

LAND TAX AMENDMENT BILL 2015

Consideration in Detail

Resumed from 12 August.

Clause 4: Section 5 amended —

Debate was adjourned after the clause had been partly considered.

Mr P. PAPALIA: I was on my feet when consideration in detail was adjourned yesterday, and I was part way through a question about the proportion of commercial property owners compared to residential property owners who will contribute to the increased revenue as a result of the changes. What do we know, if anything, about the breakdown of numbers?

Mr W.R. Marmion: This clause will not change the current situation. We do not have those figures.

Mr P. PAPALIA: Do we know what the current ratio of commercial property owners is to residential property owners who are charged land tax?

Mr W.R. MARMION: We could go through and work it out but we do not have those figures at hand. Whether the property is residential or commercial is identified when owners pay the tax.

Mr P. PAPALIA: I am interested to know whether any modelling was done on the potential impact on the small businesses that I am talking about. Commercial property owners are likely to be the landlords of small businesses, and as a consequence of these increases in land tax on commercial property owners, an increased cost burden will be placed on small businesses across the state. I would have thought the Liberal Party would be interested in how badly this might damage small businesses. I am, therefore, interested to know whether any modelling of that nature was done.

Mr W.R. MARMION: If the unimproved value of the land is less than \$300 000, the owners of the property will not pay any land tax, so the actual quantum for the very small business will be small, and it goes up accordingly for the larger businesses. There will be an impact—everyone who is above the \$300 000 threshold will have an increase in their land tax. That is what we are bringing in.

Mr P. PAPALIA: The point, minister, is that this is not the first increase in land tax. There have been a number of increases in land tax, all of which will have been passed on by landlords. That is why we found it extraordinary that during the course of the second reading debate, the minister suggested that landlords would not be passing on increases in land tax. Of course they are going to pass on increases in land tax, and I am glad the minister has confirmed that. Therefore, there will be an impact on small businesses, and also on larger businesses. Anyone who operates from a property in which they are a tenant and holds a lease will automatically be subject to an increase in costs as a consequence of these increases in land tax. That is what will happen. It would be nice to think that the government would have modelled or at least had a look at the consequences of these changes and determined where they would have the greatest impact. These changes might cause significantly more damage than we know about. It is, therefore, interesting to hear that in determining the new land tax rates, Treasury has not done any modelling. Has any consideration been given to how this might play out for sectors within the community, either landowners or tenants of landlords who are paying land tax? I know we have the numbers in each of the bands. However, beyond that, has any consideration been given to the types of demographics that might now be subject to the payment of land tax when they were not previously, or might be subject to an increased payment as a consequence of these changes? Has there been any modelling at all to determine whether we might be hurting a vital sector of our economy, such as tourism? At a time when we desperately need to create more jobs in this state, we might through this bill be driving down the opportunity for those jobs to be created.

Mr W.R. MARMION: I refer, firstly, to the comparison with other states that I mentioned yesterday. We know that this state is very competitive. For land with a value of between \$700 000 and \$1.85 million—that is unimproved land; the actual property would be worth far more than that—the land tax payable in this state is lower than in any other state in Australia. That is a pretty good comparison for Treasury to look at before it decides to increase the rates. The other point I would make is that we cannot just model an increase in a tax; we need to take into consideration all the other economic factors, such as property values going down. That has been an issue in all our taxes. If the unimproved value as determined by the Valuer-General goes down, the result for that particular landowner might be exactly the same, because although the rate of land tax payable has gone up, the unimproved value has gone down; so if we multiply the two together, we might come up with exactly the same result. It is a very complicated thing to model. It might also be different in different geographical areas. In the country, the value of property might be going up or it might be going down. We are looking at what the other states are doing and whether we are competitive compared with them, and I think that is what was looked at by

Treasury when it decided that this was a good measure by the state government in terms of balancing our budget. This is one option, and this is what we have done.

Mr P. PAPALIA: Was one of the motivations for lowering the threshold the need to compensate for the loss in revenue as a consequence of the drop in the property market? Is that what the minister is suggesting?

Mr W.R. Marmion: We have not lowered the threshold.

Mr P. PAPALIA: I am talking about imposing a flat rate of \$300 for unimproved land value of between \$300 000 and \$420 000. That will increase the revenue stream. So there must have been a change to the modelling. Was part of that change to the modelling designed to offset the predicted loss of revenue as a consequence of falling property values?

Mr W.R. MARMION: That would probably have been taken into account by someone who was thinking it through. We do not know what will happen with property prices. However, we anticipate that we will get \$826 million over the forward estimates. That is what Treasury has done. I am not Treasury. I am putting the bill through for Treasury. That is what Treasury is predicting. That is what it is. I cannot give the member any more than that. No specific economic modelling has been done to look at all the different factors. I know that the member wants to keep this debate going for as long as possible but I cannot give the member any advice on the modelling.

Mr P. PAPALIA: I am interested in the nature of the modelling.

Mr W.R. Marmion: There was not any modelling.

Mr P. PAPALIA: I am interested in the considerations that were taken into account by Treasury, and whether the potential impact of these increases in land tax and the flow through to the business community—the small business community in particular—was considered by Treasury. I assume from the sound of it that Treasury looks at the models in the other states and at what the predicted revenue stream is, but it does not necessarily look at things such as what component of the increase in land tax will be passed on to leaseholders, what ratio of those are relatively small operators, how the passing on of those costs will impact on their business in the current economic environment, and whether on a greater scale that will have a negative effect on our attempt to grow jobs at a time when we have a growing unemployment rate and also, sadly, by the looks of it, a building sector that is not growing but is actually diminishing.

Mr W.R. MARMION: I will give the member a bit of rundown of what Treasury thought through in terms of the whole big picture. Because iron ore prices are going down and there has been a reduction in GST revenue, more and more of the state budget now has to rely on revenue from our own sources, such as land tax, stamp duty and payroll tax. Obviously we do not want to increase those taxes if we do not need to. That is the first consideration. Obviously we do not want to increase taxes. However, if we do need to increase taxes, we want to increase them to as low a level as possible. Those are the logical things that we take into consideration when we bring in taxes. We also do not want to impact the people who it is going to hurt the most. We have to come up with a regime, and that is what Treasury has done. At the lower end, it will have a lesser impact. I have a chart here, which I cannot read into *Hansard*, but it illustrates it very simply. The blue line indicates the current tax table, and the red line indicates the increase. At the bottom end, the impact is small, and as we get higher up the scale, the impact is larger. So it impacts more in terms of quantum, not necessarily percentage, upon those people who have property worth \$10 million or more. For people with property down near the lower end of unimproved worth around \$420 000, the quantum impact is a lot smaller. There is minimal impact on the smaller businesses and a bigger impact on larger businesses. I think that is the best I can explain it; I do not think I can tell the member any more about how anyone has worked out that particular logic.

Ms R. SAFFIOTI: I do not think this question was asked in this round of estimates, but how many blocks of land that are not owner occupied would currently be exempt in the zero dollars to \$300 000 threshold?

Mr W.R. Marmion: I think I know what your question is. Those who would otherwise pay tax if there was a tax on anything over zero dollars.

Ms R. SAFFIOTI: Yes.

Mr W.R. Marmion: I will ask whether we have those figures. We do not have those figures. It is a substantial number.

Ms R. SAFFIOTI: Has any modelling ever been undertaken or would state revenue have done any modelling in relation to how many pieces of land would be affected if the threshold was zero? Has state revenue done any modelling in the past?

Mr W.R. MARMION: Yes, Treasury or state revenue, whoever, obviously has the figures back in the office, but no modelling has been done. It would be pretty easy to do it—someone could work out the number, play

around with it and in two hours work something out. That is not what we are talking about today. This is the table. This is what we have brought in and there is a threshold of \$300 000.

Ms R. SAFFIOTI: I have a question in relation to the large taxpayers—the 677; as I said, the “677 club”!

Mr W.R. Marmion: You spoke too quickly for me.

Ms R. SAFFIOTI: Sorry. I refer to the large taxpayers—the 677.

Mr W.R. Marmion: The ones in which category?

Ms R. SAFFIOTI: The highest category.

Mr W.R. Marmion: The highest—over \$15 million; yes.

Ms R. SAFFIOTI: Does the minister remember? I think we talked about it.

Mr W.R. Marmion: Yes, but I cannot remember the table figures off the top of my head, so I do not know which category the member is talking about.

Ms R. SAFFIOTI: Yes, sorry.

Mr W.R. Marmion: I knew the member was talking about a table, but in my head I have the categories, not how many people are in each one. I do not have that figure off the top of my head.

Ms R. SAFFIOTI: I just remembered it because, as the minister will recall, we were talking about the “677 club” as a joke. Has any modelling been done in relation to creating a new threshold above the current highest threshold; and what would be the impact on state revenue in relation to that?

Mr W.R. MARMION: No.

Mr P. PAPALIA: Can the minister inform the house the percentage land tax is increasing by in this round of increase—the minister may have said this, but I am not sure—and the percentage of each of the two previous land tax increases in this term of government?

Mr W.R. MARMION: I think the member is after that quantum total percentage. It was 12.5 per cent for the 2013–14 assessment year, 10 per cent for the 2014–15 assessment year and I think it is about 20 per cent overall for this one.

Mr P. PAPALIA: When the extent or rate of increase is considered, is consumer price index one of the considerations?

Mr W.R. MARMION: No.

Mr P. PAPALIA: That is interesting, because I note only a week ago the Premier was berating local governments around the state for increasing their rates by in excess of CPI and suggesting that it was outrageous and that they would be held accountable for their performance—yet I note that his and the minister’s government has increased land tax by, what, 12 per cent?

Ms R. Saffioti: It is 12.5 per cent and 10 per cent.

Mr P. PAPALIA: It has increased by 12.5 per cent, 10 per cent and around 25.7 per cent or something of that nature. They are extraordinary increases that seem to bear little resemblance to the other costs being imposed on society and taxpayers who will have to meet their new increased bill. I note that the Premier is applying the CPI measure to councils and then berating them for not taking it into consideration. I know that things like the iron ore price are looked at, as is the impact on revenue overall, but is any consideration given to hardship imposed as a consequence of the increased tax on those who have to pay it?

Mr W.R. MARMION: All considerations are taken into account, including hardship.

Mr P. PAPALIA: Beyond hardship, is there some measure like CPI, a household cost basket or something of that description that is taken into consideration, noting that those people who will be subject to the tax will now have this additional burden imposed on them? Is something of that nature taken into consideration when determining the extent of the increase? It does not appear to be related to anything other than the fact that the government wants more money and is reverse-engineering the amount of tax that has to be imposed to get that extra money. If that is the only real consideration, I think that needs to be said.

Mr W.R. Marmion: You just said it.

Mr P. PAPALIA: That is the only real consideration.

Mr W.R. Marmion: Can you ask a question?

Mr P. PAPALIA: Is that the only real consideration? The minister said all things are considered, but the only things the minister has been able to tell me about specifically is that there is demand for revenue of some description and there have been some losses of revenue from things like iron ore prices dropping and the consequent impact on royalties. Therefore, there is a need to increase revenue by means of another of the three ugly sisters—is that what Eric Ripper used to refer to?—and the government has increased land tax. Can the minister give us one other factor?

Mr W.R. MARMION: It is about providing government services. We have to pay for them and we have to find the revenue sources to pay for them. If revenue sources are dropping off from GST and iron ore prices, hospitals and schools cannot just be shut down, so this is part of our fiscal balancing of the budget.

Mr P. PAPALIA: All that does is confirm what I said: the government has determined it needs X amount of new money so it reverse-engineers the tax to fill the gap. But the minister is not saying whether the government considers the impact and the consequences of this tax being imposed beyond telling me that if there is unimproved land value of whatever amount, it can be known what percentage is in each band of the payment. No consideration seems to have been given to the impact on people, for instance. Can the minister not tell me how many small or large businesses will be impacted or how many people employing other people will be impacted by the tax, and as a consequence may not employ people?

Mr W.R. Marmion: They all will; everyone gets an increase, so it is not a measure you really want to bring in.

Mr P. PAPALIA: Not necessarily, because a proportion of them are residential properties rented to somebody and, yes, that will have an impact —

Mr W.R. Marmion: All the ones who pay land tax now will pay more land tax.

Mr P. PAPALIA: There is an interesting question, minister: was it determined how many were rental properties in the lower band that are currently being offered to people who might be on fixed or constrained incomes and whether a whole bunch of people who are really already stressed just having a rental property will be impacted? Will the number of homeless people increase as a consequence of this tax?

Mr W.R. MARMION: I know the member thinks it is funny, but —

Mr P. Papalia: I don't.

Mr W.R. MARMION: The member was laughing. He was smiling.

Mr W.J. Johnston: No, he wasn't; that's not true.

Mr P. Papalia: I was smiling; I wasn't laughing.

Mr W.R. MARMION: The member was laughing. The people who are paying land tax now will still be paying land tax. It will not bring in people who are not paying land tax. If a person has another property, a business —

Mr P. Papalia: No; but you're imposing an additional cost on them.

Mr W.R. MARMION: Correct; it will go up. Those people will be affected. Not-for-profit charitable organisations might be exempt. We have not gone through all the 180 000 people to determine which category they might fit into and the impact on them. There are other mechanisms within government for people who are in financial hardship and are having difficulty paying a bill. There are mechanisms in place through which people can seek government assistance if there is a hardship situation. That applies to land tax as well. I think that is the most important point to make about someone who is having some financial hardship in paying a land tax bill.

Mr W.J. JOHNSTON: Could the minister tell us what are the procedures for hardship for land tax bills?

Mr W.R. MARMION: A person can make an application to the Commissioner of State Revenue. People can also pay land tax by instalments.

Mr W.J. JOHNSTON: I note that the increase for people who own a \$15 million property is about 11 per cent through this procedure, but I note that the expected total increase in land tax receipts from the 2014–15 estimated actual to the 2015–16 budget estimate is 25.9 per cent. Those figures are detailed in table 2.1, “Operating Revenue—General Government”, on page 246 of budget paper No 3, the 2015–16 *Economic and Fiscal Outlook*.

Mr W.R. Marmion: You are well ahead of me; I am not on the page yet. I won't be able to follow it in my head.

Mr W.J. JOHNSTON: I have admired the minister's work in this area before, on his never being able to keep up with the person on their feet.

Mr W.R. Marmion: There is no use talking about figures without me looking at them. What page is it on?

Mr W.J. JOHNSTON: Page 246 of the 2015–16 *Economic and Fiscal Outlook*. It is table 2.1, “Operating Revenue—General Government”. The minister will see that under property taxes it lists land tax. The 2014–15 estimated actual is \$746 million and the 2015–16 budget estimate is \$939 million. That is a 25.9 per cent increase in expected receipts. However, I note from the minister’s second reading speech, which I do not have in front of me, that most of the revenue comes from the top payers—one per cent pay the overwhelming majority of land tax. My rough calculation for a property valued at \$15 million is that the government is imposing an 11 per cent increase in land tax. What is the reason that the total receipts are expected to go up by nearly 26 per cent when the actual increase for most of those very large payers is around 11 per cent? Why is there so much more money coming out of the land tax system? There must be some other reason and not just the increase in the rate in the dollar. There must be some other issue driving that very large increase in the land tax receipts.

Mr W.R. MARMION: I think what the member is asking is why, when the top end pays the most and their percentage increase is less than that figure, the total amount is going up. It is because the people on the lower bands will be paying a higher percentage. The base is being spread out differently. There are higher percentage increases for people at the lower end. Even though the quantum is small, it is a higher percentage. That is why, when the percentages are averaged out, the increase for the total amount comes in higher than the percentage increase for the high-end people.

Mr W.J. JOHNSTON: Can the minister tell us which bands, which the minister referred to in his second reading speech, will be paying the estimated extra \$193 million of additional revenue that the government will be getting from land tax?

Mr W.R. MARMION: I can give the member the break-up for that \$939 million in terms of the different bands. Would that help?

Mr W.J. Johnston: No; I am after the increase.

Mr W.R. MARMION: The increase in each band. I can give the member the quantum and we can calculate that out, but I am not sure whether I have the papers on what they are now. I have the quantum for the 2015–16 scale, which is the \$746 million figure, and I have the break-up for all the current bands. The member could then work out the percentage increases. We could sit here and do that now but it would take us an hour.

Mr W.J. Johnston: You could always table it.

Mr W.R. MARMION: I will read it out.

Ms M.M. Quirk: Spare your voice and table it, minister.

Mr W.R. MARMION: No, because they are on different pieces of paper. The first band is for land valued from \$300 001 to \$1 million. The member will need two columns for this. For the 2015–16 year —

Mr W.J. Johnston: For 2015–16?

Mr W.R. MARMION: I will read out the current scale and then the proposed scale. It will go from \$23 million to \$59.4 million next year.

Mr W.J. Johnston: Hang on a second. Is “next year” 2016–17?

Mr W.R. MARMION: Yes, the new scale. It is the increase.

Mr W.J. Johnston: Okay. So what the minister is saying is that for the 2015–16 year, if the legislation is not passed, the figure would be \$23 million.

Mr W.R. MARMION: Correct. That will add up to the 2014–15 estimate in the *Economic and Fiscal Outlook*. The budget figure will be the one in the 2015–16 year. The first band will raise \$23 million, going to \$59.4 million. That is more than a 20 per cent increase. That will help answer the member’s question. The next band is for property valued from \$1 000 001 to \$2.2 million. The figures are \$54.2 million, going to \$65.3 million. For the \$2 200 001 to \$5.5 million band, it is \$121.7 million, going to \$196.7 million. For the \$5 500 001 to \$11 million band, it is \$106 million, going to \$149.6 million. For the above \$11 million band it is \$449.4 million, going to \$467.6 million. The member will now have all the data he could possibly need to work out all the percentages.

Mr W.J. JOHNSTON: That is very helpful. It does not quite deal with the issue I raised —

Mr W.R. MARMION: Just a point of clarification. There is a slight difference in the scale that the member must take into account, which makes it a bit more complicated. In the proposed new rates, the old \$1 million to \$2.2 million band relates to the new band of \$1 million to \$1.8 million. The same happens with the new \$1.8 million to \$5 million band, so there is just a slight difference in the scale.

Mr W.J. Johnston: The minister said \$1.8 million to \$5 million or \$5.5 million?

Mr W.R. MARMION: It is \$1.8 million to \$5 million, so it is just those two bands.

Mr W.J. Johnston: But that would mean that the next band would also be different. It would be \$5 million to \$11 million because it will only go —

Mr W.R. MARMION: Yes, that is the same. The \$5 million to \$11 million band is fine and the \$300 000 to \$1 million band is fine. For the second and third band the break-up in the first table is at \$2.2 million and in the other one it is \$1.8 million.

Mr W.J. JOHNSTON: Thank you for that, minister, but I am just a little confused, and I am terribly sorry about that. In the figures that the minister read out originally and which I wrote down—of course, I might have written down the wrong figure—he said \$2.2 million to \$5.5 million and \$3.5 million to \$11 million. I understand what the minister has said. That \$1 000 001 to \$2.2 million is now \$1 million to \$1.8 million in the new band, rather than \$2 201 000 to \$5.5 million, which is what the minister said. That is the question I am asking. If the band is from \$1.8 million to \$5 million, clearly the \$5.5 million to \$11 million band cannot be —

Mr W.R. Marmion: The member is right; it is \$5 million.

Mr W.J. JOHNSTON: Are three bands not comparable?

Mr W.R. Marmion: Correct. I cannot read very well.

Mr W.J. JOHNSTON: It is disappointing that we do not have comparable figures, and it is also disappointing that we cannot cast back to 2014–15, which is really what I was driving at. Two things are happening at the same time are they not, minister? One issue is that property values are changing and the other issue is that the rate is being increased. To get a picture of how those two things impact on the community it would be good if we could have the 2014–15 figures because then we could see how it works; that is, which bit is just the ordinary inflation component, which is bracket creep and which is the question of the policy decision in the bill. Is the minister able to help me on that?

Mr W.R. Marmion: Sorry, I missed the question.

Mr W.J. JOHNSTON: I am asking for the same set of information for the 2014–15 year. That way we can analyse how much is related to bracket creep and how much is a result of the policy decision.

Mr W.R. Marmion: We do not have those figures here but we can get them for the member.

Ms R. SAFFIOTI: I would like to continue to hear from the member for Cannington.

Mr W.J. JOHNSTON: I was hoping the minister would get up to confirm in *Hansard* that he will provide to us information about the 2014–15 year for those bands.

Mr W.R. MARMION: Yes, we can provide those figures.

Ms R. SAFFIOTI: Can the minister confirm that the valuations upon which the land tax payable is based are from August in the preceding financial year?

Mr W.R. MARMION: This assessment is based on the August 2014 valuations. During the second reading debate the member for Mirrabooka raised that matter. The figures are based on the valuation in August of the previous year. If a person happens to be in the property, it relates to the status of the property on 30 June.

Ms R. SAFFIOTI: I have a question that I think flows into what the member for Cannington asked about the average value of land prices or the change in land prices from August last year up to now. Have any estimates been done on what has happened to the value of unimproved land in Western Australia, particularly through the metropolitan area?

Mr W.R. MARMION: The Valuer-General has provided some figures but they are only estimates at this stage. For the metropolitan area, the average mean change in unimproved land values for commercial land is an increase of 0.95 per cent.

Ms R. Saffioti: What was the time period?

Mr W.R. MARMION: It is the figure for the 12 months up to August 2014.

Ms R. Saffioti: Can the minister confirm that that is the change in the figure now compared with August last year?

Mr W.R. MARMION: Those figures have been taken from the year prior to August last year, so from 2013–14. The commercial value has increased by 0.95 per cent, the industrial value by 0.69 per cent, and the residential value by 6.05 per cent, which is an overall average of 5.86 per cent. In the regional area, the commercial value

decreased to minus 2.06 per cent, the industrial value went up by 0.78 per cent, and the residential value decreased to minus 2.14 per cent, leading to an overall average of minus 2.03 per cent.

Ms R. SAFFIOTI: Thank you. That is very interesting information. Does the minister have a breakdown of the figures for the geographic areas of metropolitan and regional WA?

Mr W.R. MARMION: We do not have those figures for every single region but we do for selected areas, some of which I do not know, such as Millars Well and Pegs Creek. Treasury has some general figures on average growth on unimproved land values in selected areas.

Ms R. SAFFIOTI: Would the minister be willing to table that information, because that has a significant impact on our land tax debate?

Mr W.R. MARMION: The information we have here is what the Valuer-General provided earlier this year as a guide, which are not the final figures so they might not be correct. We would have to check with the Valuer-General on what the raw figures are and presumably he now has the real figures.

Mr W.J. JOHNSTON: I have just been doing some analysis on the minister's figures as quickly as I can using my trusty iPhone as a calculator to work these things out. I appreciate the fact that yesterday the minister gave us —

Mr W.R. Marmion: It is handy that the member has been able to do that. I have not, so he will be ahead of me.

Mr W.J. JOHNSTON: That is okay because the point I will drive at is this: does the minister calculate a cost to produce an invoice? From the figures the minister gave us yesterday afternoon, about 111 200 invoices are going out for the people in the lowest band—\$300 000 to \$1 million—from which the minister will collect \$59.4 million, which is an average of roughly \$534 per invoice. I assume that the minister has cost of service for issuing those invoices. In round figures, if we look at 600 people who have values of over \$11 million and are paying \$467.6 million, the average is roughly \$779 333 per invoice. This is driving the question of tax efficiency. I assume that this is all done by a computer; that there is no direct human intervention in the invoicing. A person gets a database off the Valuer-General, puts it into the Office of State Revenue's computer system, and that generates an invoice. I trust that that means that this is being done very cheaply. If that is the case, could the minister just confirm that? Then, if he has a calculated cost of invoice, that would be great.

Mr W.R. MARMION: Yes, it is all computer-generated. We do not have an actual breakdown of what that cost is. Someone would probably be able to work it out. It is all very efficient. It is computer-generated. Another benefit of not changing the threshold down is that that would result in more people and more invoices. It is all computer-generated at minimal cost. We are driving for fewer costs as we go.

Mr W.J. JOHNSTON: How is the minister going about driving down costs?

Mr W.R. MARMION: By bringing everything online so that most of the Department of Finance's issues can be done online. There are obviously sometimes more complicated assessments that still have to be done manually, but we are working at doing our best to try to get everything online so people can also do things at home or work and do not have to come into the office.

Mr W.J. JOHNSTON: How many people are involved in the land tax process at the Office of State Revenue?

Mr W.R. MARMION: I have not got the department's structure chart in front of me, but my adviser suggests there might be about 27 people working in this particular area.

Mr W.J. JOHNSTON: In respect of those 27 people, is there a plan to reduce that number in the future? Is there an aim to try to get fewer people working in that area? Has anything like that been identified? What is the aim? Is the minister looking at something?

Mr W.R. MARMION: A review is being done of the Department of Finance by Treasury. It is quite a detailed review; one might even call it a functional review, right down to every single person. It is probably not in an area where one gets any big changes. One issue is that some of the manual assessments we do are taking a lot of time, so if there are benefits gained by increased productivity and we do not need all 27 people—although that probably includes those doing manual things as well—they can be transferred from some of the more mundane procedures to work on some of the more complicated assessments, particularly property settlements, which take up time. A study has been done, which the member probably knows about, that shows that if more resources are put into the manual assessments, then we actually get more revenue. We tried that one on Treasury but we have not been all that successful.

Mr W.J. JOHNSTON: A lot of people complain about paying tax, but there is actually then a separate issue about disputes. This is not a criticism, but we do not know how many invoices went out in 2014–15. We are

expecting 138 088 in 2015–16, but do we know how many invoices are actually formally disputed with the Office of State Revenue?

Mr W.R. MARMION: If it is a dispute about the valuation, that would go off to the Valuer-General. If it is a dispute about other aspects —

Mr W.J. Johnston: How many?

Mr W.R. MARMION: I do not know how many the Valuer-General would get. About 50 or 60 a year might come in relating to Department of Finance administration and stuff like that; usually exemptions.

Ms R. SAFFIOTI: My question relates to the new table with the new thresholds and new rates. What representations have been made to the minister directly from third parties, such as the Chamber of Commerce and Industry of Western Australia and the Property Council of Australia, on these matters?

Mr W.R. MARMION: To me personally, none.

Ms R. SAFFIOTI: Maybe I need to broaden that question: what representations have been made to the minister's office or to the minister directly? Has the minister received any letters, any correspondence; any angry letters from the CCI or the Property Council about what the minister is doing to land tax in this state?

Mr W.R. MARMION: I am aware of some bodies; the Property Council being one. That is probably the main one actually. The Property Council is not necessarily that happy with the increase, but it would not be on any increase.

Ms R. SAFFIOTI: Just to clarify: the CCI has not made any representations to the minister or the minister's office on the fact that —

Mr W.R. MARMION: The advice I have is that we would refer such correspondence to the Treasurer automatically, so the Treasurer would be the person dealing with this. I am just administratively running the bill through. Any specific issue or concern would go through him, as the member would be aware.

Clause put and passed.

Title put and passed.

Leave granted to proceed forthwith to third reading.

Third Reading

MR W.R. MARMION (Nedlands — Minister for Finance) [11.18 am]: I move —

That the bill be now read a third time.

MS R. SAFFIOTI (West Swan) [11.18 am]: Thank you, Madam Acting Speaker (Ms J.M. Freeman), for the opportunity to contribute to this third reading debate on the Land Tax Amendment Bill 2015. I still have an audience, so we will get very angry and fire up this debate! As was outlined during the second reading debate, the Labor Party opposes this new increase in state taxation of \$826 million, and it does so on the basis that it is another broken election promise. As this side has stated a number of times, we understand the need for taxation. We understand the need for revenue to support our services and the infrastructure of the state. But what we do not accept, and what we will continue to campaign against, is the poor management of the finances under this government.

Let us go through these key points. Net debt was \$3.6 billion when Colin Barnett was elected Premier. Today it stands at \$25 billion, climbing to \$30 billion, and it is forecast to increase to \$36 billion. This is under the Liberal government's watch. It has not had any strategy in relation to the management of the finances of the state and as a result what we have seen, and what we saw through the estimates process, is the need to come and collect more and more revenue from Western Australians and to break election promise after election promise. As my good friend the member for Victoria Park outlined, when members opposite went to the election they made a number of promises. They said the promises were all fully funded and fully costed. We found out very soon afterwards that that was not the truth; that those promises were neither fully costed nor fully funded. As a result, in three budgets in a row there have been three massive tax increases. Let us go through them.

In 2013–14 there was the deferral of the non-rural property exemption from stamp duty. That collected an extra \$527 million. We saw the first round of land tax increases of \$338 million. I found it quite extraordinary that during the second reading debate when the member for Bassendean, I think it was, was on his feet talking about tax and the government's record, the Premier said that Geoff Gallop increased taxes three years in a row. Hang on—so has this government. This government has made bigger tax increases than had ever occurred under the previous government, and in three budgets in a row it has massively increased our taxes, particularly land tax.

In 2013–14 there was a 12.5 per cent increase, collecting \$338 million. As opposition members have said before, a number of other increases in taxes and removals of exemptions have occurred. There was a halving of the private vehicle concession, which was then, of course, totally removed. A new tax administration package was introduced. Then in 2014–15 we saw the next part of the fee concession removed and an increase in the Perth parking levy. There was another increase in land tax of 10 per cent to another \$334 million. So all up, between the removal of concessions and other measures, there has been a \$4.4 billion increase in revenue since the government was elected. Three budgets in a row, three increases in tax, three rounds of increases in land tax.

I was flabbergasted by the information provided by the Minister for Finance that the government did not receive a flurry of emails or correspondence from the Chamber of Commerce and Industry rejecting this massive increase in tax. I know that the minister is responsible for Finance and I know that there is a delineation in responsibilities between him and the Treasurer, but still one would think that the Minister for Finance might have received some very angry correspondence from an entity that I suspect might have taken a different approach if there were a different government in power. I am surprised that the business community really have not kicked up on what is another massive tax increase.

As the opposition has said on numerous occasions, the government has no financial plan for this state. It has no plan for police in the community. There is no public transport plan. The government's road plans are unwinding on a day-by-day basis because it makes it up as it goes along, on every front. Nowhere is it more stark than in the finances of this state. Revenue has been increasing, yet debt has increased at record rates. The net interest bill of this state government now, for the entire public sector, is approaching \$1 billion a year. Again and again new tax measures are being introduced by a party in government that went into two elections promising lower taxes, and now it comes in here and says it will increase taxes. As opposition members have said, we oppose the tax increase that is before this place because it is a clear broken promise. We do not know what happens in the government party room. We know a bit more now, but we do not know everything that happens in that party room. I cannot believe that people who purport to be low taxing, who go around the community saying, "We know business, we want to cut taxes", come in here and increase taxes.

As members contribute to the third reading debate we highlight some of the more interesting parts of what has happened through consideration in detail and more generally. I found interesting the interchange between the member for Ocean Reef and the member for Warnbro. When the member for Warnbro said that these land tax increases would be passed on to tenants, the member for Ocean Reef said no, he did not think that was necessarily the case. So the member for Ocean Reef does not believe that land tax increases get passed on to tenants. He believes that somewhere out there are all these landlords very keen to cop these increases and not pass them on to their tenants! That is an incredible insight into the depth of knowledge of many on the other side about what actually happens. The interesting thing is that when members are in opposition, they have to learn everything from scratch, to a point. We sit in on briefings and ask lots of questions. We actually get a better understanding of what the government does with this legislation than government members do, and that is the reality. The government walks in with legislation but many members of the government basically have no idea about its impact and effect. In opposition we have to learn it all ourselves, and we use our briefings effectively.

But it is incredible that someone in cabinet who sits there making decisions on the state budget, approving and supporting a massive increase in land tax—the biggest ever—says that landlords do not pass on land tax increases to tenants. It again shows that members of the government go around saying, "We're Liberal; it's all okay", but they do not ever reflect on their actions, what they are doing, and how it compares with what they have promised. They have no shame. This bill is a clear example of a party that has no shame, as it comes in here, three budgets in a row, with another massive tax increase, and does not understand what it means to the businesses out there, to an economy that has changed dramatically from three years ago. During consideration in detail the minister read out statistics about what has happened to land values in regional Western Australia. There has been a fall in the commercial land value in regional WA. So much for royalties for regions boosting economic activity in regional WA! That is another failure in respect of the policies the government has put in place.

As I have said, the government should be embarrassed: this is yet another outcome of poor financial management under a Premier who, frankly, has become delusional about what is and is not real in relation to how the government and the Premier are perceived and how this government is delivering its services and infrastructure in WA.

MR W.J. JOHNSTON (Cannington) [11.29 am]: I rise to speak on the third reading of the Land Tax Amendment Bill 2015. I always appreciate being able to contribute to these types of debates. I thank the minister for soldiering on during his illness and coming into the chamber to help us. I know that it must be difficult for him, and I say that quite genuinely. He was prepared to show some work ethic and work through his illness, soldiering on while he was obviously not feeling very comfortable.

Dr K.D. Hames: The shadow health minister's off sick.

Mr W.J. JOHNSTON: There you go.

Mr W.R. Marmion: The health minister said I'm well enough.

Mr W.J. JOHNSTON: I see. The Minister for Health would not give the Minister for Finance a doctor's certificate. When people read *Hansard* in the future, they will not pick up the fact that the minister had a quaky voice as a result of his illness. We thank him for being here.

One of the pieces of information that the minister provided to us is that 138 088 taxpayers are in the land tax system in Western Australia. That is an interesting number. That is over 35 per cent more than it was in 2005. The former Labor government made an effort to get small businesses out of the land tax system. That is now being reversed. I think 47 270 small businesses are in the \$300 000 to \$420 000 band and are at the bottom end of the land tax scale. That figure is not exactly the number of additional land tax payers. I do not know why the minister's statistics are set only on the figure of \$420 000 and not \$400 000. That would have been a more useful comparison because then we would have known exactly how many additional taxpayers were created by this minimum tax rate of \$300 each.

I again draw attention to the fact that the minister's second reading speech referred to reducing the percentage of tax paid by very large landholders. It states —

Under the current scale, the top 1.5 per cent of taxpayers who own land with an unimproved value of \$5.5 million or more pay 74 per cent of total land tax revenue.

...

In this regard, under the new scale, the top 1.6 per cent of taxpayers who own land with an unimproved value of \$5 million or more will pay 66 per cent of total land tax revenue, ...

The minister is implying some sort of reform to spread the burden more evenly but he does not explain in the second reading speech, which is why we went into it in a bit of detail, not excessive, during consideration in detail, that it is an artificial change. All that is happening is the government is roping in additional taxpayers; it is not providing any relief. There is no reduction in the rate. I join with the member for West Swan in noting the fact that for the third year in a row, none of the Western Australian industry lobby groups have done anything to protest this matter. That is welcome to me. It is like the debate about industrial relations. We are now moving past those old knee-jerk debates. The Productivity Commission produced a report on industrial relations that only argued about penalty rates for a couple of million people on Sundays. If that is the only thing we are now arguing about in the industrial relations system, that is good. I note that the Australian Chamber of Commerce and Industry has endorsed the Productivity Commission's report. We are dealing here with land tax, about which the Chamber of Commerce and Industry of Western Australia does not have any issues to raise. I think it is good to see that the debates in Western Australia are changing. Those old shibboleth arguments between both sides of politics are disappearing. We are now getting to a situation in which there is effectively no debate on industrial relations in Australia anymore and apparently also no debate about taxation.

The member for West Swan rightly pointed out that there is that dogged question of mandate and honesty. I do not have any problem at all with members, ministers and governments coming into the chamber and arguing that they need to raise taxes to deal with the services that are being demanded by the community in this state. That is an obvious point to argue. It is completely the reverse of the argument that was run by the Liberal Party in opposition, particularly between 2005 and 2008 when this ridiculous argument was run that governments should be made smaller; that is, Western Australia should be doing not more with less, as is traditional from a Labor perspective where we try to do as much as we can with the small amount of resources that governments have, but, rather, that we should be doing less with less—that governments should do less work and raise fewer taxes. That is behind us. The Labor Party's view of society has victored. We have won. There is no longer a dispute that we are right. Those members who came into the chamber telling us that they were going to be about small governments and lower taxes have raised the white flag, admitted defeat and acknowledged that their ideas were stupid and wrong. We no longer have to have that debate. We are now debating the appropriate level of taxation revenue to ensure that sufficient services are delivered to the community. That is a wonderful new paradigm.

At the next election the great thing is that the Liberal Party and the National Party will not be saying that they will be cutting taxes. That will not be part of their agenda. We went through this bill in reasonable, not excessive, detail during consideration in detail, pointing out all the impacts of this legislation. The Liberal Party is not in the game of cutting taxes anymore. That is not its agenda. It talked about it at the last election. It has not gone through with that. It is not what it is about; it is about increasing taxes.

I have not yet had sufficient time to analyse the effects of these changes but I am indebted to the minister for providing the information so that we can now review how much of these additional revenues come from this particular policy decision. I am still interested in finding out how much of the revenue for each of the thresholds

that the minister discussed when he was providing information to us is the effect of bracket creep. I will be able to analyse that in part by looking at the total figure but I will not be able to look at each of the scales, which is unfortunate, because I think it would be quite important to work out where the fiscal drag is on the land tax system. Fiscal drag is the terminology used to take account of the additional tax revenues that we get from inflation. Members will remember the Laffer Curve. Fiscal drag was part of the Laffer Curve. David Stockman analysed the Laffer Curve and gave his famous interview. I think he had six separate discussions with the journalists involved and only afterwards did he decide that they were off the record when he pointed out that the Laffer Curve was all about inflation. The government has taken advantage of that fiscal drag to pick up more revenue.

I also note that the rate of taxation is going up by 172 per cent for small taxpayers. A \$400 000 landowner might have a single rental property. If a piece of land is worth about \$1 000 a square metre and the unimproved value of the land is about \$400 000, which is about one block of land, the tax payable will go up by 172 per cent. On the other hand, the percentage increase for very large taxpayers is considerably smaller. I was out of the chamber, but I understand that the member for Warnbro might have raised the Premier's comments in an article on the ABC's website on 6 August 2015 under the heading "Local governments will be audited and have rates capped under changes considered by Colin Barnett". The Premier is quoted in this article as saying —

"Ratepayers wonder, 'Why did my rates go up \$600 this year?', and I can't answer that," he said.

Is it not interesting? If it is good for the goose, what is wrong with the gander? Why is it okay to cap the rates of councils, which is effectively land tax, but the Premier sees no reason not to increase the land tax paid by an individual small investor. I imagine it would be a mother and father perhaps or a young person setting out in life who have one investment property. Their property tax will go up by 172.7 per cent. It is interesting that there has been an 85 per cent increase in the A1 electricity tariff since the current government came to power and the Z tariff has gone up by 118 per cent, yet the government is complaining about councils increasing their rates. I also see that the government is recommending that the Auditor General be given a role in managing local governments. A fine report in 2006 from the Public Accounts Committee, which the member for Butler chaired and the member for Victoria Park was a participant in, recommended exactly that. The policy of the Labor Party at the last election was to cap rates. If the Liberal Party has given up on tax and believes that the Labor Party is correct that tax revenue needs to be set in accordance with the demands of the community, and if it is also going to adopt the Labor Party's policy on local government, the Liberal Party should just ask us and we will give it a new agenda it can follow, because clearly it does not have one of its own.

These are not minor issues in considering this legislation. I have gone through the issues that are important to me, and some of my colleagues might want to say a few words, so I will end my comments there.

MR P. PAPALIA (Warnbro) [11.42 am]: I want to make a short contribution to the third reading of the Land Tax Amendment Bill 2015. It is a nice point to follow on from the member for Cannington's comments about the juxtaposition of the Premier's views on the outrageous nature of rate increases and how he cannot explain why councils should impose such significant increases on their ratepayers, yet he quite happily imposes massive increases in land tax on a yearly basis on landowners across the state and sees no hypocrisy in that and has no concern with it. That is interesting. I hope that it garners far more awareness amongst the Western Australian population. I do not know that these land tax increases have drawn too much focus, beyond obviously ourselves and those people who pay it. There does not seem to be much discussion in the media about the yearly land tax increases by the Barnett government. Perhaps that is because those groups that might normally be expected to advocate on behalf of the investors and small businesses that are impacted by these increases are almost silent. It is striking that the Chamber of Commerce and Industry of Western Australia has referred to this only once, and that was when the budget was released, when it made an almost perfunctory reference to the tax increase not being good. In the view of the Chamber of Commerce and Industry, it is not normally a good thing when the government increases land tax by 25 per cent in one go, so it felt compelled to reference that.

However, it then softened it and added the sugar-coating of the commendation of the government for saying that it will try to do something about the enormous debt that it has racked up. It did not actually do anything or wait until it saw the action. It did not analyse the nature of the potential outcomes of some of these proposals or look at whether it was good for the state to sell something such as Fremantle port or the TAB. It just automatically responded by saying, "Well done; it is not good that the Barnett Liberal government has increased land tax on landowners by 25.7 per cent in one year, having already done it by almost the same amount in the previous two years, but it is okay because it has talked about trying to rein in the enormous debt that it has racked up." The government has piled a huge debt load onto the shoulders of every Western Australian man, woman and child, particularly the children, because they will be paying off that debt in future years. The extent of this debt is such that it will be imposed on future generations of taxpayers, and that is incredibly unfair.

Moving on from the strange phenomenon of the Premier expecting far better economic management of councils than he demonstrates himself, a lot of my speech will focus on the impact of this tax on small businesses operating in the tourism sector. That initially caught the minister somewhat off guard, because he did not naturally make the connection between the tourism sector and land tax. The truth is that the vast majority of businesses operating in the tourism sector in the visitor economy in Western Australia are small businesses that are tenants of landlords. Despite the protestations of the Minister for Environment, it is undeniable that the enormous majority, if not all, of the huge increase in land tax that is imposed on landowners will be rolled into the costs of small business operators. Small businesses are struggling at a time when we desperately need them to employ more people. The tourism sector is struggling at a time when we desperately need it to ramp up and fill the gap in employment that has been left as the mining sector transitions from construction to production and as the sector gets jolted by these other shocks that it is susceptible to. It is essential that we support that sector, not impose more costs on it.

I was struck by what was revealed during the consideration in detail stage—that is, that very little consideration is given to the impact of these taxes beyond the revenue that will be generated. That is it. That seems to be the extent of any analysis. The government works out what it needs in the way of money coming in the door and then reverse-engineers the tax to fill the gap. The consequences for the people who are hit by the tax receive little if any consideration within cabinet, and certainly within Treasury. That is disappointing. I am glad that we have had the opportunity to reveal all these failings, particularly to raise on behalf of all those small businesses the incredible negative impact that the Barnett government is having again this year.

MR B.S. WYATT (Victoria Park) [11.49 am]: I rise to make a few brief comments on the third reading of this Land Tax Amendment Bill 2015. I want to conclude by reiterating some comments I made during the second reading of the bill. As discussed in consideration in detail, it is a very short, uncomplicated bill as, generally, are land tax and payroll tax bills that change rates or threshold levels. They tend to be fairly simple bills, as is this one. Nonetheless, they of course, have quite a dramatic impact. The member for Cannington spent some time during the consideration in detail and third reading stages outlining the impact, under the Barnett government, on those who pay land tax. It has increased considerably, as has land tax overall. I point out to the house that between 2007–08 and 2014–15, land tax revenue to the state government has increased by 77 per cent. Between 2007–08, projected to 2018–19 in the current budget, land tax will increase by 178 per cent. Like the member for Cannington, I contrast that with the Premier’s comments in his new-found desire to cap local government rates because, in many cases, they have risen above the rate of inflation. That has certainly been the case with the Barnett government’s own taxation.

I made the point at some length during the second reading debate that since the fully funded, fully costed election campaign of 2013 when Mr Barnett and his government said, “We promise to deliver not just the Metro Area Express light rail but also the airport line to be operating by 2018 and a payroll tax cut”—he made a suite of other promises that were, in those famous words, fully funded and fully costed—he did not go on to say that after the election he would bring in a broad suite of revenue measures totalling to date \$4.4 billion. They range from the measure in this bill—the third increase in land tax since the 2013 election—through 2013–14, 2014–15 to the 2015–16 budget, with another land tax increase. The first increase was 12.5 per cent, the second 10 per cent, and now this increase—the biggest of them all—to generate extra revenue of \$826 million. That is a significant increase.

Since the fully funded, fully costed election campaign, there has been withdrawal of support around private motor vehicle registration and withdrawal of support for first home buyers. Almost \$4.5 billion in revenue measures has been imposed by this government since its fully funded, fully costed election campaign. I emphasise that because I get letters from third party groups, whether they be the Chamber of Commerce and Industry of Western Australia or various property groups in Western Australia, talking about the importance of tax reform and, in many cases, the importance of small government. However, a \$4.5 billion revenue measure since the fully funded, fully costed election campaign is extraordinary.

I thank the Minister for Finance for his comments during consideration in detail—that stage when we often have the best conversation with the government because we can ask for specific details. The minister was correct that land tax is passed on to those who occupy the property; it is not simply absorbed by the landowner, as was stated by the Minister for Environment during debate when he said that land tax increases are worn by landowners. I thank the Minister for Finance for clarifying that point.

With those few words, I emphasise the WA Labor Party’s opposition to this bill. Ultimately, it is another broken promise and clearly highlights yet again that the 2013 fully funded, fully costed election campaign was anything but.

MR W.R. MARMION (Nedlands — Minister for Finance) [11.54 am] — in reply: I thank members opposite for speaking to the bill and I commend the bill to the house.

Extract from Hansard
[ASSEMBLY — Thursday, 13 August 2015]
p5331a-5343a

Mr Paul Papalia; Mr Bill Marmion; Ms Rita Saffioti; Mr Bill Johnston; Mr Ben Wyatt

Division

Question put and a division taken, the Acting Speaker (Ms J.M. Freeman) casting her vote with the noes, with the following result —

Ayes (34)

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

Noes (18)

Ms L.L. Baker	Mr F.M. Logan	Mr J.R. Quigley	Mr P.B. Watson
Dr A.D. Buti	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>)
Mr W.J. Johnston	Mr M.P. Murray	Ms R. Saffioti	
Mr D.J. Kelly	Mr P. Papalia	Mr C.J. Tallentire	

Pairs

Mr J.M. Francis	Mr R.H. Cook
Mrs L.M. Harvey	Ms J. Farrer
Mr J.E. McGrath	Mr P.C. Tinley

Question put and passed.

Bill read a third time and transmitted to the Council.