

**LAND TAX ASSESSMENT AMENDMENT
(RESIDENTIAL CONSTRUCTION EXEMPTIONS) BILL 2023**

Second Reading

Resumed from 21 February.

MR R.S. LOVE (Moore — Leader of the Opposition) [11.43 am]: I rise on behalf of the opposition to make a contribution to the discussion on the Land Tax Assessment Amendment (Residential Construction Exemptions) Bill 2023. I say at the outset that we will be supporting these measures, which, as we know, are being introduced to assist home owners who are struggling because of the extended time it is taking to get a house constructed in the current climate.

As we know, land tax is paid annually on all land in Western Australia, with certain exemptions for primary residences, land being used for rural industries et cetera. Apart from those exemptions, it is a requirement to pay land tax. If a landowner has a property that is their primary residence and is in the middle of constructing another house, there is a two-year construction exemption, which means that when the house is finally finished and the owner moves into the new house and occupies it as their primary home, they will be able to retain that exemption for the two properties.

The construction industry has encountered significant delays due to a shortage of labour and materials and the unwise stimulus package that was put in place during the COVID period and led to a massive block of houses being started. I drove through some of the new subdivisions in my electorate in the Chittering shire and saw block after block—these are semirural blocks, maybe a hectare in size—and on every block was a pad and a pile of bricks, and nothing else. It looked like that for quite some time. Builders would lay a pad to commence the construction of a house and would potentially leave a pile of bricks there for a long period. As we know, since that period builders have been unable to continue with the construction of those houses. The price of materials went through the roof. Many of those contracts had fixed terms. Home owners are in a state of distress. They may be renting a house while they are waiting to build a home and they have already borrowed money against the block and are paying interest. We know what is happening with interest rates. Rents have also been impacted by the steep rise in those rates and there is a shortage of rental properties available in the state. For a long time, the government has ignored the pleas made by us on this side for more to be done to enable builders to get on and do the job and get through the glut of houses that was created during the COVID stimulus period. I remember being approached by builders back in 2020 in the period leading up to the campaign for the 2021 election, who were trying to get some help to gain extensions of time on the understanding that they would not be able to meet the time lines, given the labour and material shortages that were already creeping in. It has been evident for some time that delays would exist. It is appropriate that we provide through this legislation an exemption for an extended period, from two to three years, and in exceptional circumstances allow it to step out to four years. Those circumstances are outlined in part in the explanatory memorandum.

I have been asked whether the opposition will go into consideration in detail on this matter. I think we probably will because I want to get an explanation on the record of some of the time lines and exemptions. I do not think it will be a difficult discussion in consideration in detail. As I say, I am not opposed to the bill or to any of the measures in the bill that I can see, but it might be instructive for there to be further explanation of some of the time lines and exemptions. We will go through those matters in consideration in detail so I will not dwell on them too much now.

Exemptions and exceptional circumstances have been spoken about. Perhaps we can work through some of those and get a better understanding of what the legislation will mean for home owners and in that way provide some further detail to Western Australians who will want to know how this will work and what it will mean for them. Many families are still in a situation of having this building glut hanging over them. We have had some terrible cases in my electorate whereby families have ended up losing their house and the dream of having that house, because of having to change builders or an inability to refinance et cetera. That has led many to conduct a fire sale, get out and end up renting a house somewhere. They may perhaps never achieve their dream of having their own home. We are aware that many people are under stress. Going back as early as the period just before the election, we had some approaches from builders who were saying that this was going to be a problem. They were not listened to by the government until recently.

The Home Builders Action Group has been calling for some measures. It enlisted the help of former Premier Brian Burke to assist it in its dealings with government. It is interesting that some of the measures that the group spoke about have been introduced. I think that the measures themselves are fine and are needed. We need to ensure that the building industry can go ahead and that builders are supported. I cannot think of many other business arrangements in which this has occurred in fixed-price contracts, which was the standard model in Western Australia at the time. Fixed contracts have to be adhered to unless variations are agreed upon. Variations cannot be made because of financial stress; it has to be due to a change in the requirements of the owner for the building. This situation has led to a whole sector coming under a great deal of financial stress. Rising costs are not unique to the building industry. I note that a lot of resources projects have become more expensive between when they were

costed and the project is finalised. Those projects are very well run by professional managers, but they are struggling to get some of those costs under control.

I note that the Treasurer's Advance Authorisation Bill 2024, which was read in today, speaks to some of the pressures that the state is under with its management of projects. Home builders, unlike the government and, perhaps in some cases, unlike some private businesses that might be able to go back to the market to get some more money, are really only able to make good any shortfalls out of their own reserves. That has led to the collapse of numerous building companies, leaving many people who had contracts with those builders in a precarious situation. It is sometimes hard to get another builder to come in on a project that is partly done. Now that we are getting through some of those houses, hopefully some of those pressures are coming off. The next challenge will be to ensure that we have a continual pipeline of work that is large enough to retain the workforce so that we can continue to build homes, because we now have strong population growth and we need to continue to build housing stock into the future.

With that I will wind up my contribution and reiterate that we will support the bill. We might have a brief discussion during consideration in detail around some of the technical details of the times et cetera, but, overall, I think the bill is sensible and I look forward to its passage through Parliament.

MR S.A. MILLMAN (Mount Lawley — Parliamentary Secretary) [11.55 am]: It gives me great pleasure to rise once again to speak on the Land Tax Assessment Amendment (Residential Construction Exemptions) Bill 2023 and the question of land tax, which I have done on a number of occasions. I thank the member for Moore for his contribution and for indicating that the National Party will support the legislation.

Regrettably, the comments that I am proposing to make will not be directed to the National Party; they will be directed to the Liberal Party. I am sure those members are away on urgent parliamentary business or perhaps they are doing a fallacious media conference on funding for maternity services at Carnarvon Hospital, because they are not here to participate in this debate. They were not even able to vote on the third reading of the residential tenancies legislation that we just debated in this house. This leads me to wonder whether or not the housing challenges that we as a community in Western Australia face are even important to the Liberal Party of Western Australia or whether it even cares.

Recently, I have been watching a television show on ABC iview called *Nemesis*—some members might have heard of it. I do not know whether anyone has been watching it. I could not help but remark when I heard Scott Morrison say that the Liberal Party believes in cutting taxes and that taxpayers' money is better in their pockets than the government's. I thought, "I wonder if the Liberal Party is consistent with this philosophy or if it just says one thing and does another?" I went back and thought, "What has the Liberal Party said and done on land tax?" I plugged the search terms into my internet search engine and I have some results here. Journalist Gareth Parker is a great asset to the media community here in Western Australia. He published an article in *The West Australian* in February 2016 that stated —

WA Liberal MPs in blue-ribbon seats are being hit by complaints from angry supporters who vow they will never again vote for the party because of the impact of land tax hikes handed down in last year's State Budget.

The *West Australian* understands the matter came up in Monday's partyroom meeting, the first of the year, and Treasurer Mike Nahan promised he would try to do something to "ameliorate" it.

The members in revolt at the time were John McGrath, the member for South Perth; Dean Nalder, the member for Bateman; and my very own predecessor, Hon Michael Sutherland, the member for Mount Lawley. The Liberal Party did not listen to the concerns of those three wise men and now none of them are in Parliament. In the Liberal Party's last term of office, it hiked land tax and increased the tax liability on the community of Western Australia, and it paid the price politically.

Our sound financial management has put us in a position in which the Treasurer and minister can introduce legislation to provide relief for families. They are getting on with that fundamental endeavour and doing their part to tackle the housing issues that we are facing in Western Australia.

I was asked to make a very brief contribution. I can never resist the opportunity to talk about land tax, particularly given my predecessor's strong views on the matter. I commend the legislation to the house and the minister for bringing it before the chamber.

Question put and passed.

Bill read a second time.

[Leave denied to proceed forthwith to third reading.]

Consideration in Detail

Clauses 1 to 3 put and passed.

Clause 4: Section 27 amended —

Mr R.S. LOVE: Can the minister explain the need for the amendment in clause 4 to delete “private” and insert “primary” in section 27? In this case, clause 4 will specifically amend section 27(1)(c), but I note that another deletion and insertion will take place in clause 5. Can the minister explain that?

Ms R. SAFFIOTI: This bill seeks to correct a terminology error in the legislation.

Clause put and passed.

Clause 5 put and passed.

Clause 6: Section 28A amended —

Mr R.S. LOVE: The nub of this bill is that it will increase the exemption period to three years. The explanatory memorandum contains a number of tables that try to set out how it will all work. Can the minister explain the workings of the amendment to expand the exemption period and insert a period of three consecutive assessment years, or four consecutive assessment years if an extension is granted under proposed section 28H? I seek a brief explanation of how that will work and what measures might be considered for the extension to four years.

Ms R. SAFFIOTI: I think the question from the Leader of the Opposition is more about the general intention of the legislation, and he referred to another clause. Clause 6 amends section 28A, which deals primarily with the subdivision or amalgamation of land.

Clause put and passed.

Clauses 7 and 8 put and passed.

Clause 9: Part 3 Division 2 Subdivision 3 inserted —

Mr R.S. LOVE: This is the substantive bit of the bill to which all the colourful diagrams in the explanatory memorandum relate. I will ask pretty well the same question that I asked before. As the minister pointed out, section 28A deals with subdivisions. Can the minister explain the operation of this clause and how exemptions will be given? Can the minister provide any further explanation, on top of the explanation provided in the explanatory memorandum?

Ms R. SAFFIOTI: The Office of State Revenue identified exemptions that were likely to roll over. As a result, those people have been notified and have had their land tax exempted. There are others who may not be aware, but they will be able to apply once this legislation is in place. It is picking up the fact that some landowners have not been able to move into their properties, and, as I said, the Office of State Revenue identified those cases and rolled over their exemption because of the unique circumstances we find ourselves in.

Mr R.S. LOVE: Proposed section 28F(1)(a) deals with the construction commencement date for the construction or refurbishment of a private residence that forms part of a property. Could the Treasurer explain what is meant by the commencement date for the construction? Was there a trigger point? What level of commencement or construction was required?

Ms R. SAFFIOTI: The commencement date of the construction or refurbishment of a private residence is the date on which the building contract was made or, for owner-builders, the date on which the building permit for the work was granted under the Building Act 2011.

Mr R.S. LOVE: Okay; that is the definition for both construction and refurbishment of a premises. I have a further question on that clause. Proposed section 28F(2) deals with property not being exempt if the person derived an income from the property in the specified period and also outlines other circumstances under which the exemption may not apply. If the property is under construction, how could there be any income from that property, or does this apply to both the primary residence that they may be occupying and the nearly constructed home?

Ms R. SAFFIOTI: The provision is to ensure that people do not rent the property out before they move in. For example, if a person finishes construction and rents the property out, that person will not get this exemption.

Mr R.S. LOVE: Proposed section 28H, “Extension of exemption under s. 28F”, covers completion and exceptional circumstances. Exceptional circumstances can include a builder failing to commence or cease work on the residence but does not include a building material or labour shortage. Can the Treasurer explain why a building materials or labour shortage could not be exceptional circumstances if the material was a critical component? For instance, if the manufacture of plastic pipes used in plumbing could no longer be provided, the house could not be built. Why would that not be an exceptional circumstance, especially when it might tip a project into a third year, for instance?

Ms R. SAFFIOTI: This proposed section outlines why different circumstances will apply in determining whether the two temporary exemptions will be extended for an additional year. For the purpose of extending the proposed section 28F provision, exceptional circumstances must be more significant than solely a building materials or labour shortage. This is because material and labour shortages are already considered by proposed section 28F, which will provide a three-year exemption, so those factors cannot also be “exceptional circumstances” for the purpose of this exemption. Basically, labour and material shortages come under the normal exemption.

Mr R.S. LOVE: I turn to proposed section 28J, “No double exemption”. I have read the clause and I need some instruction on what that legal language means. Can the minister explain the circumstances of this no double exemption clause?

Ms R. SAFFIOTI: My interpretation, or the interpretation that is provided to me, is that the clause is intended to prevent a property from receiving two temporary exemptions; for example, the same property would not be able to get an exemption for five years. One property only can get an exemption of up to three years or four years if it is extended.

Mr R.S. LOVE: Proposed section 28J(2) states —

The Commissioner must determine which section the property is exempt under, in which case the property is not exempt under the other section.

Therefore, will it be the case that the commissioner makes the determination that a person cannot nominate or make a self-declaration as to what they may be seeking?

Ms R. SAFFIOTI: I am advised that the landowner will not be disadvantaged or impacted by this clause. This clause was put in for legal reasons to stipulate that the commissioner has the determination, but the clause will not impact the landowner.

Mr R.S. LOVE: The final question I have is on proposed section 28K, “Reassessment”, which states —

Despite the *Taxation Administration Act 2003* section 17(4), the Commissioner must make any reassessment necessary to give effect to this Subdivision.

The explanatory memorandum states that, at the moment, the commissioner cannot make a reassessment more than five years after the date of an original assessment except in certain circumstances. Therefore, does this clause mean that the commissioner will be able to reach back any length of time for a reassessment? Will that apply only in the cases that we are talking about here, wherein we have an exemption being sought for the second property, or will this provision apply to any case of land tax?

Ms R. SAFFIOTI: First, I will stress that this is only for temporary exemptions, and I have an example. Adrian begins construction of his new home, but construction ceases after two years due to the contracted builder becoming insolvent. Adrian finds another builder to complete the contract and his home is completed by year 4; however, he did not realise that he could receive a temporary residential construction exemption until year 5. That is an example of when this clause would apply.

Clause put and passed.

Clauses 10 and 11 put and passed.

Title put and passed.

[Leave granted to proceed forthwith to third reading.]

Third Reading

MS R. SAFFIOTI (West Swan — Treasurer) [12.15 pm]: I move —

That the bill be now read a third time.

MR R.S. LOVE (Moore — Leader of the Opposition) [12.15 pm]: Thank you, Acting Speaker, and thank you minister for working through that rather brief consideration in detail. I want to put a couple of things on the record. I would like to thank the advisers for giving up their time and being available for the Parliament. It is always very good that they are able to offer instruction to the chamber when required. I note that the member for Roe has the Casino (Burswood Island) Agreement Amendment Bill 2023 coming up very shortly and has had to take a break—he has returned now.

With that, I will conclude this discussion and finish up by saying that, once again, the opposition supports the Land Tax Assessment Amendment (Residential Construction Exemptions) Bill 2023. We have the greatest of sympathy for people who have been caught up with the delays in construction. If this measure can alleviate some of that stress for those good Western Australian people, it is a very worthwhile thing that we wholeheartedly support. Thank you.

MS R. SAFFIOTI (West Swan — Treasurer) [12.17 pm] — in reply: I thank the Leader of the Opposition for his support of this bill and in particular the Nationals WA for its involvement in this process. I sometimes wonder what the rest of them are doing, but I am glad that the Leader of the Opposition and the member for Roe are here to debate this legislation.

I reflect on what has been a very tough time for many people who would ordinarily have their home built within the two years of a traditional exemption. This bill acknowledges that due to the heat of the market and the unprecedented

circumstances of the COVID-19 pandemic and, of course, the significant level of construction out there, that many landowners are experiencing hardship in getting their homes built within the traditional two-year period.

On behalf of the Minister for Finance, who will be handling this bill in the other place, I thank in particular the Leader of the Opposition and the Nationals for their support of this bill. This is a commonsense approach to support families who, through no fault of their own, are paying land tax on these properties. This bill will remove the requirement for them to pay land tax in those years. Thank you.

Question put and passed.

Bill read a third time and transmitted to the Council.