

LAND TAX AMENDMENT BILL 2013

Second Reading

Resumed from 14 August.

MS R. SAFFIOTI (West Swan) [12.38 pm]: I do not have many comments to make in this third reading debate on the Revenue Laws Amendment Bill 2013. The time we spent going through this bill last night in consideration in detail was very constructive and productive. I want to make a couple of key points about what was discussed last night. One of the key issues that really came through in our debate last night was that this bill has some element of retrospectivity. This new change in how we treat assessments through the introduction of interim assessments will apply to transactions that took place before this bill was introduced. Fundamentally, that shows that this is a retrospective bill.

A member interjected.

Ms R. SAFFIOTI: Is the next bill being debated? Are we on the third reading?

The SPEAKER: We are on the Land Tax Amendment Bill.

Ms R. SAFFIOTI: The minister and I thought we were debating the third reading of the Revenue Laws Amendment Bill.

The SPEAKER: I put the question and there was no debate, so that is it. Now we are onto the next item.

Point of Order

Mrs M.H. ROBERTS: On a point of clarification, is there some way we can go back to the third reading of the Revenue Laws Amendment Bill since both the minister and the shadow minister were not aware of what the Speaker had done and there was some confusion at that point?

The SPEAKER: I have been informed that as the question has been put, a notice of motion will be required to resubmit the bill for the third reading. It is up to the member, but I suggest that perhaps something could be done during the lunch break.

Ms R. SAFFIOTI: I am comfortable. We will move onto the Land Tax Amendment Bill then.

The SPEAKER: I am sorry, minister and member for West Swan, but that is just what has happened. The question is that the Land Tax Amendment Bill be read a second time.

Debate Resumed

Ms R. SAFFIOTI: That is what I thought the cue was. Luckily, I prepared something earlier on land tax, such is the occasion!

I rise to speak on the Land Tax Amendment Bill 2013. It is a pretty simple bill. It increases land tax rates by 12.5 per cent across the board. This initiative will collect \$338 million over the next four years and will affect over 109 000 people who pay land tax in this state. This is just another taxing bill and is part of the government's fiscal action plan. I want to go through that fiscal action plan. Today, the Revenue Laws Amendment Bill 2013 passed this house. That implemented a part of that fiscal action plan to raise \$454 million. The tax administration package was implemented through the legislation. The Land Tax Amendment Bill 2013 is part of the \$1.6 billion in additional revenue being collected by way of policy decisions in this state budget. Let us go through them again. The deferred abolition of transfer duty on non-real property is due to collect \$527 million over the next four years. Land tax, which is a 12.5 per cent increase in rates, will raise \$338 million. Halving the private vehicle concession is worth \$155 million. School fees for children of 457 visa holders will raise \$120 million, a tax administration package will raise \$454 million, and the program-level savings measures will save \$44 million. This budget, by way of policy decisions, will collect \$1.6 billion in additional revenue. It is good that this budget outlines those policy decisions, unlike the *Government Mid-year Financial Projections Statement*, which hid a key policy decision the government made in November to implement a new dividend regime for the Insurance Commission of Western Australia.

I researched land tax history in Western Australia and discovered that land tax was first introduced in Western Australia in 1907. Land tax and graduated income tax was introduced in WA in 1907. I read some of the debates at the time to inform myself of the history of land tax in WA and found some very interesting comments made in the chamber in 1906. The Treasurer at the time, Hon Frank Wilson, introduced the Land Tax Assessment Bill. I will quote a little from that debate because it is quite interesting. In his second reading speech, the Treasurer made the following comments —

Dr M.D. Nahan: When was that?

Ms R. SAFFIOTI: It was 1906. That is why the name was not familiar to me either, Minister for Finance.

A variety of land tax bills have been introduced over time, but, from my reading, 1907 was the first time that land tax was introduced in WA. I will go through some of the commentary because it is still relevant today. In 1906, the Treasurer said —

In rising to move the second reading of this important measure, I do so of course with a certain amount of diffidence, more especially as I recognise full well how repugnant any measure of increased taxation is to people of the British race. I assure members that if I could have had my way, and if members of the Ministry could have had their way and could have seen any reasonable probability of being able to do without farther taxation, we would have been only too pleased to omit a measure of this description.

He goes on to talk about the revenue situation of the day. I will not read all of that because he talks about the revenue-raising capacity of Western Australia at that time being very limited. He actually talked about declining revenue. I want to talk about some of the numbers that were around at that time. The Treasurer continued —

... I can tell hon. members the actual revenue derived was only £872,000, that is the amount of surplus returnable to Western Australia only amounted to £872,000; a falling-off, therefore, as will be seen by members, of £352,084 in four years, in the Commonwealth surplus revenue. In addition to that, during that period we have to consider the increases in our interest bill and sinking fund.

...

during the year 1901–2 was, when we first entered Federation ... Arising from this revenue decrease and interest increase, there was a shortage as compared with the year 1901–2 of £571,982.

He talks about the expenditure demands at the time. He goes on to say —

On the other hand, we had also considerable increases in the Land and Surveys Department, the Agricultural Department, and the Mines Department expenditures during the same time. The expenditure in these departments jumped from £173,000 in 1901–2 to £392,000 in 1905–6, the last financial year.

There was then an interjection, which was very different from the interjections of today —

Does that include the purchase of copper?

The TREASURER: I cannot now say ...

Under the heading “Reasons for Taxing Land”, the Treasurer went on to say — I think members will agree that the figures show there is necessity, and we want to admit the fact that there is necessity, for some farther means of raising revenue, and that this tax is therefore necessary in the best interests of the country in that respect. Now we have to consider the question as to whether it is a fair and equitable tax to place on the people of this country; and I look at it broadly from this aspect, that the land is the foundation or basis of all wealth, that it gains in value from population living on it and surrounding it or working it, that it gains undoubtedly in value from the industry of all people, all classes of people, in the country.

I note that one of the reasons a land tax was introduced at that time related to what was happening in other states, particularly New South Wales. It was very interesting to see that even back in 1906 very detailed comparisons were being made between states on their revenue-raising measures.

Mr Wilson continued —

I now return to our own Bill, which will substantially enact the Assessment Act of New South Wales, providing for the assessment of all improved or unimproved lands. But in addition to the provisions taken from the Act of New South Wales, we have introduced a rebate of 50 per cent. of the tax to be levied on the unimproved value of improved lands. Wherever the owner has shown himself willing and anxious to improve his land, and has improved it to the extent of 50 per cent. of the unimproved value, he is chargeable with only half the amount of tax levied by the Act which Parliament may pass.

...

That applies to all estates, under different conditions which I will explain later on.

In the last commentary on this bill in 1906 there was an interjection from a Mr Walker, who said —

How will this be affected by the imposition of a Commonwealth land tax?

The Treasurer at the time commented —

I think that if we do not impose a land tax ourselves we have a much greater chance of having a Commonwealth tax. That is my own opinion. There is going to be a land tax in any case, and we had better impose one ourselves. I hope members will lend every assistance to the Government in discussing this measure in Committee; that they will endeavour to sink any feeling of animosity to the tax; that they will agree that it is shown to be necessary, that it will advance the revenue, and that it is an equitable tax; and that they will assist the Government in passing a machinery measure which will work well if it is adopted by the House.

That land tax was introduced in 1907. It obviously worked well in some ways because it exists today. There have been different variations to land tax over the years, but it was very clear at that time that one of the reasons the state introduced a land tax was to prevent the commonwealth from implementing its own commonwealth land tax. It is quite an interesting history.

I forgot to say at the beginning of my speech—I was talking about another bill at the time—that the Labor Party is opposing this bill in this house once again. I want to reiterate why we are opposing these revenue-raising bills in this house this week. We believe that the two key reasons these new taxation measures have been introduced are that the government cannot manage its finances and that it misled the public during the election with its so-called fully costed and fully funded election commitments. I want to quickly go through those two key points. As we know, this government has presided over massive revenue growth since 2008. It has not managed its finances to the degree that we would expect from any government with any sense of fiscal responsibility nowadays. Expenditure has been significant but revenue has also been significant. Meanwhile, debt has grown; it has climbed through the roof. The government has mismanaged its finances to such a degree that the Minister for Finance has to come into this house, endure a few hours of debate and implement this legislation to help cover the poor management of the state's finances by the Treasurer and the Premier.

The second key point is that the election commitments made during and just before the election were neither fully costed nor fully funded. The two key examples, including one that I know the Acting Speaker (Ms J.M. Freeman) would be very interested in, are the Metro Area Express light rail project and the Perth rail project. These two projects total nearly \$4 billion. The state Liberal Party and the state government, while in caretaker mode, stated that these projects would be delivered through 50–50 funding from the commonwealth. The key issue is that the government never put forward its business case for these projects to the commonwealth before the election. As no business cases were prepared, there was no agreement and no commitment from the commonwealth at that time that it would fund 50 per cent of the projects.

As I said, the former federal Labor government did come partway and put in \$500 million for those two public rail projects in Perth. We know that the election of the Abbott Liberal government has seen that \$500 million ripped away. We also know that two road projects in WA, in particular the north coast highway improvements and the Great Northern Highway improvements from Muchea to Wubin, need significant commonwealth funding to make them happen. The federal Deputy Liberal leader, the member for Curtin, said on Saturday that the Abbott Liberal government would not be funding those two key road projects that total another \$500 million. After Saturday we saw a hole of about \$1 billion in the budget estimates. That is a \$1 billion hole in the government's own budget. That is why we are opposing this bill. It has been drafted purely as a result of the poor management of the state's finances. Even more clearly, there was a broken promise to the people of WA because this government never told them at the time of the election that it was going to increase land tax.

I want to go through some other aspects of land tax. In particular, I found an interesting submission from the WA government to the Commonwealth Grants Commission's 2015 methodology review. It contains a whole chapter on land tax. I thought it would be interesting to go through that. Some key points were put forward by the WA government relating to land tax. It states —

Land tax is very unpopular and, as a consequence, State governments are very conscious of capacity to pay and regularly adjust effective tax rates to offset increases in property values. This is 'what States do'.

- This is seen in evidence that States with higher land values tend to have lower land tax rates, and in land tax revenue growth tending to be 'capped' at below overall growth in land values.

Land values do not necessarily provide a good indicator of capacity to pay in the short term as they are influenced by speculative factors and government policy, rather than just the income generation capacity of the land.

The current methodology also acts as a disincentive for increasing land tax compliance, by potentially redistributing more money than is raised.

That is one issue I would like to raise in this debate. It is a very serious issue. Hopefully, if we handle the third reading of this bill better, the minister may be able to provide a response. I will highlight that issue in a minute. The last key point made in this submission on land tax is —

The relationship between land tax and economic activity is strong and stable, indicating that an economic activity indicator will provide a reasonable guide to States' land tax capacities.

- This would have the added virtues of being simple and transparent, avoiding the reliability and comparability concerns associated with the other approaches, and abstracting from policy influences on land values.
- We propose using household income as the land tax capacity indicator.
- Alternative indicators could include Gross State Product, adjusted to exclude the gross operating surplus of industries where there are substantial impacts from cross-border income flows ... or employment.

That is quite interesting. Part of the submission includes an advocacy for assessing ability to pay on different levels in relation to income levels rather than just land values. It goes on to state —

Land tax is also a deeply unpopular tax.

I think most taxes are unpopular. It continues —

Land tax is highly visible, with around 112,000 taxpayers in Western Australia directly receiving a lump-sum assessment on an annual basis.

The key issue I want to raise around the WA submission to the Commonwealth Grants Commission relates to the Commonwealth Grants Commission's treatment of land tax revenue. I found the following commentary quite interesting. I would like a response from the minister during the third reading. A section of this WA submission says —

Disincentives to increase land tax compliance

The current methodology also acts as a disincentive to increasing land tax compliance. At present, the CGC measures a State's relative land tax revenue raising capacity on the basis of State revenue offices' data on taxable land values. Consequently, the amount of compliance done by the offices affects the size of the land tax base in each jurisdiction.

In Western Australia, an increase in land tax compliance will result in a GST redistribution loss greater than the revenue gain from the increased taxation for all properties worth less than \$7.9 million. Situations such as this act as a disincentive for States to further improve their revenue collection efforts ...

As an extreme example, Western Australia would lose over \$5 for every \$1 in additional land tax revenue collected on land valued in the \$0.8 million to \$1 million range. This creates a perverse incentive for the State to reduce its compliance effort in order to reduce its tax base, and therefore increase its share of the GST distribution.

I found that quite interesting because it is something that I had not come across before in my many travels.

Dr M.D. Nahan: Can you summarise what that is?

Ms R. SAFFIOTI: It is saying that increased compliance and increased revenue collection efforts will see a higher redistribution of the money collected. It basically says that for every \$1 in additional land tax revenue collected on land valued between \$800 000 and \$1 million, \$5 will be redistributed. I found that quite interesting. The only thing I am not 100 per cent clear on is whether it refers to compliance or increasing rates. The minister could seek more information from Treasury as it is a Treasury document. It would be a perverse outcome if today we are debating additional revenue of \$338 million and \$1 billion is redistributed in three years. Under "The preferred method for assessing land tax capacity", the report states that Treasury and the WA government —

... suggest that household income is a superior measure by which to assess capacity to pay land tax.

I do not think the government advocates changing the way we rate land tax, but the way capacity to pay land tax is assessed. The report states —

It has two large benefits over a land value measure: it is consistently measured by an independent third party, the ABS, and it is immune to policy contamination in the property market.

Basically, Western Australia is trying to get a better deal off the Commonwealth Grants Commission. Some of the arguments the government has put forward show that if the CGC uses the capacity to pay measure, WA would not be penalised as much through the Commonwealth Grants Commission process. The report states —

In summary, we believe there is a strong case for the CGC to use an appropriate general indicator of economic activity as the land tax base measure.

That would help claw back some money for WA from the Grants Commission process, as I believe the current system sees us significantly penalised when we increase compliance or increase land tax rates.

The last key point I want to make today is about the metropolitan region improvement tax, which is part of the land tax assessments received each year. As such, the Minister for Planning is probably the more appropriate person to be in this chamber to listen to this debate. The metropolitan region improvement tax applies only in the metropolitan area. The MRIT was introduced after the Stephenson plan was adopted in the 1960s. I am glad the Minister for Planning is here. We are talking about the metropolitan region improvement tax introduced in the 1960s as part of the Stephenson plan to purchase land for road and other corridors throughout the metropolitan area.

Mr J.H.D. Day: It was when the metropolitan region scheme came into effect after the Stephenson and Hepburn report. It took effect in the 1960s.

Ms R. SAFFIOTI: It is an annual tax based on the aggregated taxable value of land owned. In a sense, it is similar to land tax, but it is at a different rate and it is dedicated to a particular fund. It is hypothecated into a fund in the Western Australian Planning Commission budget. The metropolitan region improvement tax is for purchasing land in the metropolitan area under the metropolitan region scheme. The WAPC uses it as a vehicle to purchase land for public purposes, such as road and public transport corridors. I refer to the issue of land availability and land approvals throughout the metropolitan area; one of the things I am very interested in is a very strong land purchasing program from WAPC to ensure that land is available to build roads and public transport connections that we need.

I have numerous examples throughout my electorate of people waiting for land to be purchased so they can get on with their lives. This is a big issue for not only properties along existing highways that are being widened, but also the growth corridors around the metropolitan area such as the West Swan urban growth corridor, the northern area and the Harrisdale area. These are not simply greenfields developments. The land needed for housing developments and other public infrastructure is owned by mums and dads and people who have been living in the community for decades. We need to be more sensitive to the fact that we leave a lot of people in limbo when we zone or classify something in a particular way under the MRS. Landowners cannot do anything with that land; they cannot justify developing that land or doing anything with their homes. Through both the WAPC and council processes, many people have been sitting waiting. The former alignment of the Perth–Darwin highway and the former alignment of a bus rapid transport corridor are the two key public road transport corridors in my area. The proposed alignment of Henley Brook Avenue is also an issue. People know that land is to be used for road or rail, so they cannot do anything with it. They do not want to do anything to their homes because every dollar they spend on repainting their houses may not be recovered through the WAPC sale process. A lot of people are left in limbo. It is not something that I would like to be left in; I would like certainty about where I am living. People have been left in limbo for years and years. People cannot justify doing anything with their homes because they might not be able to claw back the expenditure on upgrades and renovations through the WAPC land acquisition process. There needs to be greater certainty in the planning process when WAPC deems land necessary for public infrastructure. There needs to be better time frames for those involved to ensure people are not left in limbo. That is one of my key points. The other key point is about Bush Forever, which is coming to the end of its life in the WAPC budget. Nothing has replaced that process, so \$10 million will be freed up in the WAPC budget each year. I think we need to be more strategic about how we spend that.

As I said, the metropolitan region improvement tax was created to fund land acquisition. I am disturbed that in recent years more and more of the MRIT has been used to fund the normal processes of government. Instead of purchasing land for public good and removing some of the uncertainty faced by home owners in particular areas of growth, more of that revenue is being used to fund normal activities of government. I want to go through some of the figures. In 2003–04, \$43.6 million in MRIT was received and \$60.1 million was spent on land acquisition. In 2004–05, \$47.1 million was received and \$53 million was spent on land acquisition. In 2005–06, it was the other way; that is, \$53.4 million was received by the metropolitan region improvement tax and only \$43.4 million was spent on land acquisition. In 2006–07, \$65 million was collected by the MRIT and \$75.4 million was spent in land acquisition. In 2007–08, the last year of the former Labor government, \$75.9 million was collected by the MRIT and \$83.2 million was spent on land acquisition. If we look at those years, basically more land was acquired than tax collected. Therefore, we could argue that every dollar collected by the MRIT over that period of time went to land acquisition. That situation has changed dramatically. In 2008–

09, \$82.2 million was collected by the MRIT and \$48.9 million was spent on land acquisition. In 2009–10, \$78.3 million was collected by the MRIT and \$59.4 million was spent on land acquisition. In 2010–11, \$73.8 million was collected by the MRIT and \$44.6 million was spent on land acquisition. In 2011–12, \$84.2 million was collected by the MRIT and \$52.4 million was spent on land acquisition; and in 2012–2013, the year that has just passed, \$85.2 million was collected by the MRIT and less than half—that is, only \$42.2 million—was spent on land acquisition.

A lot of that money is now funding the Department of Planning. As I recall—I do not have those figures in front of me—about \$10 million will go to the Department of Planning just to fund staff. Less than half of the metropolitan region improvement tax, which was developed and collected to drive land acquisition for public purposes, is actually used for land acquisition. That leaves a very big hole for the community. As I have said, I would know dozens of home owners in my electorate who have been waiting for certainty and clarity regarding their land or what the Western Australian Planning Commission intends to do. There is a lot of land development that needs to happen through the existing inner, medium inner and outer inner suburbs and the outer suburbs as well. We need to get the corridors ready for the expanded roads and a better public transport network.

Not allocating money for those essential public areas will mean that we cannot develop the land, and we need to. As I have said in this house, we do have a stock problem in WA. We need land to be developed, but we need to do it in a systematic way with good linkages to transport; in particular, public transport. The WAPC needs to be a vehicle in helping that to happen. People cannot rely on four or five landowners funding these types of projects. For projects that are for the public good we need a central agency such as the WAPC. The reason it is there is to help build infrastructure for the future.

Mr J.H.D. Day: Funds from the MRIT tax can only be used for the purposes approved by the relevant act of Parliament.

Ms R. SAFFIOTI: Roads and public transport for those sorts of corridors.

Mr J.H.D. Day: But it is the case that there is an accumulation of funds building up somewhat at the moment. It is a question of having a whole-of-government approval to actually expend those funds; obviously, that does have an impact on state debt.

Ms R. SAFFIOTI: What we are saying is that there is money there, but the minister has just not been given approval to spend it.

Mr J.H.D. Day: A lot of it is expended, but we could always expend it at a greater rate. There are some very high-cost acquisitions. One I am conscious of at the moment for which I need to give approval is about \$21 million. That is for just one acquisition. It is not actually for road provisions. It is for parks and recreation preservation—namely, high-value conservation of bushland.

Ms R. SAFFIOTI: Where is that? The minister does not have to tell me exactly, but where is the area? Is it Whiteman Park?

Mr J.H.D. Day: Is it what, sorry?

Ms R. SAFFIOTI: Whiteman Park?

Mr J.H.D. Day: No, it is not Whiteman Park; it is in the Darling Range area in the City of Armadale up in the hills east of Byford. It is a high cost and that is regrettable for taxpayers to a large extent, but people have their property rights.

Ms R. SAFFIOTI: I suppose the management of the WAPC budget in trying to reserve money for reducing debt and not to achieve the public purpose it was set out for is systematic of this government's budget and mismanagement of finances.

Mr J.H.D. Day: Sorry, can I just correct one thing. I said the City of Armadale; it is probably the Shire of Serpentine–Jarrahdale, to be more accurate.

Ms R. SAFFIOTI: Is it an expansion of a national park? What is it the expansion of?

Mr J.H.D. Day: It would be part of what was known as the Darling Range Regional Park, yes, and that whole conservation area.

Ms R. SAFFIOTI: Was the Araluen expansion ever considered? I want to declare my interest because my parents live next door. I just wanted to make sure that I declared that.

Mr J.H.D. Day: I know it has been requested that the state buys additional land around Araluen. Whether that can be justified against all the other competing interests is another matter, of course.

Ms R. SAFFIOTI: Like I said, I wanted to declare an interest just so it never comes back to me, of course. I grew up on the border of Araluen and my parents still live there. As I outlined, there are huge demands through our suburbs, whether it is in the outer rim developing our national parks, recreation areas, our roads or our public transport corridors. We need that funding to be committed to achieve that public good. As I said, I do worry that the failure to manage the state's finances effectively over the past five years is creating problems throughout the area. I think planning is one of those easy areas to cut from a Treasury and a central point of view, but the implications are significant for decades to come. If people do not invest at the appropriate time, they do play catch-up. If people are not acquiring the land at an appropriate time, the land just increases and the problems—that is, the difficulties and hurdles in acquiring that land—get worse.

Planning is one of those areas suffering because of the government's significant financial mismanagement of the state. I do not have many more comments to make on the Land Tax Amendment Bill 2013. I just want to make sure one of my colleagues is ready, and I am very happy that one of my colleagues, the member for Gosnells, is ready to discuss this bill. As I have said, the opposition opposes the bill in this place for one clear reason; that is, it is clearly a broken promise.

Given that the Minister for Planning is in the house, I will quickly refer to land tax, particularly how some of the land in the valley is treated. It is sometimes given a commercial zone rather than a primary production zone. I hope it is something that is picked up as part of the review of the Swan Valley Planning Act 1995, which I hope will be released shortly. Again, we oppose the bill because it is clearly another broken promise. The two clear reasons the bill was before the Parliament today are firstly, the government has mismanaged the finances for five years and basically has run out of money; and secondly, the government did not fully cost and fully fund its promises even though its members had told the people they had.

Mr J.H.D. Day: You were telling us yesterday and, no doubt this afternoon, that we should be spending more on education. How do you expect that to be done?

Ms R. SAFFIOTI: Minister, we have gone through this before!

Mr P. Papalia: Resign! Put us on the government benches and we'll sort it out for you. We're going to have to clean up after you the mess you've created. You'll be gone! Those two blokes there will be gone!

Ms R. SAFFIOTI: The fact is that before the election the Labor Party went out with some savings and the government was highly critical. We said we could not afford a museum at the time. Now we are suffering the consequences of it.

Mr J.H.D. DAY: Very critical—very critical of that. The state needs it. A lot of people want it.

Mr P. Papalia: The state needs Burswood as the stadium site?

Ms R. SAFFIOTI: The state needs toilets —

Mr P. Papalia: No matter what, no matter how many teachers get sacked!

Ms R. SAFFIOTI: The state needs 1 000 plasma screens in a football stadium. Radios in toilets! I mean, seriously!

Mr J.H.D. Day: A minor detail.

Ms R. SAFFIOTI: The minister is a serious man; he knows as well as I do that promoting radios in toilets was a very silly and stupid priority for a government.

Mr J.H.D. Day: It's not a major part of the cost. If you're going to do a project, you should do it properly and in contemporary terms.

Ms R. SAFFIOTI: There will be business-class seats and all that sort of stuff. Members opposite asked us what we would cut and we told everybody. It is a case of more fool us. We told everybody that we would not build the museum and members opposite were highly critical of that and they got some support. But we paid the price for being honest. Members should not come into this place and ask us what we are going to do about it, because we told them what we were going to do about it and we paid the price. The government wants everything. It wants a stadium at, frankly, the most expensive site possible in the metropolitan area.

Mr F.M. Logan: No, on the planet.

Ms R. SAFFIOTI: It might have been a bit more expensive in the CBD of Hong Kong!

Mr F.M. Logan: Or in Central New York!

Ms R. SAFFIOTI: It might have been a bit more expensive in Central Park! The government chose the most expensive site for a football stadium. It said that it would have business class seats, which it is now walking away from, radios in toilets, 1 000 screens, cup holders and all these weird things. The government says that we

need a museum. We know we need a museum, but the government cannot afford everything. That is our key point. That is what we told the public. It is a case of more fool us because we told people the truth. The truth is that the current expenditure is not sustainable, so we had an alternative. We outlined a couple of things that we would cut because, frankly, we cannot do everything at once. If we do everything at once, we will increase debt to such a level that it will become unsustainable, which this government is doing. The interest level is now nearly \$1 billion. When members opposite talk to us about education, I tell them that they are spending \$1 billion a year in interest because debt has increased. Why has debt increased? It is not because the government has been spending on education; it is because it wants to do every big fancy project at the same time. It is as simple as that. That is our key point. They are all nice projects. As I have said, I would love a Ferrari, I would love my husband to drive a Lamborghini, I would love my kids to have little electronic-motored BMWs and I would love a four-storey house with a lap pool with little jets to swim against.

Mr F.A. Alban: You just have to work long and hard enough.

Ms R. SAFFIOTI: I want all that but can I afford it?

Mr F.A. Alban: Yes, I can, because I work 24 hours a day.

Ms R. SAFFIOTI: Can I afford it? Of course I cannot. So I will get by with my car, because my car still works, and I will save and I will make sure that my kids are a priority, because that is what I should do. But the government should not build every project that looks good and makes it feel better without attending to the priorities first.

Mr J.H.D. Day: You were trying to fund your half-baked public transport plan that was ill thought out and more costly than you expected it to be.

Ms R. SAFFIOTI: How is the government's costing going?

Mr P. Papalia: When did you shift your delivery date for the well-thought-out railway to the airport from 2021 to 2018, when it was not necessary before we announced Metronet but then it suddenly became essential?

Mr F.A. Alban: It was called "Thomas the Tank Engine", zigzagging through the metropolitan area.

Ms R. SAFFIOTI: How are the government's projects going?

Several members interjected.

The ACTING SPEAKER (Ms J.M. Freeman): I understand that there is general interjection across the chamber. I understand the member is responding to that interjection, but can the member return her focus to the bill. The minister might not want to interject and then the member will not respond and then the member for Swan Hills will not interject. Can we calm down and get back to the bill.

Ms R. SAFFIOTI: The land tax is necessary because this government has mismanaged the finances of the state for the past five years. As I have said, debt is out of control. We all know that when debt is not sustainable, the interest cost increases. We all know why we do not buy \$3 million houses—we cannot afford the interest payments and we want to leave something for our children. That is my priority.

The government has introduced the Land Tax Amendment Bill because it has not managed the state's finances. It wants all the nice things all at once. At the election we told people that we were not going to do things.

Mr F.A. Alban: So you didn't get elected.

The ACTING SPEAKER: Member for Swan Hills, that is enough! Please stop interjecting. Let the member finish her speech.

Ms R. SAFFIOTI: We have so much evidence that we will have to get a new filing cabinet!

As I have said, the government cannot have all the nice things at the same time. All the projects being undertaken have some validity over a period, but it is a disgrace to do them all at once at the expense of funding schools. This is what is happening. The government has made very serious cuts to education assistants in schools. There are massive increases for those who want to study at TAFE. These are very serious cuts and very serious cost increases for families and young people because of the choices the government has made. It has to be held to account, and that is what we will do. At every opportunity we will show that there is a consequence for all the nice things it wants to build. The consequence now is a massive increase in debt, and the budget has become structurally unsound. Therefore, the government has to make very bad and stupid decisions, as it has done in education.

This bill is before us today because of the significant mismanagement of the state's finances since 2008. It is before us because the government went to an election promising \$4 billion worth of rail projects but funded only \$2 billion, yet it advertised that they were fully funded and fully costed. As I have said, the federal Labor Party met the state government halfway and funded \$500 million, but now even the Abbott Liberal government, which

believes that public transport is not its knitting, will not give the state government that money. We know that there are two road projects in the regions worth half a billion dollars that the Abbott Liberal government has walked away from. There is a \$1 billion hole in the numbers. The key reasons we are debating this bill today are the poor management of the state's finances and the election commitments made by the Liberal Party that it knew could not be delivered.

MR C.J. TALLENTIRE (Gosnells) [1.28 pm]: I rise to speak against the Land Tax Amendment Bill 2013. As our lead speaker, the member for West Swan, has said, our motivation for opposing the bill is principally that it is seriously inconsistent with what the government stated it would do at the state election in March. It represents a serious change of tack that was not presented to the people of Western Australia when they went to the polls in March. It is unfair to tell people one thing and garner their vote on the basis of one position and then change tack completely in government and implement a tax when there was no forewarning or indication of it during the last state election campaign.

I want to look a little at the history of land tax. I recall as a year 11 student—similar to the age of the students who are just leaving the public gallery now—hearing of the work of an American political economics philosopher Henry George, who considered that all wealth could be generated from the land that we own and that that land should be the basis of our taxation system. Henry George advocated for a single tax based on land ownership. I found fascinating the idea that we could do away with income tax. Income from the manufacture of things and from the provision of services was, in the eyes of Henry George, derived from people's own creativity; they used their own entrepreneurial and manual skills to generate wealth. In his eyes, however, land really should be considered a form of common good, although he recognised that some of us have an entitlement to a piece of land, some a bigger entitlement than others, and that could be the basis of a taxation system. It is a fascinating proposition that many societies have adopted to some extent today.

In Western Australia today, I guess, it has been adopted in this land tax system. Our land tax system is not applicable to our own personal residential property but is applicable to a range of other properties. It is worth elaborating on the kinds of properties on which WA currently levies a land tax. Principally, it is on vacant land; secondary residences such as holiday homes; hobby farms; shops, offices and factories; land held in trust; and rental homes and units. As we enter into the phase of Western Australian society when more and more people are investing in property, more people will receive land tax assessment notices. I understand that the notices generally go out in late September, so people will be receiving them in a few weeks. If they have not done their homework, they will probably be quite surprised to get a notice. If they have recently invested in the ownership of a unit, a townhouse or a property, they will be surprised to receive a notice of land tax assessment. Because this bill was not spoken about in the lead-up to the March election, it makes it all the more unfair on people who may have diversified their investments from being solely in the share market and moved into investment in bricks and mortar. We need to acknowledge that Western Australia has a culture of investment in property; indeed a culture that embraces speculation in land and in the rise in value of land assets. Indeed, it is that property speculation that Henry George's single land tax sought to remedy. He felt that it was a poor state of affairs for a society to base so much of its wealth on speculative interest in land. I think it is a matter to which we in Western Australia need to give further consideration. So many people are reliant on the increase in land values for their personal wealth and investments, especially as they attempt to create a valuable nest egg for their retirement. Land value is the foundation upon which a lot of our personal wealth is based. Is that a good thing? I think it could be risky.

For a long time Western Australia has been relatively immune from the end of the property boom. Property values have never really dropped, but I think we have seen the signs of that in recent times. It has certainly happened in other parts of the world. I recall a property boom in Europe in the late 1980s. Investment from financial institutions and from individuals led to a very rapid rise in property values in most European capitals and throughout most European countries as well. Then there was a crash. When the financial institutions began to call in their loans, property prices dropped. Then people who had got themselves into a high mortgage found themselves owing more on their mortgage than their property was actually worth—a negative equity situation. That has occurred in Western Australia to a very limited extent. However, if we continue to base our society on one that derives so much of its wealth on speculative investment in property, we risk that situation re-occurring in the future. I am concerned about that and so I say in this place that we need to ensure that people are fully informed on the ownership of property and that the same vulnerability to the ups and downs of share values in investment in the share market applies to property prices. People need to be aware of that.

This bill seeks to modify the land tax system. The new table, as presented in the bill, lists the rate of land tax for properties exceeding \$1 million in value but not exceeding \$2.2 million at \$700 plus 0.53c for each dollar in excess of \$1 million. Perhaps it would have been legitimate for the government to have told Western Australians about this increase to land tax, but I do not think it should be sneaking it in when it said in its election campaign that it stood for lower taxes and not for these sorts of things. I think in the March 2013 election campaign there

was a veiled threat to the people of Western Australia such as, “Watch out! If you vote for Labor, you’ll actually be voting for more taxes and increases in taxes.” That is exactly what we are seeing in this bill. Members opposite might argue that there is a serious problem with state revenues and that we must increase those revenues. Increasing revenue would be a legitimate measure if the government had forewarned the Western Australian people it would do that. But to pretend that it is not going to do it and then do it is dishonest. That is why I am opposing this bill; I think it is grossly unfair.

The issues about the land tax system as it stands in WA are interesting when we consider the sorts of properties that are exempt from paying land tax. This is where we see quite a difference in the tax system from the single tax system that Henry George proposed. The properties that are most obviously exempt from land tax are rural businesses—farms. People who have access to a few thousand hectares, and often many more hectares, are exempt from paying land tax because they are in the business of farming. That is how our land tax system is designed—likewise for retirement villages. This is certainly an issue for me as the member for the Gosnells electorate. Gosnells has a number of retirement villages and they are exempt from paying land tax. I would be interested to know the definition of “retirement village”. As the minister knows, retirement villages are defined by the Retirement Villages Act, but a number of other over-55s living arrangements and other places are governed by the Residential Parks (Long-stay Tenants) Act. There are different arrangements, so I am not clear whether the retirement villages exemption applies to retirement villages in a generic sense. I suspect it does, because a further exemption applies to aged-care facilities. It does seem like quite a broad definition.

I was also surprised to see that an exemption from land tax exists for mining tenements. I am unclear as to why that would be so. I know we like to assist our mining industry and provide it with all sorts of incentives and make the constraints or costs on the mining industry as few and as small as possible, but I would question the exemption from land tax for those who hold mining tenements.

Mr W.R. Marmion: Miners already pay a licence for their tenement, so they are already sort of taxed to some extent.

Mr C.J. TALLENTIRE: That is a good point, minister, but it could also be said that somebody who has a shop of some description might have to pay a licence for some sort of activity that goes on there. It might indeed be part V of the Environmental Protection Act licence for some activity that may pollute, but they still have to pay a land tax.

Mr W.R. MARMION: They don’t own the land though; it is just a right to prospect on the land. They do not actually own the land. That is the differential.

Mr F.M. Logan: I think that is the answer.

Mr C.J. TALLENTIRE: That may be the argument, but I think it could be contested.

Turning to other institutions or entities that are exempt from land tax, they include places described as being for an educational purpose. The definition of a place used for an educational purpose could be very broad, as could the definition of places used for religious purposes, which are also exempt from having to pay land tax. There has been quite an amount of public debate around what constitutes a religious institution. We have seen that some organisations describe themselves as being religious institutions although they are perhaps not what most members of this place would recognise as a religion. They often have objectives that are much more about supporting a person who may be a leader or a guru—those cult-type organisations—and this house needs to deal with the issue of the definition of a religious institution. We need to be quite restrictive and really work out the differences between a religious institution and a cult. I would be very concerned if organisations that are more accurately described as cults are able to avoid land tax simply by saying they are operating for a religious purpose. An issue also exists around those religious organisations that are extensively involved in business networking. They describe themselves as a religious organisation, but in fact their coming together is much more around business networking and ensuring that the church’s members are given a series of contacts or a customer base that ensures the profitability of their business. Much work needs to be done around the definition of a religious institution.

Other exempt organisations include not-for-profit societies, and clubs and associations. I think it is legitimate for an organisation such as a pony club that might have access to five or 10 hectares to be exempt. We also need to make sure that agricultural societies—important organisations in many country areas—are exempt from paying land tax.

I turn to another series of properties that are exempt from land tax—this is an area I am particularly supportive of—being properties with an approved conservation covenant. I think people who invest in land and are surprised when they receive their land tax assessment notice late this month should contemplate using this opportunity. If they are prepared to put a conservation covenant over their land, they can be exempt from paying land tax. That is a good incentive for people to actively manage their land for conservation purposes. I

understand three principal pieces of legislation provide for conservation covenants: the Conservation and Land Management Act; the Soil and Land Conservation Act; and also the covenanting arrangements through the National Trust of Australia, which I understand are the most popular. People who engage in one of the three types of covenant are exempt from paying land tax. They have to, though, enter into an agreement that that covenant will be registered on their certificate of title, and that should they sell their property the covenant stays on the title. For many people, an appealing point when buying a property is that it has been actively managed for conservation with an actual plan. The idea of people being able to acquire an approved conservation covenant to avoid having to pay land tax is a worthy aspect of the current arrangements we have around land tax.

Other properties free of having to pay land tax include caravan parks, park home sites and camping grounds. There is scope for businesses that are occupying a fair area of land often in that range of five to 10 hectares not to pay the land tax that would otherwise be required of them if they were holding the land for other purposes. It is interesting to note that zoological gardens can be exempt from having to pay land tax. As I said before, horticultural showgrounds, historical societies and museums are all exempt from paying land tax.

I think that having gotten to this point of the land tax arrangements in place in Western Australia, it is understandable and interesting to note that its genesis in the work of Henry George and his aims to have a single tax system, recognising that land, in many ways, is fundamental to our wealth. It is a very interesting idea. I think, though, where George perhaps got it slightly wrong was in defining the relative values of land. There is no doubt about it; some land is more productive and worth more than other pieces of land.

[Member's time extended.]

Mr C.J. TALLENTIRE: I will conclude with the idea that there are relativities between land areas that are, from an agricultural perspective, highly fertile with rich soils and with good rainfall, and land areas that are particularly dry, perhaps with soils that are depauperate—low in nutrients, phosphorus and the like. That sort of land has a different value from land that is highly productive. That is just in the agricultural setting; there are other reasons for not being able to uniformly value land. In an urban setting, location, of course, makes the biggest difference; land located in a prime location near a river or the coast, perhaps, is valued much more than land in suburbs removed from the city centre and in locations less desirable to people. There are variations, and that is what Henry George got wrong. Western Australia has put elements of George's thinking into our land tax system and developed the current arrangements, with exemptions. The point to note here is that the government has increased these land taxes without forewarning the people of Western Australia. The government of the day went to the polls without talking about this; in fact, it pretended that the WA Labor Party would increase taxes. It is so unfair that members opposite won government on that pretence. We are in opposition, and it is incumbent on us to challenge the government of the day because its strategy and words prior to the election were totally different from its actions after the election. The people of Western Australia need to be aware of that. I am sure they will remember it when they come to vote in another state election.

MR F.M. LOGAN (Cockburn) [1.50 pm]: I rise like the previous speakers to contribute to this debate and to point out that the opposition will oppose the Land Tax Amendment Bill 2013. As briefly mentioned by the member for Gosnells, and by the speaker before him over and over again, we oppose the bill because it is clearly a deceptive move by the government on the taxpayers of Western Australia. The only point in Liberal Party documentation before the 2013 election that contains a reference to land tax and its impacts on small business is a very small line item that says a future Liberal government will lift the burden on small business. It certainly is lifting the burden on small business; it is lifting it to a higher base! That has been a result of the 2013–14 budget. At no time prior to the February state election did the Liberal Party indicate to the people of Western Australia, land holders, small business people, investors and developers, that a future Liberal–National government would raise land tax. Is that fair? I do not believe it is fair to do that. Is it dishonest? It is dishonest because there was clearly an intention by the previous Barnett Liberal–National government to lift the land tax prior to the state election and to introduce it in the next budget should it be returned to government. An increase of 12.5 per cent in land tax does not come out of thin air after an election win. A huge amount of work was done in the budgetary process in the lead-up to the midyear review, and in the lead-up to the following year's May budget—as is always the case. I understand this budget was put back because of the state election, but nevertheless all that work was done. It is done every year between October and the cut-off point in around February–March and is then written up as the budget that is released in May. That occurs in every 12-month cycle. The concept of lifting the land tax charged would have been thought of and included as an option prior to the 2013 state election. We have no evidence or documentation to prove that, but that is the way things happen in the normal budgetary cycle. The electors of Western Australia were not told in the lead-up to the state election that that option may be exercised; that is, that the option to raise land tax was on the table and would be exercised in a later budget. That is why the government was deceptive and dishonest. The government stands condemned for that, because it is one of a number of broken promises. It is a broken promise because the Liberal Party's election documentation said it would lift the burden on small business, and it has not; it has increased the burden on small business. It is

deceptive because there was no mention of this increase in land tax. That is why this government stands condemned for what it has done and why the opposition will oppose this legislation.

I come to the content of the legislation. The argument that has been put forward in the explanatory notes to the second reading speech is that the small increase in land tax should be compared with land tax that would be payable in other states. It is true that the value of land tax in Western Australia is quite small when compared with the value of land tax in other states. The information that has been provided by the minister is quite correct and highly informative, but that is not how people perceive this. Residents and taxpayers may know that stamp duty on cars is lower in Queensland than it is in Western Australia, but by and large people very rarely go to Queensland to buy a car to take advantage of the lower stamp duty in Queensland. A comparison of stamp duty payable in WA with stamp duty payable on a car in Queensland is of negligible benefit because most people do not take advantage of it. Similarly, for the government to say that Western Australians should be thankful when they compare land tax in Western Australia to land tax payable in other states is not an issue to most people because they do not buy land or property in other states—some people make investments in other states, but by and large that is a small number of people. For the government to excuse the 12.5 per cent increase in land tax simply because land tax in Western Australia is lower than in other states is a fallacious argument. It is certainly not a justifiable argument for a 12.5 per cent increase in land tax. The point made in the second reading speech is that, although the land tax will increase by 12.5 per cent, the government expects that will be offset by lower than expected land values and therefore it will not generate a 12.5 per cent increase to government revenues, but only about a five per cent increase because of lower land values. I do not know how those calculations were drafted or where the government got the information from about expected lower land values, because the Real Estate Institute of Western Australia's market update for the March 2013 quarter highlights that there has been an 11.3 per cent increase in land value in the Perth region and a 10.8 per cent increase across regional Western Australia in the last year. Therefore, the argument put forward in the minister's second reading speech that the 12.5 per cent increase in land tax will be offset by lower land values is just not correct.

Debate interrupted, pursuant to standing orders.

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