

REVENUE LAWS AMENDMENT BILL 2013

Introduction and First Reading

Bill introduced, on motion by **Dr M.D. Nahan (Minister for Finance)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

DR M.D. NAHAN (Riverton — Minister for Finance) [12.11 pm]: I move —

That the bill be now read a second time.

This bill seeks to amend the First Home Owner Grant Act 2000 to implement the changes to the first home owner grant scheme that were announced in the 2013–14 state budget. It also seeks to amend the Duties Act 2008 and the Taxation Administration Act 2003 to introduce interim assessment and related provisions. These will allow the Office of State Revenue to assess and collect duty on large, high-complexity transactions in a more timely and efficient manner. This measure formed part of the taxation administration package that was also announced in the budget.

Under the first home owner grant scheme, eligible first home buyers are currently entitled to the payment of a grant of \$7 000 when they purchase or build a home valued at no more than \$750 000, or \$1 million if north of the twenty-sixth parallel. As part of the housing supply package announced in the budget, the government will increase the grant to \$10 000 for first home buyers who purchase or build a new home, and will provide a grant of \$3 000 for the purchase of an established home. The first home owner grant was introduced by the state on 1 July 2000 to compensate first home buyers for house price increases resulting from the introduction of the goods and services tax. However, the reason for its introduction has diminished in relevance over time. Providing an increased grant for new homes is expected to help boost housing supply, as first home buyers will have a greater incentive to build new dwellings rather than purchase established homes. This is expected to improve housing affordability.

The \$10 000 grant will be available to eligible first home buyers who enter into a contract to purchase a new home; who enter into a contract to build a new home; or who build a new home as an owner–builder. A contract to purchase a substantially renovated home will also be eligible for the higher grant if the sale is subject to GST on the basis that it is the sale of a new residential premise and, since the renovations, the home has not been previously sold or occupied as a residence.

All other states and territories have already announced or implemented changes to their first home buyer assistance schemes. For every jurisdiction except the Northern Territory, these measures include the eventual abolition of the grant for established homes. Around three-quarters of grant recipients in Western Australia currently purchase established homes. In contrast with most other jurisdictions, Western Australia will continue to provide these home buyers with a grant. In addition, first home buyers will continue to be exempt from paying transfer duty on the purchase of established and new homes valued at up to \$500 000, phasing out at \$600 000, and on vacant land purchases up to \$300 000, phasing out at \$400 000. For houses valued at \$500 000, first home buyers of an established home in Western Australia will continue to receive assistance totalling \$20 765. This is significantly more than in any other state or territory on the purchase of a metropolitan home.

The changes to the grant are intended to commence from 15 September 2013, or the day after this bill is granted royal assent, whichever is the later. Also as part of the 2013–14 budget, a taxation administration package was announced, which is aimed at the more timely collection of duties and pay-roll tax revenues. As part of this package, new interim assessment powers applicable to transfer and landholder duty are proposed, along with a number of complementary powers to encourage greater taxpayer compliance.

Currently, under the Duties Act an assessment notice is not issued until the commissioner has determined the total dutiable amount or value of a transaction. For high-value complex transactions, this process can take up to five years, even when the bulk of what is to be assessed can be determined at an early stage. No interest applies while the assessment is being progressed. There is also evidence that in some cases, particularly for transactions for which registration with an authority is not required to complete a transaction, tactics have been used to delay the commissioner from issuing an assessment to potentially gain the benefit of interest on the duty otherwise payable. This has included instances of the provision of inappropriate or understated valuations that have required the commissioner to engage an external consultant to conduct a valuation, incurring costly fees in the process. Such practices are clearly inequitable as most Western Australian families and businesses pay their duty in a timely manner when purchasing their homes or businesses. The interim assessment measures contained in this bill seek to address these issues by giving the commissioner the power to issue an interim assessment for a portion of the duty payable in defined circumstances. Such powers will be able to be exercised only if more than six months have elapsed since the transaction documents were required to be lodged with the commissioner, or

he believes it will not be possible to obtain all the information necessary to determine the value of the dutiable property within that period.

To complement the interim assessment amendments, the bill also seeks to amend the Taxation Administration Act to allow the commissioner to recover costs from a taxpayer for a valuation undertaken by the commissioner in certain circumstances—namely, when the taxpayer has not provided a valuation required by the commissioner or when the commissioner is not satisfied with the taxpayer’s valuation and the valuation upon which the final assessment is based exceeds the taxpayer’s valuation by 15 per cent or more. All other jurisdictions have provisions in various forms that enable the recovery of these valuation costs.

To further ensure the integrity of property valuations, a specific penalty tax provision has also been included in the bill to discourage significantly understated values from being presented to the commissioner. The interim assessment measure is expected to raise an estimated \$200 million in 2013–14 and a total of \$260 million over the forward estimates period. These amendments are aimed at high-value, more complex transactions and not at everyday property or business purchases. Furthermore, they do not represent an increase in the tax burden on the community, but rather are aimed at ensuring the more timely collection of duty liabilities. As these are new powers, their operation will be subject to review after an appropriate period. Accordingly, the bill contains a requirement that the effectiveness of the interim assessment provisions be reviewed three years after the commencement of the amendments and for a report to be tabled before both houses of Parliament. The associated explanatory memorandum contains further details of these amendments.

I commend the bill to the house.

Debate adjourned, on motion by **Ms R. Saffioti**.