

LAND TAX AMENDMENT BILL 2015

Second Reading

Resumed from an earlier stage of the sitting.

MS L.L. BAKER (Maylands) [2.48 pm]: Sorry; I had thought that I had concluded my speech. I am sure that I have not, though. I will just locate some notes that I had before question time. I think I was talking about the issues that the government had raised around the savings measures that were being implemented in an attempt to, I suppose, in some way cover up the government's dreadful mismanagement.

Several members interjected.

The SPEAKER: Thank you very much. Member for Maylands, have you collected your thoughts?

Ms L.L. BAKER: Absolutely, Mr Speaker.

The SPEAKER: Stop interrupting the member for Maylands, member for Albany and the Premier, and whoever else.

Ms L.L. BAKER: Thank you very much, Mr Speaker, for the protection. I feel very supported now, and I am sure that my colleagues will let me continue. I thank the Speaker for that brief interlude.

The issues around land tax and this particular bill will be a continuation of this government's attempt to put up taxes and unfairly leverage what has been going on in places such as the community sector and child protection. I spoke about that during the earlier part of my speech.

In concluding my speech, I would like to move onto a couple of final issues. I have found it quite interesting in my role as shadow parliamentary secretary to be invited to speak at business functions. I have sometimes been scratching to think about what topic would be most appropriate to discuss but I do not have that problem anymore. I can speak about a raft of taxes that small business has to wear as a result of this completely puzzling arrangement in which a Liberal government is increasing the tax burden on small business. I remember the government's promised easing of payroll tax, which seems to have been in limbo ad infinitum. Several years ago the government promised that some mechanisms would be introduced to ease payroll tax, but in successive budgets it has been deferred or amended. When I speak to business owners, I hear that they are tired of waiting. This latest Taxation Legislation Amendment Bill will create a further impost for small businesses in my electorate, and I am sure in all members' electorates, that own property. That will be added to my list of comments when I speak at Rotary clubs and the like and small businesses about increased taxation and other burdens due to this government's inefficient management.

I want to finish my comments by talking about the potential impact of this bill on another group of people. When the government talks about saving money, resource allocation and managing spending, given this is probably the biggest spending government of all time, it is a bit of a contradiction. I cannot remember when anyone has made a commitment to spend—what, \$4 billion on the arena project before it is finally finished?

Dr K.D. Hames interjected.

Ms L.L. BAKER: They are very big spending items. There is the Perth foreshore development. Tell me one more time, Deputy Premier.

Dr K.D. Hames: Your former minister, right in front of you, approved the arena, and I have given her credit for it.

Ms L.L. BAKER: The Deputy Premier is quite right; she did. My apologies—I was talking about the stadium. The Deputy Premier will have to forgive me because I am not very good at going to football matches so I have not had a chance to take advantage of the arena, nor will I go to the stadium when it is finally open. I was referring to the stadium when I looked over at the member for West Swan for affirmation of the likely cost of the stadium over the long term.

This is a very big spending government, and I will talk to small businesses about it. They are definitely noticing the effects of imposts. The increased land tax will create an additional impost for small business as it will for non-government and not-for-profit organisations that have managed to purchase premises to operate from. They have never been exempt from land tax, and I am not suggesting they should be but it will add to their financial burdens.

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka, Hansard reporters are trying to follow this so please, another speech at another time. Thank you very much.

Ms L.L. BAKER: Member for Mirrabooka, would you like to interject with a comment?

Ms Lisa Baker; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt; Mr Paul Papalia; Ms
Janine Freeman

Ms J.M. Freeman: I would love to interject on that point, member for Maylands. It seems to me that if caravan parks can have an exemption from land tax, a not-for-profit organisation such as the Welfare Rights and Advocacy Service, which owns its buildings and operates on very minimal government funding and loses things such as financial counselling funding, although some time ago, should not have to pay land tax. Now I find out from you they have to pay land tax. That seems absolutely unfair.

Ms L.L. BAKER: We can check with the minister whether that is the case. I am pretty sure it is the case. I doubt whether these kinds of NGOs are exempt from this land tax increase, and there is a very good argument for looking at whether not-for-profit organisations or charities should pay land tax.

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka, that is enough now, thank you.

Ms L.L. BAKER: I return to my final point about how spending could have been directed more efficiently. I ask the house for some indulgence on this. I have recently been privileged to read the Commissioner for Children and Young People's new paper, "Listen to Us", which is a report on the views of Western Australian Aboriginal and Torres Strait Islander Children and Young People. It refers to policy and service delivery across a number of areas and provides a very interesting discussion about what these children think is important.

[Member's time extended.]

Ms L.L. BAKER: In relation to this paper I want to talk about sport as a conduit for development, particularly for the support and development of Aboriginal youth in our community. Casting my eye sideways, I notice that the member for Kimberley is not here. I am sure she would have more to say on this subject, but I would like to record my comments. A 16-year-old Noongar boy in the wheatbelt says, "I like sport because it keeps me fit and healthy." A 12-year-old boy in the great southern says, "I love playing all the sport and playing footy." The government has developed the WA Aboriginal Health and Wellbeing Framework 2015–2030 in recognition of the importance of sport and recreation in creating wellbeing for Aboriginal children and young people. For those who are not aware, I found out just the other day that 98 per cent of the work done by the Department for Child Protection and Family Support with children in care in the East Kimberley involves Aboriginal children. In the West Kimberley, 100 per cent of the department's work is with Aboriginal children. Although my colleagues have said that is not surprising, I find it shocking that, in this century, we are still dealing with these incredible difficulties.

Sport resonates with children and young people in these communities and could result in boundless outcomes if we invest in it. The "Listen to Us" report reads in part —

For Aboriginal children and young people, there is evidence that sport and recreation programs contribute to school retention and educational outcomes, social and cognitive skills, physical and mental health and wellbeing, social inclusion and cohesion, connection to culture, and a reduction in crime and antisocial behaviour.

...

Sport has been identified as a factor that supports achieving Closing the Gap targets in health, education and employment.

Could there be any better way of spending money in remote communities in Western Australia, rather than on a foreshore development or a stadium? I suggest that the evidence is that 98 per cent and 100 per cent of children in care in the Kimberley are Aboriginal children. Those statistics are sobering, to say the least, and should be encouraging whatever government of the day to spend money on activities that help support Aboriginal children and young people in that community.

That covers the points I wish to raise about this Land Tax Amendment Bill before us. In closing, I am very clear, as many other members have indicated in their speeches in this house over the last 24 hours, that this kind of additional broken promise continues to not just put this government in a bad light but also reveal the truth of how it has mismanaged the budget. That is being unpicked and demonstrated for all the community to see as people struggle with increased charges. This is just another charge among the raft of increased charges that the community will be forced to pay.

MR W.R. MARMION (Nedlands — Minister for Finance) [3.00 pm] — in reply: I rise to conclude the second reading debate on the Land Tax Amendment Bill 2015. There were a number of speakers on this bill —

Several members interjected.

Mr W.R. MARMION: I will not be marking them out of 10!

Extract from Hansard

[ASSEMBLY — Wednesday, 12 August 2015]

p5203c-5214a

Ms Lisa Baker; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt; Mr Paul Papalia; Ms Janine Freeman

This is a fairly simple bill. The bill has only four clauses. The substantive clause is clause 4, which amends section 5 of the Land Tax Act by inserting after table 10 a new table 11 that applies the land tax rates for 2015–16 and subsequent financial years; so, they are there for all to see. For unimproved land valued at between zero and \$300 000, no land tax is payable. For unimproved land valued at between \$300 000 and \$420 000, a flat rate of \$300 is payable. For unimproved land valued at between \$420 000 and \$1 million, the land tax payable is \$300 plus 0.25c for each \$1 in excess of \$420 000. For unimproved land valued at between \$1 million and \$1.8 million, the land tax payable is \$1 750 plus 0.90c for each \$1 in excess of \$1 million. For unimproved land valued at between \$1.8 million and \$5 million, the land tax payable is \$8 950 plus 1.80c for each \$1 in excess of \$1.8 million. For unimproved land valued at between \$5 million and \$11 million, the land tax payable is \$66 550 plus 2.00c for each \$1 in excess of \$5 million; and from \$11 million onwards the land tax payable is \$186 550 plus 2.67c for each \$1 in excess of \$11 million.

I turn now to how these new land tax rates compare with the land tax rates in other states. For unimproved land value of between \$300 000 and \$600 000, Western Australia is the second lowest behind New South Wales and Queensland, which are equal. For unimproved land value of between \$700 000 and \$1.85 million, in Western Australia the land tax is the lowest in Australia. For unimproved land value of between \$1.9 million and \$6 million, Western Australia is the second lowest charging state, behind Victoria. For unimproved land value of \$6.5 million onwards, Western Australia is the third lowest in Australia. Therefore, the increases in land tax in this state from 2015–16 onwards compare very favourably with the rates in the other states.

I will now go through some of the questions and comments made by the various speakers, starting with the member for West Swan. The member for West Swan generally understood what the bill was about. Her main comments were about the state budget, which is not part of this bill. However, this bill supports the budget, so it has relevance. This bill will raise \$826 million of revenue for the state government. No questions were asked by the member for West Swan. The major point I would make in response to the member's comments is that the land tax rates in this state are comparable with those in the other states.

The second speaker was the member for Victoria Park, who made similar comments to those of the member for West Swan. He raised the issue of the breakfast, which a number of other speakers raised as well, and the comments made by a former Treasurer. He is correct in that the bill will raise over the forward estimates \$826 million.

The next speaker was the member for Warnbro, who discussed penalty rates and Martin Ferguson and the defence industry. He also mentioned the lack of support for science and innovation, which I disagree with. This government is strongly in support of science and innovation, particularly in the mining industry, and also information and communications technology.

Mr P. Papalia: I also talked about tourism.

Mr W.R. MARMION: True, the member did talk about tourism, but, again, that is not related to the bill.

The member also talked about the need to support the Perth convention centre.

Mr P. Papalia: No, the Perth Convention Bureau.

Mr W.R. MARMION: Yes, the Perth Convention Bureau. Sorry. My head is a bit fuzzy.

The member for Bassendean, similar to the member for Victoria Park, added up the increases in the last three budgets, totalling \$4.4 billion. Those are revenue measures since the last election. Again, that is not related to the bill, but it is part of the revenue measures to balance our budget.

The member for Cannington also raised the issue of the famous breakfast, which the member for Victoria Park talks about regularly, and suggested that we should not be spending money on the foreshore but should instead be spending some money on the Indigenous peoples' building. He also commented on the way in which the land tax rates work and how the rate is a flat \$300 up to an unimproved value of \$420 000, which is correct.

The member for Mirrabooka actually spoke almost entirely on the bill—so, congratulations; I probably should have marked her higher than everyone else.

Ms J.M. Freeman: Sorry. What was that?

Mr W.R. MARMION: I am saying that the member spoke almost entirely on the bill; so that is a big tick.

Mr D.A. Templeman: What did you think of my contribution?

Mr W.R. MARMION: I have not got to the member for Mandurah.

Mr D.A. Templeman: I did not make one!

Ms Lisa Baker; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt; Mr Paul Papalia; Ms Janine Freeman

Mr W.R. MARMION: I found the member for Mirrabooka's comments very entertaining and very interesting because she went through the history of land tax. What I got out of the member's history lesson is the fact that the commonwealth has been pinching the state's revenue and continues to do so. That was a very relevant point. I did not realise that the customs excise was pinched way back in 2007.

I turn now to the comments of the member for Maylands.

Mr R.H. Cook: What about mine?

Mr W.R. MARMION: Everyone repeated everyone else. The member for Maylands raised a point about the exemption for caravan parks versus not-for-profits. Caravan parks used to be required to pay land tax. However, the problem was that people kept selling caravan parks for residential and made a lot of money. Therefore, as an incentive—I think the Labor Party brought it in, in fairness—there was a 50 per cent rebate on land tax. I think that lasted for only 10 years. It was a lump sum rebate. If people sold the caravan park for residential and made a lot of money, they had to repay the land tax. We have taken that away. That is, from memory, what I understand is the reason. If a building is owned by a not-for-profit, I believe that under the charities exemption, no land tax is payable.

This is a very small change. Basically this bill introduces one new table. It will provide \$826 million in the forward estimates to the budget, so it is significant in terms of its quantum in dollars.

I support the bill and I look forward to the opposition supporting it as well.

Division

Question put and a division taken, the Acting Speaker (Mr I.M. Britza) casting his vote with the ayes, with the following result —

Ayes (36)

Mr P. Abetz	Mr J.H.D. Day	Dr G.G. Jacobs	Mr N.W. Morton
Mr F.A. Alban	Ms W.M. Duncan	Mr R.F. Johnson	Dr M.D. Nahan
Mr C.J. Barnett	Ms E. Evangel	Mr S.K. L'Estrange	Mr D.C. Nalder
Mr I.C. Blayney	Mrs G.J. Godfrey	Mr R.S. Love	Mr J. Norberger
Mr I.M. Britza	Mr B.J. Grylls	Mr W.R. Marmion	Mr D.T. Redman
Mr G.M. Castrilli	Dr K.D. Hames	Mr J.E. McGrath	Mr A.J. Simpson
Mr V.A. Catania	Mrs L.M. Harvey	Ms L. Mettam	Mr M.H. Taylor
Mr M.J. Cowper	Mr C.D. Hatton	Mr P.T. Miles	Mr T.K. Waldron
Ms M.J. Davies	Mr A.P. Jacob	Ms A.R. Mitchell	Mr A. Krsticevic (<i>Teller</i>)

Noes (20)

Ms L.L. Baker	Mr W.J. Johnston	Mr M.P. Murray	Ms R. Saffioti
Dr A.D. Buti	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Mr R.H. Cook	Mr F.M. Logan	Mr J.R. Quigley	Mr P.B. Watson
Ms J. Farrer	Mr M. McGowan	Ms M.M. Quirk	Mr B.S. Wyatt
Ms J.M. Freeman	Ms S.F. McGurk	Mrs M.H. Roberts	Mr D.A. Templeman (<i>Teller</i>)

Pair

Mr J.M. Francis

Mr C.J. Tallentire

Question thus passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clause 1: Short title —

Ms R. SAFFIOTI: We are debating the Land Tax Amendment Bill 2015 and I just seek clarification about what other revenue bills will be introduced by the government by the end of the year. I understand one was read into the house today, the Revenue Laws Amendment Bill 2015. Are any other taxing or land tax bills, or the bill to introduce the new non-regional metropolitan improvement tax, likely to be introduced by the end of this year?

Mr W.R. MARMION: We are trying to predict the future. The bill I read in today is another revenue bill. I also flagged a bill in a brief ministerial statement yesterday.

Mr B.S. Wyatt: The retrospective one.

Mr W.R. MARMION: Yes, but it is problematic whether we will get that into the house in time—that is the advice I got just now. That could change tomorrow or next week. Because of government priorities in bills, it may not come up. Apart from this bill, the next bill will be the one to do with the first home owner grant, and the one after that will be the one dealing with advice about retrospectivity, but that may not be this year; it might be early next year.

Ms R. SAFFIOTI: Can I just confirm that with the Revenue Laws Amendment Bill, which the minister read in today, the changes to government trading enterprises and land ownership are to be drafted and will have to go through the priority setting of government? Are we likely to see the changes to introduce the regional improvement tax this year or is that something under the carriage of the Minister for Planning?

Mr W.R. MARMION: I have been advised that that bill will be prepared by the Minister for Planning, so he will bring it forward.

Mr W.J. JOHNSTON: Just for the benefit of the future *Hansard*, I note the minister's croaky voice and I thank him for making the effort to be with us today when he is clearly not feeling the best.

Ms R. Saffioti: That was very pleasant! Where are the cucumber sandwiches?

Mr W.J. JOHNSTON: Bill is my mate!

Several members interjected.

Mr W.J. JOHNSTON: I am waiting for it!

The ACTING SPEAKER: Thank you, members.

Mr W.J. JOHNSTON: Given this is the third year of the government and the third land tax increase, can the minister assure us that there will not be a fourth land tax increase in next year's budget; or is the question of future tax increases above the minister's pay grade? I understand that the policy around tax matters is the Treasurer's and not the minister's, and if that is the case, I appreciate that the minister may not be able to tell us whether the people of Western Australia can expect next year's budget to produce the quadrella of land tax increases.

Ms R. Saffioti: Is that what it is?

Mr W.J. JOHNSTON: Yes, that is what it is. I go to the dogs; it is a quadrella—picking the first four across the line. Can the minister give any assurance about whether this is the last land tax increase for the current Parliament or will we have to wait with bated breath until May next year to find out whether the government will in fact increase land tax in every year of its life?

Mr W.R. MARMION: The government is committed to keeping tax burdens as low as possible, but we cannot speculate on possible future land tax changes because, looking at tax settings in a broader context, it is just one setting of a number that are looked at when a budget is framed. Therefore, we cannot speculate on possible future land taxes today.

Mr W.J. JOHNSTON: I do not know whether my colleagues will be asking additional questions on clause 1, but my next question arises from the minister's answer. How can people plan their investments in Western Australia? They may be making 20 or 30-year investments in Western Australia, but they do not know what is happening with land tax from year to year. The government went to the election telling people it would cut taxes, and I acknowledge that it specifically said that it would cut payroll taxes, but the response after the election has been to just increase land tax every year. We do not even know whether this is the last land tax increase. The minister will not rule out plans for further tax increases. As the Minister for Planning said in his interjection during the division, the government needs to continue to raise taxes because its expenditure continues to increase. How can people plan their investments in Western Australia if taxes are continually increased from year to year without any compunction to give a long-term picture? Is this not just simply another example of the Liberal government driving investment away from Western Australia?

Mr W.R. MARMION: I have a couple of comments. When we have the lowest land tax of other states for properties worth between \$700 000 and \$1.85 million, that does not drive people to other states; we have the lowest land tax. In terms of the Treasurer and future governments setting the budget, the Minister for Finance is but one person with that responsibility, so it is impossible for me as one player in the game to say what the game is going to be. That is the way it is, and that would be the same for any future ministers for finance.

Mr B.S. WYATT: Can the minister confirm something? He has said that Western Australia has the lowest land tax rate—can the minister repeat what he said a minute ago about WA having the lowest land tax rates for properties between \$700 000 and something else?

Mr W.R. Marmion: And \$1.85 million.

Mr B.S. WYATT: Does WA have the lowest in the country?

Mr W.R. Marmion: That is between the other states, not counting territories. They are the figures I have here.

Mr W.J. Johnston interjected.

The ACTING SPEAKER (Mr I.M. Britza): Member for Cannington, the member for Victoria Park is on his feet.

Mr B.S. WYATT: The minister said \$700 000 to \$1.85 million.

Mr W.R. Marmion: We are only second.

Mr B.S. WYATT: Can the minister confirm that WA's maximum land tax rate is the second highest of all the states?

The ACTING SPEAKER: Before the minister answers the question, I remind members on my left that this first clause deals with the title of the bill. I struggle to see the relevance of the points you are making. I think those answers will come through the relevant clauses that will follow. This clause deals with only the title of the bill and members really need to show that they are dealing with the title of the bill. Does the minister want to answer?

Mr W.R. MARMION: The answer will depend on how the member for Victoria Park phrases his question. Is he talking about the percentage rate?

Mr B.S. Wyatt: The percentage rate.

Mr W.R. MARMION: There is a difference. The outcome depends on how much is paid versus the percentage of the rate.

Mr B.S. Wyatt: But you can confirm in terms of the percentage rate?

Mr W.R. MARMION: I would have to look at a table that has all of the percentage rates. I have a table that shows the outcomes. I will have to find another table that shows the percentage rates, and I have to ask someone for that.

Clause put and passed.

Clause 2: Commencement —

Ms R. SAFFIOTI: My question relates to the timing of the legislation. I received some feedback and clarification during the briefing, but I now seek some confirmation from the minister. For example, if this legislation does not get through both houses by the end of September, what is the latest date on which land tax notices can be issued for 2015–16?

Mr W.R. MARMION: I have been advised that there is no time limit, so there is no limitation on it.

Mr B.S. WYATT: I have a question about clause 2. Proposed sections 1 and 2 and then the operative parts—that being proposed section 4—are deemed to have come into operation on 1 July 2015, so this bill already applies. The minister may recall that last night I read out to the house an email from somebody who made the point that as of 1 July this year that would add an additional \$490 per month to the outgoings of a business that operates in a certain premise. What is the minister's view about who bears the burden of the land tax? Is this a burden generally worn by the property owner or is it generally passed on to the tenants of those properties under a lease arrangement?

Mr W.R. MARMION: Having been a small business owner—and I have some knowledge also of once having a residential property —

Mr B.S. Wyatt: I'd have thought you would have had a residential property for quite some time.

Mr W.R. MARMION: It was not one that was subject to land tax. Unlike a lot of other members of Parliament, I do not have more than one property—but I did before I got married. Generally the landlord, the owner, passes it on to the tenant, particularly tenants of commercial properties—or they can do; it is a commercial arrangement. In terms of residential properties, one could argue that property owners would factor that into the rent, but of course the market can also dictate that rent. There is also the overriding factor that if there is a soft market, such as there is now, landlords might be in a different position. They might be in a situation that whilst they can pass the land tax on to the tenant, they might choose not to so that they can get the tenant, if the member gets what I mean.

Mr B.S. WYATT: I think that is right, and I generally agree that it is passed through the lease. The lease usually contains a specific clause that states that land tax and other costs will be passed on to the leaseholder.

Mr W.R. Marmion: And they usually pay the whole lot.

Mr B.S. WYATT: The minister made the point that for residential properties, it is generally factored into the rent. I am pleased that the minister has said that because I must admit that I was surprised that the Minister for Environment would have the view that this is a cost that has always been worn by the property owner and not passed on. I think that everyone understands that that is simply incorrect.

Mr P. PAPALIA: I know the minister was tired last night and he perhaps did not register that that is why I was talking about tourism. The vast majority of tourism businesses in Western Australia are small businesses and are tenants of commercial landlords who undoubtedly pass on land tax costs. The minister knows that. I know as a former small business owner that that is what happens. To suggest that landlords would not pass that cost on because of the nature of the market at the time is a bit unlikely.

Mr W.R. Marmion: I agree.

Mr P. PAPALIA: I think that is wishful thinking because the reality is that if a person has invested and established a business in a certain location, and is a tenant with a possible multiple-year lease, that person will not just up stumps and leave their, say, restaurant or cafe because the landlord has decided he is going to pass on the land tax component of his expenses to his tenant. That is not really what is going to happen. Has any modelling been done to determine the projected revenue that would be raised from tenants of commercial landlords?

Mr W.R. MARMION: No specific modelling has been done to quantify those impacts. Apparently Treasury does not have the information or data available to do the modelling, so it is difficult to do that for businesses, particularly those operating in shopping centres. When doing the full modelling, gathering that data on businesses in shopping centres and other multi-tenanted buildings is a problem.

Clause put and passed.

Clause 3: Act amended —

Ms J.M. FREEMAN: The Land Tax Amendment Bill 2015 will amend the Land Tax Assessment Act, and therefore it taxes property owners and then those property owners can get a deduction in their income tax from the commonwealth. Can the minister confirm with me the advice that we got from the advisers that although this raises \$826 million for the state government, it will result in about \$300 million being claimed from the commonwealth in taxable deductions?

Mr W.R. MARMION: The advisers advised me that they believed that that was the case, but it is a commonwealth tax so they cannot provide that advice, so the member cannot take that as factual advice.

Ms J.M. Freeman: So it could be more?

Mr W.R. MARMION: I am not saying that it could be wrong —

Ms J.M. Freeman: So it could be more than \$300 million?

Mr W.R. MARMION: No, not the figure. I am talking about whether it is tax deductible. When I had to pay land tax, I made sure it was a tax deduction for me. That is my understanding. I am not giving an authoritative position on this, but I think the member will find that most of the investors are making income so they can offset that income by claiming a deduction for the land tax. But that is not about this bill; that is just a bit of private advice that I know from past experience.

Ms J.M. FREEMAN: This bill will amend the Land Tax Act and it has exemptions in it under the Land Tax Act and the subsequent acts. Has any modelling been done or any discussion been had about coming back to this place to amend the act to include the principal and no longer exempt a principal from the current exemptions, and so, like the rates process, have it on principal land ownership as well as ownership of land for business or investment?

Mr W.R. MARMION: I think the member is asking whether there has ever been any thought about taxing residential homes. I have read about that when I read *The Australian*.

Mr W.J. Johnston interjected.

Mr W.R. MARMION: Yes. But there is another act—the Land Tax Assessment Act—where they put all the rules and things in, but certainly there has been no discussion. Nothing has ever been raised to me, ever.

Mr W.J. Johnston: It went to cabinet.

Mr W.R. MARMION: No, the thought of the government bringing it in.

Mr W.J. Johnston: It went to cabinet.

Mr W.R. MARMION: What went to cabinet?

Mr W.J. Johnston: The Economic Regulation Authority report.

Mr W.R. MARMION: Nothing has gone to cabinet to bring in a land tax on residential houses.

Mr W.J. JOHNSTON: I think the minister is a bit confused here, and I understand that. If the minister is saying that the Treasurer has not taken a recommendation to cabinet —

Mr W.R. Marmion: Correct.

Mr W.J. JOHNSTON: — to change the structure of land tax, I could accept that. But the ERA report was commissioned by this government and by the Treasurer, and it went to cabinet. It is published on a website. The minister can go and see it. It is not like it is a secret. It is not like it was done without consultation; it was a public document. It recommended that land tax be applied to all land in Western Australia. As I understand from previous answers from the minister about a different bill—I am happy for him to confirm it again this afternoon—the government has rejected that proposal. But it is not that the cabinet has not considered it, or otherwise it has made a decision to reject it. I acknowledge that there has never been a media release saying that that has been rejected. The outcome of the consideration has never been made public, and I understand that, but we all know the consideration has taken place because it is public. This is a controversial issue and there are many opinions, but one of reasons the Australian Capital Territory's land tax is much lower than we have here in Western Australia is because it is going through a process to broaden its tax base so that it can have a low rate and at the same time increase the total receipts so it can eliminate stamp duty. There are, as the ERA report sets out, swings and roundabouts. There are a lot of complex issues; I am not saying that I endorse the ERA's report—certainly there are many elements of the ERA report that I would specifically reject—but I just think the minister should explain that, yes, the cabinet has considered the ERA report, the ERA report dealt with the issue that the member for Mirrabooka was raising, which is this question of taking the tax rates out to owner-occupied residential land, which is effectively what we are talking about, and has chosen not to do that. I am not necessarily criticising the government, but it would be disappointing if the minister stands and says, "Yes, we did reject that, but we never realised what we were doing." That would be particularly appalling because that would be like so many other things the government does when there is no planning. The government could make a decision—good on it—but it should make a decision with its eyes open and not just reject it because it did not think about it.

Mr W.R. MARMION: I am not the Treasurer, but the Treasurer has never brought a recommendation to cabinet to introduce what the member for Mirrabooka has suggested, as far as I am aware.

Clause put and passed.

Clause 4: Section 5 amended —

Ms R. SAFFIOTI: Can I ask whether the minister has in front of him the number of taxpayers in each bracket of the land tax rates?

Mr W.R. MARMION: I only have that in graph form. In the break-up—has the member got her pen ready?

Ms R. Saffioti: Yes.

Mr W.R. MARMION: This is the distribution of land tax payers under the new proposed scale. From the threshold \$300 001 to \$1 million there are 111 287 landholders.

Mr B.S. Wyatt: From the threshold to \$1.1 million?

Mr W.R. MARMION: I am happy to give the opposition some more figures on that in percentage terms—the total—so then the opposition will have to work it out. That is 80.6 per cent of the total.

Ms R. Saffioti: So the \$300 000 bracket to \$1.1 million?

Mr W.R. MARMION: To \$1 million.

Ms R. Saffioti: Is it \$1 million? Sorry.

Mr W.R. MARMION: I do not have those figures. These are the figures I am giving, and if the member wants to ask —

A member interjected.

Mr W.R. MARMION: That is 80.6 per cent of the total who will be paying.

Mr W.J. JOHNSTON: Yes. What is the next figure?

Extract from Hansard

[ASSEMBLY — Wednesday, 12 August 2015]

p5203c-5214a

Ms Lisa Baker; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt; Mr Paul Papalia; Ms Janine Freeman

Mr W.R. MARMION: The \$1 000 001 to \$1.8 million bracket is 16 069 landholders.

Ms R. Saffioti interjected.

Mr W.R. MARMION: That is 11.6 per cent of people.

Ms J.M. Freeman: I do not understand. What about the \$300 000 to \$420 000?

Mr W.R. MARMION: I do not have those figures yet.

Ms J.M. Freeman: We just have a flat rate?

Several members interjected.

Mr W.R. MARMION: I will just finish the table.

Ms R. Saffioti: Sorry, I think the issue is —

Mr W.R. MARMION: Let me finish. If there is another question, we can —

Ms R. Saffioti: No, but if you go through the table, what has confused us —

Mr W.R. MARMION: These are the figures they have given me, so I will give the opposition these first, or I could try to go and find that one but it would slow it down.

Mr B.S. Wyatt: Go through the table.

Mr W.R. MARMION: Does the opposition have the second row?

Ms R. Saffioti: Yes.

Mr W.R. MARMION: For those valued at between \$1 800 001 to \$5 million, the number of the landholders is estimated at 8 512, which is 6.2 per cent. Doing this gives my advisers time to see whether they can come up with that other breakdown, so it is a sensible thing to do. From \$5 000 001 to \$11 million there are 1 543 landholders, which is 1.1 per cent. Those lucky people owning property valued at more than \$11 million number 677, representing 0.5 per cent of the total.

Several members interjected.

Mr W.R. MARMION: Certainly not me.

Ms R. Saffioti: Perhaps we should form the 677 club.

Mr W.R. MARMION: Yes, we should increase it—CPI compounded.

That group is 0.5 per cent of the total. Those figures should add up to 100 per cent, and the total number of landholders should add up to 138 088.

Mr W.J. JOHNSTON: Can the minister confirm how many new landholders will have to pay land tax following the passage of this legislation? How many people who did not previously need to pay will now need to?

Mr W.R. MARMION: While my advisers are getting an answer, I can give the answer for the number of landholders with property valued between \$300 000 and \$420 000. We have quickly worked it out. The figure seems to be 47 270.

Ms R. Saffioti: Is that a subset of the 111 000?

Mr W.R. MARMION: Yes.

Mr W.J. JOHNSTON: The minister sat down because he wanted additional time to answer the question, so I will just stand up while he is finding it out. I am not asking a new question.

Mr W.R. Marmion: I have forgotten the question.

Mr W.J. JOHNSTON: The minister's advisers have not, so that is okay. The question is: how many landholders will need to become taxpayers because of the passage of this legislation?

Mr W.R. MARMION: The table base starts from the same level, so there will be other factors that are nothing to do with the table, such as people whose land value was previously below \$300 000.

Ms J.M. Freeman: It went up on 1 August and then it went down again.

Mr W.R. MARMION: That is right. If they are captured by the Valuer-General's valuation and they happen to own land with an unimproved value over \$300 001, they are then hit with the \$300.

Mr W.J. JOHNSTON: In answer to question on notice 1662 on 12 December 2006, the then Treasurer, Eric Ripper, detailed that the number of land tax payers in Western Australia had fallen from 172 127 in the year 2002 to 102 579 in 2005. Now it seems that the government has added 38 000 additional taxpayers to the land tax base since the 2005 financial year. I could not find a question on notice after that 2006 question to determine what subsequently happened to the number of taxpayers. I am interested to know, given that the Labor government worked to get 70 000 taxpayers out of the land tax system, why this government is trying to put more people into the land tax system—38 000 additional land tax payers. As we have already heard in the discussion, the government does not want to go down the reform path. We can see that the former government was reducing the number of taxpayers, which was part of a reform. What is the government's agenda? Does it want to have more or fewer taxpayers? What is the government aiming at with this legislation? Is it aiming to continually increase the number of taxpayers?

The minister made much in his second reading speech about shifting the percentage burden from the top taxpayers, but the government is not actually changing their tax burden; it is just increasing the burden on others. That does not seem to be a reform. What is the agenda? What is the plan of the government to deal with land tax? The former Labor government worked hard to get people out of paying land tax, and it seems that the present government is working to get people into paying land tax.

Mr W.R. MARMION: The reason the figure changes, apart from the fact that people's land gets revalued due to inflation, which will bring more people in, is that the threshold has been lifted over time. The threshold is actually increasing. It is a balancing act. Maybe Eric Ripper thought that the government was getting too much from land tax; I was not there, so I do not know. It is a balancing act between land tax and all the other revenue streams, which is a decision by the government of the day. The government of the day in 2005, with Eric Ripper as the Treasurer, decided to lift the threshold so that fewer people would be captured. However, more people are captured as their land values go up, so it is just like income tax.

Mr B.S. Wyatt: You're like Joe Hockey, talking about bracket creep.

Mr W.J. JOHNSTON: Yes, he is addicted to bracket creep. Whereas the former Labor government did something about bracket creep, this government is using bracket creep as a bludgeon against investors in Western Australia, and indeed priding itself on increasing taxes on small landholders. Somehow that covers up the government's continuing tax grab.

When this measure was announced in the budget, the discussion about it was contained on page 94 of budget paper No 3, where there were details of amendments to the land tax scale et cetera, and then there was a paragraph that read —

Despite the changes, Western Australia's land tax will remain competitive with other jurisdictions, particularly for lower valued properties such as residential investment properties.

The paragraph then gave some examples. There is also table 4 at the foot of page 94, headed "Interstate Comparison of Land Tax Payable". The table sets out unimproved land values, the Western Australian current rate, the new Western Australian rate, and the rates for New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory. I am interested to know whether these are actual comparisons. Are there any concessions to the land tax rates in the other states? For example, in Queensland, is this the tax payable by companies and trusts on their landholdings, and would an individual owning land in Queensland pay a lower figure? Are there any other examples of similar arrangements in other states?

Mr W.R. MARMION: My understanding is that these rates apply to individuals, and that trusts in Queensland actually pay higher amounts than those in that table. For those entities, my understanding—I did not know this, I have only just been told—is that their land tax payable may be more than that figure.

Mr W.J. JOHNSTON: Can the minister confirm that a person owning a property in New South Wales with an unimproved land value of \$400 000 would pay no land tax, and the same property in Queensland would attract no land tax, whereas in Western Australia such a person would now pay the minimum \$300 land tax?

Mr W.R. MARMION: A person with a \$400 000 property will pay \$300 in Western Australia, zero in New South Wales, \$575 in Victoria, zero in Queensland, \$385 in South Australia and \$2 588 in lucky Tasmania.

Mr W.J. JOHNSTON: Can the minister confirm that a person with a parcel of land or a group of parcels of land worth \$15 million in aggregate in Western Australia would pay \$293 000 for that investment, which is obviously a very significant investment because it is based on the unimproved value of the land, not the actual value of the property on it? A shopping centre in Cannington might be worth \$15 million. The person in Western Australia would pay \$293 350, whereas a large investor in New South Wales, Queensland, Tasmania and the Australian Capital Territory would pay less. Does the minister think that the decision of the government to tax

large investors in Western Australia more than large investors in New South Wales is contributing to the fact that the New South Wales economy is now exceeding the economic performance of Western Australia?

Mr W.R. MARMION: We do not have the numbers for companies; the table the member read out is for individuals, so there is a possibility, certainly in Queensland, that the land tax the person would pay may be higher. The member missed South Australia; we are still below South Australia and also Victoria.

Mr W.J. JOHNSTON: The other part of the question that the minister has not answered is: is this increased taxation burden on investors in Western Australia contributing to the slowdown in the economy in Western Australia?

Mr W.R. MARMION: No, I do not believe so.

Mr P. Papalia: On what basis?

Mr W.J. JOHNSTON: Does the minister think that any increase in land tax —

Mr W.R. Marmion: On the basis that this has not even been brought into effect.

Mr W.J. JOHNSTON: The minister was very quick to get back to his feet. I will assume that that was an interjection, and I accept the minister's interjection because I am a nice guy.

Mr W.R. Marmion: I was just responding to his interjection.

Mr W.J. JOHNSTON: Yes, but he is my mate as well.

What level of increase in land tax would have an impact on investment in Western Australia?

Mr W.R. MARMION: No economic modelling has been undertaken specifically. The general comment I can make is that land tax is generally regarded as one of the most economically efficient forms of taxes, which many speakers on the other side of the house also said. A whole lot of other things have to be taken into account if modelling is to be done. The other comment I would make is that the commonwealth's tax reform white paper process also confirmed the relative efficiency of land tax. It is seen as a fairly useful and efficient way of taxing.

Mr W.J. JOHNSTON: I am very happy to accept the minister's position on this land tax question. Given the interjection of the Minister for Planning during the division that tax revenue is needed to fund the activities of the state, that will be true if the government changes. Nobody knows whether there ever will be a change of government in Western Australia. I do not count any chickens ever.

Mr W.R. Marmion: I think it will happen eventually.

Mr W.J. JOHNSTON: It may or may not. The point I am getting to is that I want the Liberal Party's position on these matters to be clear. During the last two terms of the Labor government, land tax was discussed extensively. We were told that it was cramping the economic performance of the state and that it was driving investment away, yet here we are with a 173 per cent increase in land tax. Let me make that clear: that is an increase of 273 per cent—100 per cent from Labor and 173 per cent from the Liberals. An extra 173 per cent in land tax is being taken out of the pockets of Western Australian investors. As I say, the only figure for land tax payers that I could find in *Hansard* was 102 579 in 2005. Now the minister is saying that there are over 138 000 land tax payers. The minister has said that no economic modelling is done on what level of land tax will crimp investment in this state, although we all know that our economy is much softer than the economies of a number of other states around the country. New South Wales is now the leading economy in Australia. That never happened when Labor was in government; Western Australia always had a more robust economy than New South Wales.

Mr P. Papalia: Under Labor, WA will always have a more robust economy.

Mr W.J. JOHNSTON: The evidence is that under Labor, Western Australia has a more robust economy. We are just trying to get a picture. If we need to have the low tax debate in the future, we want to make sure that we know which Liberal Party we are debating. Is it the Liberal Party that actually does what it talks about? We are happy for the Liberal Party to tell us which Liberal Party we should be debating. We will note these words very carefully, because these are not minor matters. We will hold the government to account.

I draw the minister's attention to the comments of Hon Troy Buswell on 13 October 2005 in a grievance to Hon Eric Ripper about three land tax payers in his electorate. He said —

They told me last week that, at the current rate of increase, they will quite simply not be able to afford to hold those properties.

Here we are, 10 years later, and the land tax rates are higher, the thresholds are lower and the collections have gone up by a massive amount. What are we doing with land tax? What is the agenda of the Liberal Party?

Extract from *Hansard*

[ASSEMBLY — Wednesday, 12 August 2015]

p5203c-5214a

Ms Lisa Baker; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt; Mr Paul Papalia; Ms Janine Freeman

I would have thought that the Liberal Party would be about lowering taxes. I remind the minister that during question time on 29 November 2007, Hon Troy Buswell asked —

Given his continued reign as Australia's highest taxing state Treasurer, when will the Treasurer provide meaningful tax relief to Western Australian businesses and households?

In fact, he was referring in part to land tax when he asked that question, yet here we are and the rates are higher, collections are higher, relief is disappearing and there is an agenda that allows the government to increase land tax again next year and ad infinitum. We want to know the Liberal Party's real agenda so that we do not have this problem again.

Mr P. PAPALIA: I hopped up because I thought the minister was about to stand up but he missed the call, and I would not want the opportunity to pass. I would like to hear the answer to the member for Cannington's question. That aside, with the \$300 fixed rate for undeveloped property valued between \$300 000 and \$420 000, was any analysis done of the potential impact on the affordable rental market? That is one question. A property value of \$300 000 is a fairly low property value in the metropolitan area of Perth nowadays. Even with a house on it, it would not be an exceptionally valuable property necessarily and would potentially represent an affordable rental property for someone if the owner rented it out to the market.

Debate adjourned, pursuant to standing orders.