does the minister understand what I am talking about? Did the minister get that bit?

Mr D.C. NALDER: Yes, I did. I think I know what it is, but I would rather confirm it.

Mr P. Papalia: So it is not something major that is going on?

Mr D.C. NALDER: No.

Mr P. PAPALIA: It is just referred to as being likely to result in additional revenue. That might be of interest to the minister anyway to find out, I would imagine. I would appreciate it if the minister could provide that information.

Mr B.S. WYATT: Taxes, revenue and spend are always interesting areas of priority of government. This was announced at the 2013 election campaign by the member for Vasse during the discussion that I had with him with the business community. However, when the member for Vasse made the announcement, he did not make the announcement that when this bill would be introduced there would also be two tax increases—one in respect of land tax and one in respect of the first home owner grant. Thankfully, that was actually recorded, so I went back and watched it again, because I thought that maybe I had missed that part of his announcement, and it was not there. It is odd—to have a Revenue Laws Amendment Bill that imposes two tax increases and effectively a tax cut is not usual. So I am curious as to the cost of raising the payroll tax threshold. I think it is \$121 million across the forward estimates. I could probably fossick around to find this, but the minister has got three advisers to help him.

Mr D.C. NALDER: It is \$121 million over three years.

Mr B.S. WYATT: I thought it was around that figure. It is \$121 million in the budget year and the forward estimates. That is obviously more than offset by the tax increases of some just shy of \$600 million in the duties and land tax amendments. Why has the government made the decision to effectively fund the payroll tax increased threshold via the first home owner scheme? It is an interesting mix that the government is looking to those people who pay land tax and those potential first home buyers to fund this increase in the threshold. Is it now a policy position of the government that what is effectively a tax cut by raising the payroll tax threshold will be accompanied by a revenue source to help fund that?

Mr D.C. NALDER: No; I do not see it as a policy setting. I see it as a government that has worked hard to ensure that we retain a surplus moving forward.

Mr B.S. WYATT: Can the minister explain to me, then, as a government that is working hard to retain a surplus, how lifting the threshold on payroll tax, and therefore losing revenue of \$121 million, will help add to that surplus?

Mr D.C. NALDER: Again, using some pretty basic economics, we are supporting small business in this instance to increase productivity. I cannot give a specific reason for the blend. We can talk about each one individually, which we have been doing this evening. I do not know if it is worthwhile getting into full-blown philosophical discussions about these matters. I am happy to respond to the specific questions that the member has on this bill, and I would prefer to stick to that this evening given the hour.

Mr B.S. WYATT: The minister said that this bill was designed to ensure that the government retained a surplus. I asked the minister how reducing the government's payroll revenue by \$121 million will help the government retain a surplus. He said that it was because of increased productivity. Therefore, I am assuming that increasing the threshold will increase payroll tax revenue. Is that what he is saying? I am a bit confused as to what he is saying. I do not understand how reducing payroll tax revenue assists the government in retaining a surplus.

Mr D.C. NALDER: Going back to the member's first question about these being blended together, they are not dependent on each other. I am saying that, in isolation, this is a return that is given back to small business, I think to aid small business to be more productive and hopefully employ more people.

Mr B.S. WYATT: I presume the minister cannot explain to me why the former Treasurer, when he announced his increase in the payroll tax threshold during the election campaign—the minister was not there, of course; he

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was probably doorknocking hard in Alfred Cove—did not also say that in the same bill he would be seeking \$600 million additional revenue from first home buyers and people who pay land tax.

Mr J.H.D. Day: Because there was no decision to do so at that time.

Mr D.C. NALDER: I cannot speak on behalf of the Treasurer. When making a lot of these decisions, we try to look at it every year. Whilst we forecast, we set the budgets every year and we are trying to predict what we will do in the future. It is difficult, as any economic forecaster knows, to precisely speculate where things may end up, like iron ore royalties et cetera. We are working on the best advice that we can get with regard to the forecasts and the expectations that we set. We will weigh up every budget. As I said, we have to look at midyear reviews to assess whether there have been any broader economic impacts of the budget. That is what we will do every time we sit down and consider a budget.

Mr B.S. WYATT: As the minister says, it is difficult to precisely speculate yet tonight we are implementing a commitment made in February 2013 that is delivering a tax cut in 2016. We are speculating quite far out into the forward estimates. We are now deep into the forward estimates with these tax cuts by raising the threshold. Presumably, decisions must have been made. I heard the much-welcomed interjection from the Leader of the House that decisions had not been made about the increases in the stamp duty and land tax components of this legislation. I can only assume therefore—again, I understand the minister was not there; he was probably doorknocking hard in Alfred Cove —

Mr D.C. Nalder: We're following through on an election commitment.

Mr B.S. WYATT: I think I was the only MP who was there when the election commitment was made by the former Treasurer, the member for Vasse. He made an election commitment that would deliver an increase in the payroll tax exemption threshold well past three years from that time. He did not then say that the same document would include increases in land tax and the first home buyers grant. I want to be clear. I understand that governments want to make positive announcements during election campaigns but we are effectively reducing payroll tax revenue by \$121 million, which is in part—I will say “in part” to be generous but it is more a case of being entirely funded—funded by first home buyers and people who pay land tax.

Mr D.C. NALDER: I take it as a rhetorical question and I appreciate the advice from the member for Victoria Park.

Ms R. SAFFIOTI: I am interested in some of the comments the minister made about the impact of this payroll tax change, which will reduce revenue by \$121 million.

Mr B.S. Wyatt: That will add to the surplus, of course.

Ms R. SAFFIOTI: Yes. However, the minister said that the change will improve productivity, change behaviour and allow businesses to employ more people. It is obvious, therefore, that this tax change will have a significant impact on the behaviour of the recipients, but I am confused because the minister said that a stamp duty increase of \$334 million would have no impact on the behaviour of the economy.

Mr D.C. Nalder: No, I didn't say that.

Ms R. SAFFIOTI: The minister said that there would be a negligible impact.

Mr D.C. Nalder: That was another issue we were talking about.

Ms R. SAFFIOTI: No. The minister's advisors are with me on this.

Mr D.C. Nalder: That was about the first home owner grant.

Ms R. SAFFIOTI: Yes, the stamp duty change.

Mr D.C. Nalder: Okay; keep going.

Ms R. SAFFIOTI: I am saying that a payroll tax cut of \$121 million will have a significant impact, yet a stamp duty increase of \$334 million will have a negligible impact on the behaviour of consumers. Can the minister explain that difference to me?

Mr D.C. NALDER: Just to clarify, I did not say it would have a significant impact. I said that the benefits that would come from the payroll tax rebate to small businesses would improve their productivity.

Ms R. Saffioti: You also said they would employ more people and change behaviour.

Mr D.C. NALDER: With improved productivity we would hope that it would flow through to increased activity and increased employment. What I do not know and I cannot give the member on the stamp duty, is information on what impact will flow through to small businesses. A lot of properties are residential properties and so forth, so the member is talking about a much broader impact.

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Ms R. SAFFIOTI: I am sorry, I do not mean to confuse this issue or confuse the minister. I am saying that the minister was very—what is the word?

Mr P. Papalia: Effusive about this one?

Ms R. SAFFIOTI: Effusive. The minister is basically saying that this tax cut will spark all this activity and response, yet he is saying that there will be a negligible response in purchasing behaviour as a result of a \$334 million increase in stamp duty for first home buyers. I put it that the increase in stamp duty will impact on behaviour and the purchasing decisions of first home buyers.

Mr D.C. NALDER: I would have to look at *Hansard* to see exactly what I said, but I am pretty sure that I did not even comment on land tax having a negligible impact, or whatever.

Ms R. Saffioti: No, I am sorry; I am talking about the stamp duty change for first home buyers. The minister is saying that this payroll tax cut will have a significant impact in one part of the market—that is a \$121 million change—but he said that the \$334 million change to the first home buyer market will not have a significant impact. That is the comparison I am trying to make.

Mr D.C. NALDER: I think we are getting confused between the duties and the land tax.

Ms R. Saffioti: No, I am not confused.

Mr D.C. NALDER: The member is not? I have been advised on what I did say. I said that there would be minimal impact on the behaviour of first home owners.

Ms R. Saffioti: Yes.

Mr D.C. NALDER: I was talking about first home owners.

Ms R. Saffioti: Yes.

Mr D.C. NALDER: For a start, 64 per cent of them are not even affected by it. We have gone backwards now to another clause.

Ms R. Saffioti: No, it is \$334 million. That is a lot of money you are taking from that market.

Mr D.C. NALDER: I am saying that 64 per cent of first home owners will not even be affected by the changes to the Duties Act. We have gone through all of that. I think the member is clutching at straws. I am not saying that this benefit in payroll tax will be massive and all those sorts of things. I think that we are fulfilling a commitment that we gave to small business, there will be a flow-on effect for small business, and we are really pleased to provide that to small business.

Mr P. PAPALIA: Perhaps I will put the question another way so that the minister can respond. As the member for Victoria Park said a few moments ago, the government has chosen, probably uniquely in the living memory of everyone in the chamber, to combine a tax cut with two tax increases in the one bill. The tax increase table does not include the cut because they are different parts of previous years or something like that. Could the minister explain the net impact of the three tax changes—that is, the tax cuts to payroll tax and the two other tax increases—to the budget in each of the years from this year and the three out years? What is the net impact of that, because I am assuming it will be a positive return to the government—that is, it is going to be revenue, a tax grab?

Mr D.C. NALDER: I refer the member for Warnbro to page 90 of the budget papers, where that is spelt out in a table.

Mr P. Papalia: It does not have the payroll tax cut; it does not have the benefit there of that.

Mr D.C. NALDER: The payroll tax was in last year's budget.

Mr P. Papalia: That is right. That is why I am asking if you can just put on the record, to make it clear, because I wasn't there and paying attention then, what is the net impact for this year and each of the three out years of the three taxes combined, because there are two big tax grabs and one little tax cut, and there must be a net return to the state?

Mr D.C. NALDER: All I can provide the member for Warnbro is the data that we have on hand, which is that it is \$121 million over three years.

Mr P. PAPALIA: Would the minister be able to provide that breakdown over each of the years? I understand that he may not be able to do so now. I understand it is a \$120 million net tax grab by the state. Has the minister got it?

Mr D.C. Nalder: No, what I am saying is that you can get it out of last year's budget paper and look at it yourself.

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr P. PAPALIA: I know I could, but I am asking the minister.

Mr D.C. Nalder: I said I don't have last year's budget papers.

Mr P. PAPALIA: The minister is the one who has all the advisers and he gets paid the big bucks.

Mr D.C. Nalder: I am happy to provide further information.

Mr P. PAPALIA: I appreciate that.

Mr R.H. COOK: This will not take long as it is only a technical question in relation to the impact of the clause. I understand from the second reading speech that these two measures are estimated to benefit over 16 000 employers. Could the minister tell us exactly how many businesses he expects will fall below the tax exemption threshold from 1 July 2014 and how many will fall further below this threshold in 1 July 2016?

Mr D.C. NALDER: Again, we do not have that specific information on hand. It was forecast in last year's budget, but it is not something that we have on hand at this point.

Mr B.S. WYATT: This is probably my final question, subject to the minister's answer. The minister may take it more as a comment, but I would not mind a brief response. Perhaps it will fall into that broad philosophical discussion that the minister does not want us to have, but I want to ask one question. I think a priority of the government is to restore to the state its AAA credit rating. When I listen to the comments of the Treasurer, I think that is one of the priorities of the government.

Mr D.C. Nalder: Correct.

Mr B.S. WYATT: Thank you. I would like to focus on the comments of Standard and Poor's about the lack of political will in the government to deliver on some of the tougher aspects of budgetary management. The Treasurer likes to focus on the narrowing revenue base of the state. I guess my question to the minister is: does the Treasurer think that increasing the payroll tax threshold is more likely or less likely to contribute to the restoration of the AAA credit rating?

Mr D.C. Nalder: I am thinking about it.

Mr B.S. WYATT: I was unsure whether the minister was going to respond or whether he was treating it as a comment.

Mr D.C. NALDER: I was thinking through the economic rationale of the member's question, and it is an interesting question. I enjoy having those sorts of discussions. I do not know whether this is the right format, because we could banter for hours on this subject.

Several members interjected.

The SPEAKER: Members!

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan!

Mr D.C. NALDER: I can see the economic rationale for and against. I will take it as a comment. I think it is an interesting longer term broader question that should be debated, but I will not take on that debate here and now. A lot of people in this house would have a desire to return more and more payroll tax back to small business. It is a shame that we are so dependent on it. Irrespective of which side of politics we are on, there is a desire to return more to small business. There is a huge dependency on payroll tax in this state. The situation is similar across most, if not all, jurisdictions. One of the challenges we have is to continue to deliver a surplus. We have limited options with how we deliver that surplus. I cannot really answer the member's question specifically other than to say that I have a longer term desire to ensure that we continue to reform in this area wherever possible and return more to small business, because I believe that freeing up our small businesses to employ more people delivers a greater flow-on effect to the economy.

Mr B.S. WYATT: We face an evil dichotomy, do we not?

Several members interjected.

Mr B.S. WYATT: When it gets this late at night, all sorts of things happen. That is the quandary we face. This is the place for these philosophical discussions.

Ms R. Saffioti: As opposed to a cigar lounge?

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Mr B.S. WYATT: I do not get invited to those. The minister is right; we are so dependent on it. He said that the government is committed to its surplus. The opposition will not oppose this increase in the threshold, but the minister made the point that the government is doing all this to ensure we go to surplus. The member for Riverton in his budget speech as Treasurer stated —

This moderation in domestic economic conditions is flowing through to lower employment and wages growth. This, in turn, is resulting in weaker growth in taxation collections, particularly payroll tax—the State’s largest tax base.

The government has made a decision. It has lost its AAA credit rating and it has confirmed its priority is to restore that AAA credit rating. The Premier complains about the narrowing of our revenue base, and that has been identified as one of the key weaknesses in Western Australia’s finances by Standard and Poor’s; 22 per cent of our revenue is now from the volatile source of royalties. Payroll tax has now effectively been cut by this decision, which narrows the base even further. Admittedly, the package does two other things; it increases taxes, but, effectively, it increases tax in another volatile area—that is, stamp duty. The way I understand the commentary from the Treasurer is that we are exacerbating the state’s financial position. I am not about to launch into a 20-minute tirade, but we will all have to think about that at some stage. I know the minister does not want a philosophical conversation. I am not confident that we will get a wonderfully more generous return on our share of the goods and services tax revenue because of what has to happen for that to happen. As the minister said, we are very dependent on payroll tax. We are dependent upon three taxes plus royalties: some are efficient; some are volatile and some are not. Unfortunately for the businesses of WA, the land taxpayers of WA and the home buyers of WA, the ability to continue to offer tax cuts in the future will be dramatically constrained if the government is serious about returning to a AAA credit rating.

What I am saying is not outrageous; it is a logical flow of the conversation, of what the Treasurer has been saying and what the credit rating agencies are saying. With this bill we will be exacerbating the problems identified by the Treasurer. This is not a critique; we all love returning tax revenue to the payers, but at some point there has to be a tipping point and I think we are pretty close to that. A lot is now banking on the successful return of a significant proportion of our GST, which is an efficient broad-based tax. It will not be adequate to simply broaden the base and increase the rate because we will still be washing through the Commonwealth Grants Commission. In the next decade, royalties will be a high proportion of our revenue base. That will not dramatically change. We had a dramatic change over the last 10 years from nine to 22 per cent, but this is the evil dichotomy I referred to. Ultimately, with these sorts of bills, if we are serious about restoring our AAA credit rating and the sustainability to finances, and unless there is some dramatic restructure of how we share the revenue collected by the federal government, we will not be able to continue to reduce our limited tax flows. I make that as a comment but I think it is the logical flow of the comments I hear from the Treasurer, the Premier and economists and, indeed, from what the minister just said. I think we are probably in agreement on this. At some point this philosophical conversation has to be had.

Mr D.C. NALDER: I thank the member for Victoria Park for his commentary. I am probably not quite as pessimistic as is the member. I note that quite a few ifs were in there.

Mr B.S. Wyatt: I am forecasting the next 15 years, of course.

Mr D.C. NALDER: Although I do not disagree, I think there are still a few opportunities here. The member for Victoria Park may well be right in his assumptions. It is something we need to be mindful of as we forge forward. I am still rather optimistic about this state. I think we have a great opportunity in front of us as a lot of the economy moves more into production and we see greater flows. Although it will increase the level of volatility through greater flows of royalties, I look forward to seeing the increase from gas royalty flows into the economy. I hold out hope for more sensible discussions over the ensuing years with the commonwealth around GST. All in all, I do not disagree with the member for Victoria Park; I think he made some very valid points, albeit, I possibly remain a little more optimistic than he does, but I note the challenges we face as a state, moving forward.

Mr B.S. WYATT: I did not make a negative comment about the state. I do not know where the minister got that from. The only pessimism I expressed was the ability for Western Australia to get a better return of the GST. I am pessimistic about that because I know the difficulty involved in getting it back. I am very optimistic about the state. The minister rightly made the point that we have had our terms of trade and our investment boom and now we are going into production.

Point of Order

Mrs G.J. GODFREY: The member for Victoria Park is waffling and repeating himself.

The SPEAKER: Can the member for Victoria Park come back to the point?

Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Debate Resumed

Mr B.S. WYATT: Member for Belmont, that is most unkind. The member accused me of repeating myself. That is the first time I have said that we are moving into the production boom of the Western Australian economy. The member for Belmont might learn something if she listens; it is a good conversation. Waffling! As I was saying—I will repeat this because I do not think the member for Belmont quite understood—we are into the production phase for both mining and petroleum, as has been pointed out. However, that phase does not employ anywhere near the number of people that the investment phase employs. That is an important issue for the people of Belmont, because it means that the jobs that the member’s constituents have been used to may not be there. So we do need to have this conversation. I am not being pessimistic about the state.

Mr F.A. Alban interjected.

The SPEAKER: Member for Victoria Park, I think we have given you quite a bit of leeway.

Mr B.S. WYATT: I am concluding, Mr Speaker. I am not going for half an hour; I have three minutes. I am just responding to that interjection. I do not want to leave this impression, because I did not say that I am negative about the state. I am negative about the GST return. I know that the member for Swan Hills said, “Maybe another time.” Hopefully that is the case, but apparently debate on a piece of legislation that deals with payroll tax is not the place to have a philosophical conversation about payroll tax! I am not sure when that other time will be. I am now debating everyone other than the minister. I think we are in agreement. Of course there are a lot of ifs, because I am talking about the next 10 or 15 years. The reality is that the member for Belmont needs to think about this, too. We all do.

I want to conclude. I note that the Leader of the House has said to the Minister for Finance, “Don’t get up. Sit down when he sits down; we’ll be going on forever.”

Mr D.C. Nalder: No, he didn’t.

Mr B.S. WYATT: I know that is what he said.

Mr J.H.D. Day: Or words to that effect!

Mr B.S. WYATT: Or words to that effect. He is a wily old minister. Nothing gets past this one. The one I keep my eye on the most is this one right here. This bloke has seen some things. Out of all the government members, and all the ones who are not here, he is the one we watch, particularly now that he is front and centre. It has been an enjoyable discussion.

Ms R. SAFFIOTI: I think the member for Kwinana asked a question about the number of businesses that will benefit from this change, and the minister said that he did not have that information. Does the minister have figures from the past five years of the number of people who were liable for payroll tax? Has there been growth over the past five years?

Mr D.C. Nalder: There are 18 487 registered clients at the moment and roughly 16 000 will benefit from the reduction in payroll tax. There are 18 000 in this group and the benefit will flow to roughly 16 000. It does not flow through to the others because they may have family members and may be grouped as one and therefore do not qualify for that. They are one liability, so they get only one threshold.

Ms R. SAFFIOTI: How many people are liable for payroll tax this year?

Mr D.C. Nalder: There are 18 487 registered employers.

Ms R. SAFFIOTI: Just to clarify, because the threshold is being changed, everyone will get some benefit; is that right?

Mr D.C. Nalder: Almost.

Ms R. SAFFIOTI: To clarify, there are 18 487 employers paying payroll tax and 16 000 will —

Mr D.C. Nalder: I can give you the specifics if you want, but roughly 16 000 will receive the benefit because of the way that they are treated as family members and are grouped into one; therefore, it is just a single threshold.

Ms R. SAFFIOTI: Does the minister have figures, for example, from five years ago about how many were paying payroll tax?

Mr D.C. Nalder: No, we do not.

Ms R. SAFFIOTI: If I asked the question in another place, will that —

Mr D.C. Nalder: If you put a question on notice, we will be able to find that information; we will look to see what we can find you for that.

Extract from *Hansard*

[ASSEMBLY — Wednesday, 11 June 2014]

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Mr Ben Wyatt; Mr Dean Nalder; Ms Rita Saffioti; Mr D. C. Nalder; Mr Paul Papalia; Mr B. S. Wyatt; Dr Tony Buti; Mr Roger Cook; Mrs Glenys Godfrey; Speaker

Clause put and passed.

Title put and passed.

House adjourned at 10.51 pm
