

LAND TAX AMENDMENT BILL 2015

Second Reading

Resumed from 11 August.

MR C.J. TALLENTIRE (Gosnells) [1.12 pm]: I rise to speak to the Land Tax Amendment Bill 2015. Let me begin by saying that I have found our discussions on land tax over the years very interesting because there is a whole body of economic theory around the efficiency of a land tax, and I will come to that in a bit more detail. However, I want to begin by saying this government campaigns very strongly on being a government, a Liberal Party and a National Party, that is about eliminating taxes. It campaigns on a platform of eliminating taxes and not imposing new taxes on people. This government went to an election campaign in 2013 saying it would not introduce any more taxes. The government could not have made it any clearer to the Western Australian voting public that it would not do anything to increase taxation in this state. That was the message given to voters, and yet, what do we see? We see that this government is in fact doing the exact opposite. It has broken that promise and it is increasing taxes, and in this instance it is increasing a land tax. That is clearly a broken promise and for that in itself the government deserves to be condemned.

What is perhaps even worse is that we have seen a degrading of political discourse in this nation and this state when it comes to matters of economic management. There has been a degrading of the debate because on one side there is a constant claiming of things that are simply not true. There is the constant commitment by the government to notions such as introducing no new taxes, when in fact that is exactly what it does. There is that degrading of political discourse and of good public debate around worthy issues such as where we will get revenue from to pay for the services that the community expects. That is the level of debate that we should have been having, but instead, because of the now broken promises made by the Liberal Party going to the last election, we had a discourse that was all about, “We won’t tax”; that is what the government was saying. It said it would not increase taxes, so we did not have the deep discussion about how we could improve our revenue base. That degradation of political discourse is a really distressing point. It is a sad moment in our history because we do not have meaningful discussions about such important matters. The broken promise aspect of this bill cannot be ignored; it is key to any member’s consideration of this bill. Whether or not members support a land tax becomes irrelevant; this has to be about condemning the government for its broken promise.

Turning to the issue of a land tax, it is very interesting looking at very important reports such as the Henry tax review presented to the Australian public in December 2009. Its official title is “Australia’s Future Tax System: Report to the Treasurer”. The report outlines that we should look at structuring our tax system and at some of the major revenue streams. I will quote from the review. It states —

- ... Revenue raising should be concentrated on four robust and efficient broad-based taxes:
- personal income, assessed on a more comprehensive base;
- business income, designed to support economic growth;
- economic rents from natural resources and land; and
- private consumption.

Clearly, the government knew about this advice—this very important report. It was available to the government in 2010 and clearly it would have formed the government’s deliberations in the lead-up to the 2013 election. This information was available to the government, and when it was considering things such as broadening the revenue base, it would have had the benefit of the “Australia’s Future Tax System” report to determine where it would go in the future. The report highlights the benefits that come with a land tax. One of the key benefits, it seems, is that it is a very efficient way of raising revenue for the nation and for the state of Western Australia. The report states —

When a land value tax is introduced, the existing owners of land bear the burden of the tax as a reduction in land values. Potential buyers of land will reduce how much they are willing to pay for land by the value of the expected land value tax payments. That is, the value of land reflects the future after-tax earnings on land ...

It is interesting to note that we have this tax on that great resource we have—land. There is an old expression that says land is something that we are not making any more of, so land is always a good investment. Some could argue that when various land reclamation projects are done, more land is being made, but overall land is a good investment for people and to impose a land tax is an efficient way of generating revenue for the state. As an economic instrument, a land tax can be very useful to us. The Henry tax review went on to state —

- ... a broad land value tax does not change how land is used.

I find this aspect of things very interesting. I have previously mentioned in this place problems I have with some landholders, especially in commercial and retail areas where there are landholders who are effectively land banking. They are either incapable or unwilling to develop their land asset. That poses a problem for the community. It is actually a cost on the community. It is a cost on the amenity value in the town centre of Gosnells. The area is being held back because some people lack the entrepreneurial flair to develop their land assets. Perhaps they are not motivated to do it or they just do not see the opportunities that lie there for them, even though the state has provided all kinds of opportunities. The state has paid for a train station, a magnificent civic centre facility and for magnificent parks nearby. The surrounding area has been elevated, but a key component of it, the privately owned land asset, has not been developed in a fashion consistent with the quality of public money that has gone into the area. How will a land tax relate to those property owners? That is the question I am left asking. I hope that an increase in land tax on those property owners will have the effect on them to say, "We're still holding onto this land. We're not getting any rent for it because we've got the land in a condition that no-one in their right mind would want to rent it." There are some very shabby buildings on the land and it would be impossible for any business to really take on those buildings as premises from which they could conduct any form of trade or retail operation; the buildings are simply too shabby for that.

Will this land tax provide the financial incentive for those people to say, "Rather than paying the minimum \$300 land tax that will come in through this bill, I'll divest myself of the land", thus leaving it to someone else to bring the entrepreneurial flair to develop those properties? I am not sure whether that will necessarily happen. I am unclear on that.

Mr W.R. Marmion: It would depend on the individual.

Mr C.J. TALLENTIRE: Yes, a lot of it does come down to that. That is where there is a clash between economic theory and what is often people's irrational thinking. In some cases I have in mind in the City of Gosnells there is a degree of sentimentality and personal philosophy with family saying, "We buy land; we don't sell land." That family ethos has been embraced, but it is holding back our community and is not a good thing.

Having said all that, I must say that the Minister for Planning, through an improvement plan instrument in the planning process, has enabled us to move things on. I must say, though, that nothing has happened yet and I await the turn of the first sod on various projects. However, the necessary planning instruments are in place to move things on, which is something we desperately need. In this case, therefore, I do not believe the increase in land tax as an economic instrument will be sufficient to drive the level of investment and move things along.

I keep a close eye on matters relating to land tax. I am always very interested to look at land tax notices and the pamphlet that accompanies them. It outlines cases whereby people may be exempt from paying land tax. I seek the minister's confirmation on this point. Currently the situation is very clear that if someone owns land and the land is covered by a recognised conservation covenant, they are exempt from paying land tax. I think that is a very worthy policy initiative because those people have invested money in land and are holding that land for the betterment of all and for the environmental values of the land, so they should not be burdened with an additional land tax. I understand that three different conservation covenants are available to people in Western Australia. One covenant is provided by the National Trust of Australia. That is a very popular covenant that people like to place over their property and put on the certificate of title. People who are really passionate about the environmental values use that National Trust conservation covenant, which is currently recognised as giving them an exemption from the need to pay land tax.

Another form of conservation covenant comes from the Department of Parks and Wildlife, I believe. I stand to be corrected on that; it might be the Department of Environment Regulation. The conservation covenant placed over a property is administered by either one of those agencies and is issued under the Land Administration Act. I understand that often property developers and people who exploit resources are, through various offset procedures, required to retain land and that requirement forces them to take out a covenant over a portion of land. They often talk to people in the Department of Parks and Wildlife or the Department of Environment Regulation about taking out a conservation covenant on land so that they can fulfil an obligation that relates to their particular approval.

There is a third type of conservation covenant that I believe also exempts people from the need to pay land tax, which is a covenant that is taken out through the Soil and Land Conservation Act. The Commissioner of Soil and Land Conservation signs off on those covenants. I am not certain about the perpetuity issues that relate to those covenants; I think they expire. They can be designed to be in perpetuity but often are for a duration of 20 to 30 years. I think that if a covenant over land has a limited life, it may not in fact be a worthy covenant on the certificate of title that would remove the requirement for someone to pay land tax. I ask the minister specifically whether that situation will remain. The minister said very clearly in his second reading speech that the new land tax scale will introduce a minimum flat tax of \$300 for properties with an unimproved value of between

\$300 000 and \$420 000. Will the introduction of a minimum flat tax rate extend to all properties, including those currently exempt by way of a conservation covenant? I seek the minister's answer now.

Mr W.R. Marmion: There has been no change. All we are doing is increasing the rates.

Mr C.J. TALLENTIRE: But it does say in the speech that the minister is introducing a minimum flat tax rate of \$300.

Mr W.R. Marmion: Yes, we are just changing the scale between \$300 000 and \$420 000. Instead of being a progressive scale, it is a flat scale. We are just changing the rate at which land tax is calculated. It will have no impact on any of the policy arrangements around who is exempt and who is not exempt.

Mr C.J. TALLENTIRE: Right. When people receive their land tax notice next year and those people who currently have a conservation covenant believe they should be exempt from the payment of land tax in total, if the department insists that they should be paying the \$300 minimum, as that is what the minister said in his second reading speech, I will be able to refer them to this interchange and say that it is clear that the minister's intention was that there would be no change to that exemption.

Mr W.R. Marmion: No; this changes only the rate but I can't comment on a specific property in terms of its —

Mr C.J. TALLENTIRE: I am not asking the minister to comment on specific properties. I have a number of friends who have a number of conservation covenants on land and one of their motivations is that it enables them to avoid the payment of land tax.

Mr W.R. Marmion: If they are not paying land tax because of an exemption, this doesn't change that.

Mr C.J. TALLENTIRE: Will this not change any of the existing exemptions?

Mr W.R. Marmion: This particular bill doesn't. I'm not going to be held to some other thing that might happen to them, but this particular bill just changes the rate of land tax that some people are paying depending on the value of their property.

[Member's time extended.]

Mr C.J. TALLENTIRE: I wish the minister could be clearer on that point. Perhaps he could check with his advisers during the course of our discussion on this bill to get that absolute clarity for people. I think they deserve it, because often those people hold properties that would be worth perhaps only \$300 000, but would be worth more than \$1 million in land investment on which they earn no income because they keep that land for conservation purposes; so it is quite a substantial cost to them.

Mr W.R. Marmion: I would be 99.9 per cent recurring confident, but I will check.

Mr C.J. TALLENTIRE: Thank you, minister. That degree of clarity on that sort of arrangement would be appreciated.

I recognise the benefits of charges such as land tax and that the state has to discuss where it will get revenue from. However, that debate cannot be had when the Liberal Party constantly goes to the electorate saying that it will not increase taxes and then increases taxes as soon as it has won office. There is a dishonesty about that, and I have highlighted that dishonesty. I have also said how dreadful that is to good public discourse. It means that we do not have meaningful debates about where we will extract revenue to pay for all sorts of very important things. I think that is the real disappointment. We are seeing broken promises and a total disregard for what should be a political process that enables people to engage in debate and to work out where revenue streams are potentially available at the end of that—where they can be increased—and then of course to debate where the money is expended. It is simplistic sloganeering to pretend that we live in a world in which we talk about no new taxes and then win office and campaign on just that—no new taxes. It is degrading to public debate and is simply not worthy of this Parliament. I am deeply disappointed that members opposite have used that tactic and have then come into this place and broken their promise due to the realities that they have faced.

I conclude my remarks there, by saying that I am deeply disturbed by the government's behaviour. Broken promises are not befitting of this place; instead, we should be discussing carefully the potential for things such as land taxes.

MR R.H. COOK (Kwinana — Deputy Leader of the Opposition) [1.33 pm]: I rise to make some brief comments on the Land Tax Amendment Bill 2015. As the member for Gosnells has said, this bill is not so much about raising taxes or changes to land tax as it is about honesty—the honesty of a government that said prior to the election that it would not legislate for further tax increases. Indeed, that was a fundamental premise upon which the Liberal Party established itself—that is, it would seek to be the low-spending and low-taxing party in government, yet this government is one of the most prolific-spending governments in the state's history. Yet again the government has come to this place and has sought permission from the Parliament.

I draw your attention to the state of the house, Madam Acting Speaker, while I am at it.

[Quorum formed.]

Mr R.H. COOK: I am pleased that there are more members in the house, particularly on the other side, so that not only can I spread my disease and germs around a bit more, but also they can hear the pearls of wisdom I have to cast before them.

As I was saying in my opening remarks, this is not so much a bill on land tax but more a bill about dishonesty—the dishonesty of a political party that says one thing prior to an election and presents itself not only in the last election but also in elections ever since the Liberal Party was established in 1945 about being the low-taxing party and the low-spending party in government. Time and again in this place we find that we have to hold up a mirror to this government for it to see its extraordinary pattern that repudiates, supposedly, every principle upon which it stands. It says that parties in government should not overspend and rack up huge levels of debt, and it either explicitly or implicitly points to this side of the chamber as being the political party that is less economically responsible. Yet we know through successive budgets that this is the government that has wrecked the public finances of the state, and it has driven debt to new record levels at a time when it was the beneficiary of record revenue. Where has the money gone? There has not been the development of economic infrastructure that is needed to continue to drive the economy. We have not seen the diversification of the economy that is necessary to inoculate us to the peaks and troughs of the mining booms, and we have not seen the sort of forward planning and necessary economic stewardship expected from a political party that puts that forward as one of its central tenets to take this state forward. What we have seen from this party in government is ongoing, reckless expenditure, and, as I said, record levels of debt that we will not necessarily have to pay—that is, not just us as in future governments, but governments from the other side and governments perhaps from our side. Our grandchildren, if they ever find themselves in this place, will also be paying off the debt created by this government. This is intergenerational theft, and that process of theft is continuing today.

The government is using the smiling assassin in this place, the member for Nedlands, to bring this bill into the chamber. He comes into this chamber, coughing, spluttering and croaking, to introduce this bill that brings about a new scale of rates on land tax, which is a direct repudiation of the positioning and the promise that the government took to the last election. In this bill we see a new scale of rates which are about introducing a new flat rate for parcels of land between \$300 000 and \$420 000 and a flattening out of land tax rates to ensure that there is less pressure on high-value landholders and landholders who hold large portfolios of land. The government's response to criticism in this place is that this simply maintains a competitive land tax regime with other states. But as we hear from the bleating of the other divisions of the Liberal Party around this country—most notably from South Australia, Tasmania and New South Wales—those divisions of the Liberal Party also oppose land taxes and also oppose increases in land taxes.

I am sure they too would be horrified to see the stance taken by the Liberal Party in government in Western Australia. Not only does the Liberal Party in government in this state want to increase land taxes, but also it wants to increase them in direct conflict with the promises it made prior to the last election. The other divisions of the Liberal Party around the country have been looking at the acts of this government and saying that is a bit dishonest. They would also be saying that that is not what they stand for; that they do not stand for increasing land tax rates, but for reducing land tax. They are supposed to be members of the party of low-taxing, low-spending government. Even in New South Wales the situation is that members of the Liberal Party funded the No Land Tax party, one of the minor parties that contested an election. Such was their commitment to the cause of eliminating bad taxes such as land tax, they were going about the process of Liberal Party backers funding another political party to put specific focus on this very tax. Yet now we see the situation in Western Australia with the hapless and croaky minister coming into this place to introduce a bill that repudiates the very principles upon which this party in government says it stands.

We can tell when a government is in trouble. We can tell we have a government that is standing in such direct contrast to its own principles when it comes into this place to introduce legislation about the very principle it is most vehemently opposed to. How is it that government members manage to do this while lying in bed at night? How is it that they manage to do this while looking their state council in the eye and saying, “Yes, council members, we agree with you. We don't agree with all the loopy resolutions that come out of a Liberal Party WA division state council meeting, but we agree with you that taxes are bad.” But when the Liberal Party state council convenes later this month, I think it is, the hapless member for Nedlands will have to report to the members of the Liberal Party assembled at that council that he has just come from a very hotly disputed debate in the chamber of the Parliament of Western Australia and that he stood there and demanded more cash from the hapless landowners of Western Australia, only to be opposed by the Labor Party who said that perhaps a land tax increase was not the right thing. Those council members will sit there, scratch their heads and say, “Hang on, that's not why we joined the Liberal Party. We joined the Liberal Party to put jokers like you into Parliament to

lower taxes, and here you are telling us that you've just come from the Legislative Assembly with a successful bill to increase land taxes." I assume the government will be successful; I cannot see any members signalling their intention to cross the floor. I do not know whether they call the member for Nedlands "Comrade Bill Marmion" in state council.

Mr W.R. Marmion: They don't use that term.

Mr R.H. COOK: They do not use that term?

Mr W.R. Marmion: I can't see many people jumping ship from the Labor Party, member for Kwinana.

Mr R.H. COOK: They would be saying to the member for Nedlands: "Surely you didn't do this, because didn't you, prior to the last election, say that we would not increase land taxes?" This may not take the limelight like the mooted resolution around opposing the recognition of Aboriginal people in the Constitution. I wonder how that will sit on the shoulders of the council members of the Liberal Party, if the member for Kimberley is successful in bringing her bill forward. I suspect they too would be shocked to hear the government's intentions around the member for Kimberley's legislation. They would be appalled. I hope they call the member for Nedlands to account. I hope they ask him to stand up in front of the Liberal council meeting and explain why he is a member of a cabinet that has driven state debt to record levels and why he is a member of a cabinet that has come to this place, in stark contrast to the promises he made to the people of Western Australia prior to the last election, to increase land taxes.

Of course, what these particular rate changes do is introduce the flat rate in relation to land tax scales. Essentially, this is an attack upon the landholdings of small mum and dad investors who might have put some savings together and managed to get a small landholding, maybe a unit or a small house in the outer suburbs that they could rent out as part of their starting to undertake their investment journey. Not only is the Liberal Party in government now saying that it will be dishonest to the people of Western Australia, but also it will create record levels of debt and will increase taxes on those very people that it says it represents most dearly; that is, the small mum and dad investors who seek to get ahead in life and make some steps towards improving their level of wealth by making a small investment. Of course, as members know, one way they can start an investment portfolio is to get a small rental property. But not even those budding capitalists, not even those budding investors, are free from the clutches of the member for Nedlands in his ravenous attempts to increase the tax take from these smaller investors. The member for Nedlands, as the Minister for Finance in creating this new flat rate, is attacking small investors. He is not necessarily trying to put the squeeze on higher value, higher holding investors—perhaps the people who can most bear the burden of an increased tax take—but he is in this case actually attacking the smaller investors through these small landholdings.

Madam Acting Speaker, you have before you a government that is now in complete dispossession of any principles at all. When the Liberal Party was established in 1945, it was on the basis that people should be free from the tyranny of high-taxing government, free from governments that would run up high levels of debt and free from governments that would attack small investors who try to get ahead in this world. Yet in this government are those who have the very makings of just that—a government in contrast with everything it says it stands for that is now going about trying to legislate in this place.

I will finish my remarks there and simply ask the Minister for Finance and members opposite to reflect on these things. They have worked so hard to get into government and some of them are working even harder to become frontbenchers. Surely they came to this place not to repudiate the very principles upon which they stand, but to try to uphold the great principles and guiding ideals of the Liberal Party. Surely they did not come here with the purpose of ruining the state's finances, with the purpose of increasing taxes on the smallest investors in this state, yet that is exactly what government members have done.

MS L.L. BAKER (Maylands) [1.49 pm]: I would not have thought that it would be my natural purview to be talking about tax amendment bills so often in this place, but I have been provided with plenty of opportunities to do so by the government of the day as a result of its continuing inability to keep the promises that it made at the last election. Over the past two days we have heard many members in this house talk about broken promises. There is nothing new in those two words but every time we get a bill such as the Land Tax Amendment Bill 2015 before us to debate, it seems that fuel is added to the fire around the work that the government seems to be incapable of doing to rein in tax and expenditure. As a Liberal government, I think it should be absolutely ashamed of this. I was reading the minister's second reading speech, particularly the statement —

The new land tax scale will introduce a minimum flat tax rate of \$300 for properties with an unimproved value of between \$300 000 and \$420 000.

Further down the page, it states —

The revised scale seeks to more evenly distribute the land tax burden across all land taxpayers and be more consistent with land tax arrangements in other jurisdictions.

I think that is a bit disingenuous of the minister. It appears that that would be the reason he is pursuing this cap—for the equality and fairness that it brings to land tax administration. I was almost ready to believe him until I got to the bottom of the page and, lo and behold, it is not just fairness and equity that this might deliver; it is actually \$826 million over four years! I can understand where the principles went in this situation.

The second sentence of the second reading speech refers to the package of revenue and savings measures announced in the 2015–16 state budget in response to the challenging economic conditions. In the short time that I have left to me, I want to talk about two of the ways that I fear the minister might be attempting to implement some of those revenue and savings measures. The first relates to the way that he is going about contracting services with the community sector. This has been on my radar for several years now as more and more members of the community sector contact me with their concerns about what is happening under this government. It started off seven years ago with great fanfare, and a wallop of money was thrown into the community sector. I applauded the minister for that; I stood here and said, “Well done; I wish we had done it.” Seven years down the road, things have changed and he is changing his relationship with the sector. If we look at the community and why we contract with the sector, it is because of the invaluable components it gives us to leverage the dollar. It gives us massive access to a volunteer base that we would not have if they were government-delivered programs. I am talking about non-government community programs in health, women’s refuges, emergency relief, education, housing, children’s services, child protection, volunteers and the training of volunteers, and animal welfare, all across the government.

Over the past 50 or 60 years governments have developed an incredible reservoir of support from the Western Australian community and the incredibly valuable resource of volunteers with their knowledge base on the ground and the commitment that they make to delivering community services in this state. Evidence of this was presented as recently as Monday of this week. This government and its federal colleagues are choosing to rationalise the funding and direct it into big non-government organisations. The government’s rationale for this is that it saves money because it is easier to audit and keep track of the money if it is funding only one big NGO. So it gives lots of money to a few big NGOs. In that process, it loses a massive number of volunteers in the community and the local knowledge. When I say that I received evidence of this as recently as Monday, the Joint Standing Committee on the Commissioner for Children and Young People that I chair was lucky enough to be provided with some evidence, which is publicly available now, by Aboriginal Family Law Services, a federally funded organisation that works across regional WA. It is not in the metropolitan area.

When we asked the representatives of that service who addressed our committee what they needed, what problems they were facing and to identify some of the difficulties, one of the things they said was quite unexpected, given that they appeared before us to talk about child protection and child abuse issues. They said they wished that governments had not made decisions to fund big metropolitan NGOs to deliver services in the regions because when they did that, they lost credibility, trust and respect. By bringing in big NGOs and attempting to set up services in the community, in rural and remote areas in particular, governments are completely working against the ethos of what has taken so long to develop; that is, the respect from the community and the added leverage that the community gives governments. I was quite surprised to hear that, but it was as clear as I just said it. In trying to get revenue and savings measures out of the 2015–16 budget, I urge the government to look at the loss in the way it is pursuing the agenda of rationalising the community sector.

The other point I raise, which again is a bit of a concern, is that in evidence given to the commissioner for children committee that I chair—which is now publicly available—a number of witnesses expressed concern about the expansion of the child abuse complaints reporting function. We have heard that that has, unfortunately, been delayed until sometime in the future when the royal commission has finished its work. At the moment that is 2018. We are talking about 2018 before an effective child abuse reporting complaints system can be funded in this state. After 2018 we are not addressing some of those concerns. A couple of witnesses who gave evidence said that they think one of the reasons this role has not been expanded is the cost it would have placed on the government to expand the role of the children’s commissioner to pick up a child abuse complaints function that works and that is effective across Western Australia. That is very, very sad. I am pretty devastated to think that lack of funding or the government’s mismanagement of the state budget could cause a delay in something as absolutely critical as a child abuse reporting system for this state. We see regular reports in the papers of things going wrong in the community. We are told by government sources that it is better out there now and it is easier to report and children are more confident, but no-one measures that. No-one can absolutely and unequivocally tell me with confidence that the system we have in place to make children feel that they can come forward is working.

When the director general of the Department of Local Government and Communities gave evidence the other day, I asked if, in all honesty, she could say with confidence that the situation that occurred in Katanning 30 years ago and that continued to happen until quite recently would not happen again. I cannot possibly imagine on what basis she would be confident that that is not likely to happen again. We have to be much clearer about a reporting system that works for children in this state. In any universe or any galaxy we certainly cannot use

economic issues and the mismanagement of the state as an excuse for not implementing a rigorous and effective child abuse reporting system. They are two issues that are of concern to me. We heard other members talk about intergenerational theft. I like that term. I think I shall use it again.

Debate interrupted, pursuant to standing orders.

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