

## STAMP AMENDMENT (BUDGET) BILL 2003

### EXPLANATORY MEMORANDUM

This Bill seeks to implement the stamp duty revenue measures announced as part of the 2003–04 State Budget.

Specifically, this Bill proposes amendments to the Stamp Act to increase the stamp duty rates on:

- general insurance policies; and
- the conveyance or transfer of property.

The first measure in the Bill seeks to increase the stamp duty rate on general insurance policies from the current rate of 8% of the premium to 10% of the premium, from 1 July 2003.

Following this increase, the rate of stamp duty on general insurance in Western Australia will be the same as in Victoria and the Territories, and lower than in South Australia.

The proposed increase in the general insurance duty rate will increase the effective price of general insurance – that is, the base premium plus taxes – by around 2% (abstracting from the impact of the phasing out of the fire services levy).

On a package of insurance policies typically taken out by Western Australian households worth around \$1,243 per annum – which includes home, contents, comprehensive motor vehicle and motor vehicle compulsory third party insurance – this measure equates to an increase of around \$23.

The Bill includes anti-avoidance arrangements that will apply the new rate of duty in certain circumstances to any general insurance policies that are paid on or after the 8 May Budget announcement, where the policy cover period commences on or after 1 July 2003.

This provision applies where a new policy of insurance commencing on or after 8 May 2003 replaces another policy with the same insurer which would have expired on or after 1 July 2003, or where the insurance period of an existing policy of insurance is extended on or after 8 May 2003 and the former policy would have expired on or after 1 July 2003.

Life and workers' compensation insurance will not be affected by this measure, as they are subject to separate stamp duty regimes. Nor will this measure apply to health insurance and insurance on the transport

of goods and commercial marine hulls, as these will remain exempt from stamp duty.

The proposed increase in stamp duty on general insurance is estimated to raise additional revenue of \$52.5 million in 2003-04, rising to \$59.5 million in 2006-07.

The second measure in the Bill seeks to increase the rates of stamp duty applicable to the conveyance or transfer of property by 15%, from 1 July 2003.

Under the new scale, the rate of stamp duty on conveyances of property valued at \$80,000 or less will rise from 2.0% to 2.3%, with each rate in the scale increasing to a maximum marginal rate of 6.3% (up from 5.5%) for property valued at over \$500,000.

This measure will increase the conveyance duty payable on a median-priced house in Perth by around \$900, which equates to an increase of less than 0.5% of the total cost of such a property. This compares to growth in the Perth median house price of 13.2% over the year to the December quarter 2002.

Even after these increases, on current figures, Perth enjoys the third lowest amount of conveyance duty payable on the median house price of all other Australian capital cities. Specifically, conveyance duty on a median-priced house in Perth will be less than half the amount of duty on a median-priced house in Sydney and Melbourne, and less than duty on a median-priced house in Brisbane, Canberra and Darwin.

For example, conveyance duty on a median-priced house in Perth for the December quarter 2002, valued at \$194,400, will rise from \$6,120 to \$7,015 under this measure. This still favourably compares with conveyance duty of \$15,760 payable on the purchase of a median-priced house in Melbourne (valued at \$335,000 for the same period).

This measure is estimated to raise \$109.5 million in 2003-04, rising to \$129 million in 2006-07.

The revenue measures in this Bill will raise around \$162 million in 2003-04 and around \$700 million over the four years to 2006-07.

**Clause    Short Title**

**1:**

This clause provides that the Act may be cited as the Stamp Amendment (Budget) Act 2003.

**Clause**      **Commencement**  
**2:**

This clause contains the commencement provisions for the Act.

Subclause (1) provides for the Act to commence when it receives the Royal Assent, subject to the specific commencement dates provided in subclauses (2) and (3).

Subclause (2) provides for section 4, containing new conveyance duty rates, to come into operation on 1 July 2003, regardless of when Royal Assent is received.

Subclause (3) deals with the commencement of insurance duty rates in section 5. Paragraph (a) seeks to ensure that the higher rate of stamp duty will apply in relation to a policy of insurance that is effected or renewed on or after 8 May 2003 and before 1 July 2003 if:

- (a) the period of insurance for which the policy is valid commences on or after 8 May 2003 and before 1 July 2003 and the policy being renewed would otherwise have expired on or after 1 July 2003. For example, Company X currently has an insurance policy that expires on 1 July 2003. This policy is renewed on 10 May 2003 and the new period of insurance commences on the same day. In this case, the new policy of insurance would be subject to the new stamp duty rates;
- (b) the period of insurance for which the policy is valid commences on or after 8 May 2003 and before 1 July 2003 and the policy replaces another policy with the same insurer that would otherwise have expired on or after 1 July 2003. For example, Company X currently has an insurance policy that expires on 10 October 2003. Company X cancels the policy on 10 May 2003 and takes out a new policy of insurance on the same day. The period for which the policy is valid begins on 12 May 2003. Since this is a replacement of a policy that would have expired on or after 1 July 2003, the new rate of stamp duty applies; or
- (c) the period of insurance for which the policy is valid commences on or after 1 July 2003.

Paragraph (b) provides for the new rates to be applied to a

policy of insurance that is effected or renewed on or after 1 July 2003.

**Clause**    **The Act amended**  
**3:**

This clause provides that the proposed amendments are to the Stamp Act 1921.

**Clause**    **Second Schedule item 4 amended and transitional**  
**4:**            **provision**

This clause amends the Second Schedule of the Stamp Act to reflect the increased rates of stamp duty to be applied to a conveyance or transfer of property. The clause also includes a transitional provision.

Subclause (1) provides that the amendments are to the Second Schedule.

Subclause (2) deletes a reference to “ \$2.00” in item 4(1)(a) of the Second Schedule and replaces it with a reference to “ \$2.30” . This is the duty rate that applies to conveyances or transfers where the consideration or value is \$80,000 or less.

Subclause (3) deletes a reference to “ \$1,600 and \$3.00” in item 4(1)(b) of the Second Schedule and replaces it with a reference to “ \$1,840 and \$3.45” . This is the duty rate that applies to conveyances or transfers where the consideration or value is between \$80,001 and \$100,000.

Subclause (4) deletes a reference to “ \$2,200 and \$4.15” in item 4(1)(c) of the Second Schedule and replaces it with a reference to “ \$2,530 and \$4.75” . This is the duty rate that applies to conveyances or transfers where the consideration or value is between \$100,001 and \$250,000.

Subclause (5) deletes a reference to “ \$8,425 and \$5.15” in item 4(1)(d) of the Second Schedule and replaces it with a reference to “ \$9,655 and \$5.90” . This is the duty rate that applies to conveyances or transfers where the consideration or value is between \$250,001 and \$500,000.

Subclause (6) deletes a reference to “ \$21,300 and \$5.50” in item 4(1)(e) of the Second Schedule and replaces it with a reference to “ \$24,405 and \$6.30” . This is the duty rate that applies to conveyances or transfers where the consideration or value is greater than \$500,000.

Subclause (7) outlines the transitional provisions for this clause.

This subclause ensures that the rates of conveyance duty in force prior to 1 July 2003 continue to apply to instruments that are executed before 1 July 2003 and to which item 4(1) of the Second Schedule applies.

Notwithstanding that the rate increases operate from 1 July 2003, anyone who executes a contract to purchase property before 1 July 2003 and has that contract stamped on or after that date, will continue to pay duty on that contract at the pre-1 July 2003 rates.

A comparison of the existing and proposed rates of duty is as follows:

#### **EXISTING RATES**

<b>Property Value</b>	<b>Conveyance Duty Rate</b>
\$0 - \$80,000	\$2.00 per \$100 or part thereof
\$80,001 - \$100,000	\$1,600 + \$3.00 per \$100 or part thereof in excess of \$80,000
\$100,001 - \$250,000	\$2,200 + \$4.15 per \$100 or part thereof in excess of \$100,000
\$250,001 - \$500,000	\$8,425 + \$5.15 per \$100 or part thereof in excess of \$250,000
\$500,001 upwards	\$21,300 + \$5.50 per \$100 or part thereof in excess of \$500,000

#### **PROPOSED RATES**

<b>Property Value</b>	<b>Conveyance Duty Rate</b>
\$0 - \$80,000	\$2.30 per \$100 or part thereof
\$80,001 - \$100,000	\$1,840 + \$3.45 per \$100 or part thereof in excess of \$80,000
\$100,001 - \$250,000	\$2,530 + \$4.75 per \$100 or part thereof in excess of \$100,000
\$250,001 - \$500,000	\$9,655 + \$5.90 per \$100 or part thereof in excess of \$250,000

\$500,001 upwards	\$24,405 + \$6.30 per \$100 or part thereof in excess of \$500,000
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**Clause    **Second Schedule item 16 amended****  
**5:**

This clause amends the Second Schedule of the Stamp Act to increase the rate of stamp duty for certain types of insurance.

Subclause (1) provides that the amendments are to the Second Schedule.

Subclause (2) amends item 16(1)(b) to increase the duty applicable to a policy of insurance issued under the Motor Vehicle (Third Party Insurance) Act 1943 from 8% to 10% of the premium value.

Subclause (3) amends item 16(1)(c) to increase the duty applicable to general insurance from 8% to 10% of the premium value.

Subclause (4) amends item 16(2) to increase the rate of duty for general insurance with an undisclosed premium from 8 cents to 10 cents per \$100 of the value of the sum insured.