REVENUE LAWS AMENDMENT BILL 2013

Appropriations

Message from the Governor received and read recommending appropriations for the purposes of the bill.

Second Reading

Resumed from 14 August.

MS R. SAFFIOTI (West Swan) [4.16 pm]: I start by thanking the advisers and the departmental officials who briefed me and the member for Victoria Park last Monday. Unfortunately, we were the only members from this side of the house who could attend. I thank them for their time and for giving us detailed information about the operation of this bill, and for providing the supplementary information that we had requested in time for our debate.

As outlined by the Minister for Finance, this bill seeks to amend three existing pieces of legislation—the Duties Act 2008, the First Home Owner Grant Act 2000 and the Taxation Administration Act 2003. The Labor Party will be opposing this bill in this house, and we will do so on the basis that this is yet another broken promise from this government in this term. This bill seeks to raise additional revenue for one basic reason—to try to deal with the significant and severe financial mismanagement that has occurred under this government.

The ACTING SPEAKER (Mr P. Abetz): There is a fair bit of background noise. Can members please keep their voices down or take their meetings outside.

Ms R. SAFFIOTI: As I said, the Labor Party is opposing this bill because it is yet another broken promise. At the time of the election, no-one was informed about these changes. In particular, no-one was informed that there would be such significant changes to the first home owner grant. This bill grabs money from outside the forward estimates to bring into the forward estimates—that is, $260 million from outside the forward estimates needs to be brought into the forward estimates to make the books balance in the shorter term. This is yet another cash grab from this government since it was elected. This comes on top of the new Insurance Commission of WA dividend that was recently debated and passed in this place, and the reversal of legislated tax cuts that this government took to the election. This is yet another broken promise and blatant cash grab to help this government balance the books.

There are two key reasons why the government needs this cash grab to help fund this budget. The first is the severe fiscal mismanagement of this government since 2008. We have heard it said in this place before that debt has increased by 400 to 500 per cent since 2008 and operating surpluses are now—I hate to use these words—wafer thin, creating significant everyday management problems. We have seen severe fiscal mismanagement since 2008. This government continues to tell us that it has its finances under control, yet it has not been able to control its finances. The government's complete failure to manage the education budget over the past two weeks is a direct result of the chaotic day-to-day mismanagement of the state's finances. For the Minister for Education to say one day that no jobs will be cut and then say the next week that jobs will be cut shows that this government does not know how to manage its finances. As a result, it needs a quick cash sugar hit in a sense to help manage the budget.

The other key reason why the government needs this additional money is its failure to fully fund the commitments it took to the election. As we all know, during the election campaign the Liberal Party made promises that it claimed were fully funded. It made promises that were built on a premise that the federal government was going to fund 50 per cent of its significant road and rail projects. The former federal Labor government was meeting it halfway. We now have an Abbott Liberal government, which in about three days has already taken away nearly $1 billion of funding from WA. I will go through that in detail a little later. This state government did not fully fund its election commitments, and, as a result, it is finding it impossible to manage its finances on a day-to-day basis.

I want to refer to some comments made by the Minister for Finance when he was the head of the Institute of Public Affairs in 2000. He warned both sides of politics not to be involved in any election sweeteners. An article in *The Sunday Times* in January 2000 stated —

> The Institute of Public Affairs has warned the Court Government not to offer election sweeteners because the State cannot afford it.
>
> …
>
> Key financial institutions agree the Government has overspent and has failed to prioritise key projects.

> But most believed politics would prevail and that the Government would dangle the carrot in front of voters instead of tightening its belt.

During the election we saw the government make promises all around the state that it never intended to deliver. The government made a significant promise during the election to the people of Ellenbrook, in my electorate, to build two swimming pools, but no funding was allocated in the budget. We saw the complete debacle of the Ellenbrook bus rapid transit system and other promises around the state, including in the electorate of my colleague the member for Collie–Preston, where key election commitments are not being delivered. More importantly, the government never intended to deliver them. It made promises that it knew would not be heavily scrutinised before the election and just got away with it. As a result of overpromising, it now has to break either these election commitments or other election commitments—that is, not raise taxes and balance the books.

I refer to the member for Riverton's electorate. I heard him say during the debate that we just had on education that the commitments made relating to his electorate are all funded in the budget. I understand that significant commitments were made, such as the second stage redevelopment of Rossmoyne Senior High School.

Dr M.D. Nahan: It was finished last year.

Ms R. SAFFIOTI: Is that the second stage?

Dr M.D. Nahan: Yes.

Ms R. SAFFIOTI: Was it at a cost of $27.5 million?

Dr M.D. Nahan: No; it was $14 million finished. Go look at the building. It was opened in May. There was $16 million for the year 7 school, which is underway.

Ms R. SAFFIOTI: I am looking through the budget papers.

Dr M.D. Nahan: Look in the year 7s funding for building program.

Ms R. SAFFIOTI: If the minister is confident he can deliver $27.5 million —

Dr M.D. Nahan: I've signed the contract.

Ms R. SAFFIOTI: Did the minister sign the contract worth $27.5 million?

Dr M.D. Nahan: No; $13 million plus $14 million equals $27 million. We're actually spending more.

Ms R. SAFFIOTI: Did the minister sign a $27.5 million contract or a $14 million contract?

Dr M.D. Nahan: No, I didn't say that. You can add, can't you?

Ms R. SAFFIOTI: Which contract did the minister sign?

Dr M.D. Nahan: The second stage was finished last year. It opened. Anybody in Riverton can see it. It's a great big facade. You might not be able to see it. The second is a year 7 building.

Ms R. SAFFIOTI: Did the minister sign a $14 million contract or a $27 million contract?

Dr M.D. Nahan: Thirteen plus 14 equals 27.

Ms R. SAFFIOTI: The minister did not sign a $27 million contract.

Dr M.D. Nahan: I didn't say that.

Ms R. SAFFIOTI: What contract did the minister sign?

Dr M.D. Nahan: It was a contract to build for the year 7s for Rossmoyne high school.

Ms R. SAFFIOTI: How much was it worth?

Dr M.D. Nahan: It was $16 million actually; it is more than I thought.

Ms R. SAFFIOTI: It was not $27 million.

Dr M.D. Nahan: I thought it was $27 million. It is actually more.

Ms R. SAFFIOTI: I understand that the government also allocated money for widening Shelley Bridge.

Dr M.D. Nahan: I'll talk about that later if you want me to. I'm pleased to. In our campaign, I offered $1 million. Labor offered $300 million and a cash grab for Riverton. It lost it!

Ms R. SAFFIOTI: Did the government commit to extra lanes for Shelley Bridge?

Dr M.D. Nahan: You just watch. Keep going.

Ms R. SAFFIOTI: The former head of the IPA is going around saying that everybody else offers election sweeteners but when it comes to his government's election, it offered a lot of election sweeteners. His party, in which he is Minister for Finance, committed billions of dollars' worth of projects and did not fund those commitments properly. This is a Minister for Finance in a government who back in 2000 said a government should offer no election sweeteners. He is part of a government that went around committing billions of dollars' worth of projects that had no funding. I want to go through some of those key projects, including the Metro Area Express light rail project and the train line to the airport. These two projects were contingent on commonwealth funding. The government secured $500 million for those projects under the former federal Labor government. A total of $500 million had been locked in and written into the budget papers. We have already seen the unwinding of this budget on a number of fronts. There was the solar subsidy. A number of issues have already unwound. The budget, which has not even got to the third reading stage, now has a massive nearly $1 billion hole in it courtesy of the newly elected federal government. This is the Barnett budget that is yet to pass through Parliament; it has not even reached the third reading stage in this house. Apart from the other holes that have been created by the government's failure to implement the fiscal action plan that it promoted, it already has a nearly $1 billion hole courtesy of its mates. The ones that government members are drinking champagne with have just ripped $1 billion out of their budget.

Let us go through the Barnett government's budget papers. Page 180 of Budget Paper No 3, *Economic and Fiscal Outlook*, shows that the commonwealth government allocated $500 million for priority rail projects, including $100 million over the next four years. That is absolutely gone under the new federal government.

I want to go through some road projects, because, frankly, I do not think we have seen the last of this issue. Unlike the state election costings put forward by the Labor Party, the commonwealth election costings put forward by the Liberal Party were not that clear. It tried to obfuscate the real issue—that is, what will happen to projects, apart from the Perth–Darwin highway project and the Gateway WA project. The Gateway project is going ahead; it has started. I know that the federal Liberal Party is trying to make a virtue of the fact that it will finish the contracts that the Labor Party signed. That project is underway.

There are four other projects in the government's budget that we are still not sure will be funded. I believe there are still significant question marks about the Tonkin Highway overpasses at Benara Road, Morley Drive and Collier Road. The federal Labor Party had committed $140 million of the $280 million for that project. We are not entirely sure whether that will happen. Between the release of the costings on Thursday and Saturday, there were about three or four different versions of events about what will happen with that funding. I believe there is a $140 million hole on that front, but it is up to the Barnett government to say that it has sought funding and it has been committed. During the estimates hearings, I asked the Minister for Transport whether he had sought specific commitments on everything in his budget relating to the second phase of the Nation Building Program and he said no. This government cheered on the federal Liberal Party, yet it had not even sought a commitment from the then federal Liberal opposition on whether it would deliver four key projects in the state budget. It is not as though they were just out there; the whole budget is predicated on funding for these commitments. As I have said, that money was for the Tonkin Highway flyovers.

Of course, there are also the Leach Highway improvements. Of the $118 million for that project, $59 million is federal funding. The two projects that the federal member for Curtin has confirmed are not in the budget include $385 million for Great Northern Highway from Muchea to Wubin and $218 million for the North West Coastal Highway improvements. For the Muchea to Wubin section of Great Northern Highway, $308 million of commonwealth funding has been allocated in this budget. If that money is ripped away, it will leave a substantial hole in the budget. For the North West Coastal Highway improvements, $174 million from the commonwealth has been allocated in this budget. When the $174 million for North West Coastal Highway, the $308 million for Great Northern Highway and the $500 million for rail projects are added up, it means that nearly $1 billion of funding has been ripped out of the budget before we have even done the third reading of the budget bills.

Today the Premier said that actual payments are no longer important; it is the vibe. Things are better now, our international reputation has improved, GST revenue no longer matters and grants from the commonwealth to the state are insignificant now because the vibe is better. It does not work like that. There is nearly $1 billion in this budget that the previous federal government committed to, yet this government never sought assurances or guarantees from the then opposition leader about those commitments. I remember the federal opposition leader at the time said that rail projects were not his knitting. The federal Liberal government will not fund rail projects. What did the Premier and the Treasurer say? They said that it does not matter because we will pick up in road revenue the $500 million that was allocated for rail projects. The key issue is that road funding has also fallen. Not only are we missing out on the $500 million to build the rail line to the airport and the MAX light rail project, but also another $400 million to $500 million in funding for regional roads has been ripped out. I was surprised today to hear the member for Forrestfield ask a question about the incoming Abbott government. I

would have thought the member for Forrestfield would have been at the barricades fighting for funding for his rail line project. Despite the commentary we have heard for four or five years that somehow a federal Liberal government understands WA, that is absolutely false. The former Labor government injected billions of dollars in funding into infrastructure across this state. If it were not for the fact that contracts have already been signed for projects such as Gateway WA, the federal Liberal government would not be doing them. It is absolutely laughable that this state government has lambasted the federal and state Labor Parties for five years for not standing up for Western Australia, yet the state Liberal Party failed during the election campaign to secure an increase in federal funding, let alone the same federal funding. We did not expect a revolution overnight, but the state Liberal Party did not seek and receive an increase in federal funding to WA, let alone the same level of federal funding to WA. There will actually be a drop. It might be pleasant to sit by Cottesloe Beach and drink champagne at a table with people wearing jewellery worth hundreds of thousands of dollars —

Dr M.D. Nahan: Are you jealous?

Ms R. SAFFIOTI: No. I was with my young children; I was much happier.

Although members opposite might think it is appropriate to drink champagne with someone who has just ripped $1 billion from the state budget, I do not think it is. We have already heard the language change from "We need more GST" to "Those payments to WA don't matter; it's the vibe." Everyone is rejoicing that someone who claims that the Syrian conflict is baddies versus baddies is now on the world stage!

This bill is necessary because the government has not been able to balance its books and, basically, debt has climbed exponentially and is out of control. I think the government will introduce more taxation bills in the next year. The federal Liberal government has just created a $1 billion hole. Let us put this in context. When there was a GST decline, the front page of the paper had the Premier complaining about a cut of $300 million or $400 million in GST over the forward estimates, which is significant, but now it is not an issue. He was drinking champagne with the people who will be making those cuts, which is even better!

As I have said, this bill is part of a revenue-raising spree. I will go into the massive increases in revenue over the forward estimates. In the 2013–14 financial year, revenue is forecast to grow by 8.9 per cent. It has grown by over 40 per cent since 2008. This government has never had a revenue problem. It cannot compare or contrast with what has happened in other states and it cannot compare or contrast with what happened in the late 1990s and into 2000-01. It does not have a revenue problem. It tried to claim it had a revenue problem with the GST year in, year out, but I am sure that those claims are no longer relevant—we do not have to worry about the money because the vibe is better. This government has never had a revenue problem. Expenditure growth for 2013–14 is expected to be 8.4 per cent. As has been said in this place a number of times, this tax-and-spend government has increased expenditure by more than 50 per cent since 2008.

I turn to what the Minister for Finance said about tax-and-spend governments when he was head of the Institute of Public Affairs. An article he wrote for *The West Australian* in 2006 is headed "State will be left with bill for the tax-and-spend Government". It reads —

> The major reason for Labor's new stance on fiscal policy is an alleged desire to avoid the instability caused by the old tax-and-spend way. That is to avoid the inevitable build-up of excessive non-performing debt in the public sector leading to higher taxes, lower spending on essential services and loss of confidence in the rest of the economy.

Let us go through those elements. As I understand it, there has been a massive increase in non-performing debt. Basically, that is debt in the general government sector and has led to higher taxes, which is why we are here today debating the Revenue Laws Amendment Bill. There has been less spending on essential services—massive cuts have been implemented in the education system—and a loss of confidence in the rest of the economy, as was outlined in the media recently. The article written by the Minister for Finance when he was head of the IPA continues —

> The new is old and so they tax and spend. And we will pay.

The Minister for Finance's government has become the type of government that he would have railed against had he still been a writer and had Labor done the same—it is a tax-and-spend government, more so than any previous Labor or Liberal government. There have been massive increases in state taxes and household charges and the government's spending priorities are wrong. On Friday we learnt about cuts to education assistants across Western Australia. Education assistants are not underutilised and doing nothing; rather, they help children learn. The next day we learnt that radios would be installed in the toilets at the new stadium as part of the great reform in football viewing. It is a football stadium, for goodness sake! As people in this place know, I love going to the football. However, we do not need the Taj Mahal of football stadiums, especially when at the same time the government has cut key services, such as education assistants. The idea of radios in toilets at the stadium

would be laughable if it were not serious. That was the key selling point of that day. When someone tweeted that I could not believe it; I actually thought that person was kidding. How can the government cut education assistants one day and announce the next day that radios will be installed in the toilets at the proposed stadium? That is incredible!

As I said, this is just part of the government's massive tax-raising effort. As we go through the budget and the financial impact of the 2013–14 budget fiscal action plan —

Mr M. McGowan: It's going well.

Ms R. SAFFIOTI: It is going well so far. Let us look at revenue measures. The deferred abolition of transfer duty on non-real property, which was provided for in legislation that has come through this place, will raise $527 million. Rates have increased by 12.5 per cent, or $338 million, which we will debate either tonight or tomorrow. Halving the private vehicle concession rate will raise $155 million. That means everyone's motor vehicle licence fee will increase by $36. The new school fee for children whose parents are 457 visa holders is, as I understand it, $4 000 per child. The government looked to workers in other countries and said, "Bring your families, bring your children to Western Australia, because we have a great school system". However, it is now saying to those 457 visa holders, "By the way, there is a fee of $4 000 for each child". I have been surprised by the lack of commentary on that issue by some business groups around the nation and particularly those in Western Australia. They were keen to criticise changes by the federal Labor Party, but I have not heard them comment on what is probably a much more significant impact, especially, as the Leader of the Opposition outlined, when those 457 visa holders have more than one child, because the costs will be astronomical. The Revenue Laws Amendment Bill is a part of the tax administration package that is expected to raise $454 million. This bill comprises part of that—$260 million—and other measures relating to compliance that do not require legislation will also be introduced. The area of compliance, which is part of the $454 million to be raised, relates to duties and payroll tax, but particularly payroll tax follow-ups and audits. There will be a focus on the mid to complex areas relating to duties. In total, this bill, together with increased compliance measures, will raise $454 million, and program-level saving measures will total $44 million. I cannot remember whether that includes the solar feed-in tariff, but I assume it does; that is gone. Maybe the feed-in tariff was a bit lower. Basically, the budget introduced $1.69 billion of new and increased taxation revenue through the abovementioned measures and does not relate to any changes in other areas.

I now refer to household charges, because although the bill refers to the taxation impact, household charges have also increased dramatically and, again, are very different from what was promised at the election. This budget sees significant increases, including changes to motor vehicle charges. This is probably the first time in a number of years that charges have increased so significantly. It will cost another $36 for a full year for every vehicle. Compulsory third party insurance will increase by $10 and driver's licence fees by $3.80. The cost of electricity has increased by four per cent, despite the commitment made by the Premier before the election that it would increase by the same amount as the consumer price index. The CPI for 2103–14 is only 2.5 per cent. Again, that is another broken election promise. There has been an increase of six per cent in water, sewerage and drainage costs, which is $79 for an average family. Student fares have not changed, but standard fares have increased by $39, which is a five per cent increase. All up, the impact of this year's budget on people is more than $250. We can add that to the $1 100 annual impact that has occurred over the last five years. This government's tax increases have hit not only the business sector, but also households, as we have seen. Over the past five years, it has made the cost of living a very significant issue for people living in Western Australia.

I will refer to some of the particulars of the bill and the specific changes. I will start with the first home owner grant. There will be a reduction in the first home owner grant from $7 000 to $3 000 for established homes and the first home owner grant will increase from $7 000 to $10 000 for new homes. Interestingly, the overall assistance paid to first home owners in WA falls under this measure. In 2012–13, $133 million was expected to be spent on the first home owner grant in WA. This is forecast to fall to $108 million in 2013-14.

That is a significant drop of about $25 million in the amount of assistance that will go to first home owners in WA. Although there will be changes in the payments, the actual overall change to first home owner assistance in WA will be a fall from $133 million to $108 million.

As I went through the budget, I also asked for a break-up of statistics on established and hew homes for 2012–13 and 2013–14. In 2013–14, an estimated 14 140 grants for established homes and 5 137 grants for new homes were made. Treasury estimates that in 2013–14, a total of 19 901 first home owner grants will be provided, including 13 993 grants for the purchase of new homes and 5 917 for the purchase of existing homes. From those figures, it is clear that the government estimates that fewer first home owners will buy established homes and more will buy new homes. I understand that this initiative is all about increasing the stock of houses in Western Australia. As I have said numerous times in this place, we have a housing stock problem. I am glad the Minister

for Finance recognised in some parts of the estimates committee hearings that this government has overseen the housing stock problem in WA.

A report done by the Department of Planning released in 2012 stated that in Western Australia there was a shortfall in the number of homes of around 500 per month compared with dwelling development and investment. That number is actually increasing over time and is on top of the shortfall that occurred in 2008. There is a significant gap in the number of homes being built and the demand in Western Australia. That has led to a significant housing affordability issue in WA, particularly a lack of rentals and rentals being priced out of people's ability to pay. Not enough has been done in Western Australia over recent years to increase housing stock. The measures in this bill will do a little bit but I do not think they will do enough. All they will do is increase by a small number the new homes built. I do not think it will be enough to significantly increase the total number in WA's housing stock. I have gone through the figures and it is important to note again what this government has done with approvals in Western Australia since it came into this place.

Members will recall that in 2006–07 the Liberal Party went around saying that Western Australia had run out of land. None of the government's reports verify that. The government's own Department of Planning reports do not verify that. A Department of Planning report actually states that home development outstripped demand in 2007–08. That is what it says! The government's own Department of Planning report states that the shortfall in housing has occurred since 2008. The Liberal Party therefore went around saying that WA had run out of land—and the Minister for Finance was part of that.

Mr W.J. Johnston: He wrote the report.

Ms R. SAFFIOTI: That is right, and he wrote some articles for the newspaper. The Liberal Party said that WA had run out of land and that approvals had hit rock bottom—a massive fall in approvals is what the Liberal Party said. I will go through these figures again for final land approvals in Western Australia in the first four years of this government. Under this government, 38 221 final approvals were granted between 2008 and 2012. In the previous four years, 2004 to 2008, 59 961 final approvals were granted.

Mr W.J. Johnston: A 20 000 drop.

Ms R. SAFFIOTI: Yes, it is a 20 000 drop in final approvals under this government. This government went around in opposition saying that there was not enough land—probably worsening and exacerbating some of the issues—yet it is clear that it granted 20 000 fewer final approvals in its first term of government. That is a significant reduction in anyone's language. The Department of Planning document on urban supply and housing released last year explains on page 52 that WA had a dwelling equilibrium in 2007 and that since that time, particularly since 2009, there was a shortfall in the number of homes built each year to meet demand. As I said,

it was not an opposition-funded analysis; it was a taxpayer-funded analysis done by the Barnett government. The document goes on to state that claims that there was a land supply issue in 2006 were wrong. This government's own document therefore completely rejects what the Minister for Finance said at the time; and, importantly, fewer home approvals were granted under this government. That is a significant issue in WA. Although this bill may address the issue in some small way—I do not think it will address it at all—it will not be significant enough to make a big impact.

The next two key parts of the bill relate to the Duties Act and the Taxation Administration Act. As we have said, this initiative is nothing more than a cash grab. It is an easy way to get a sugar fix to bring the funding that is outside the forward estimates into this budget year and the forward estimates. Therefore, $260 million that was embedded in the structure of the budget post 2016–17 has been brought into 2013–14 and the forward estimates. Although that will help to manage things in the short term, it will again undermine the structure of the budget over the longer term. This is a pattern of this government: it basically thinks about today and does not think about tomorrow. The reason for this financial mess in a state that has had increasing economic growth and strong revenue growth is that this government has not taken financial management seriously. This is yet another example of the quick-fix attitude of, "Let's go and grab that money and bring it into the forward estimates, and in that way that will help us in the short term." As I said, it will impact on the structure of the budget over the longer term.

We were informed in the briefing that this measure will allow interim assessments to be issued for highly complex transactions relating to stamp duty. A lot of these transactions, as expected in the state of Western Australia, will impact on companies in the mining industry. One of my colleagues asked me whether this is a retrospective tax. In one sense it is, in that those companies were not expecting to require a cash flow to pay these duties in this financial year and will now require one. There is no doubt, therefore, that it will impact on their operations and probably some of the financial decisions they will have to make. I understand that this bill relates to transactions undertaken in the old system but that have not yet been finalised. In a sense, therefore, it is

retrospective, as it will apply to transactions that were undertaken in one system and now have to be paid for under the system that the Barnett government is changing to. The government is changing the system to get the money sooner. I asked in the briefing how many duties assessments with a dutiable value of more than $5 million were issued in 2012–13. I would define that as high value, and there are about 513 dutiable values. I suspect that this measure will be based on those hundreds of dutiable values per annum.

I believe everyone should pay the right amount of taxation, but as I said, this is more of a cash grab than anything to do with proper policy. As we said, the government is ripping $200 million from many of the companies it purports to represent much sooner than they anticipated. As I also said, we understand some prerequisites will apply to these interim assessments. A transaction must have occurred more than six months previously and the Commissioner of State Revenue must believe he has sufficient information to make a proper interim assessment. We understand high-value complex transactions can sometimes take up to five years, so this legislation is seeking to force the issue a lot sooner. The bill also contains penalties for not providing accurate information about valuations. Again, we were advised that the Office of State Revenue sometimes has to spend hundreds of thousands of dollars to get assets valued. The bill will place a greater onus on the person paying the stamp duty to provide a more accurate valuation. This, again, will seek to reduce the time frame and ensure that taxpayers do not incur additional costs by seeking independent valuations. As I said, this legislation amounts to the receipt of $260 million in revenue being brought forward. Many people who undertook transactions under the old scheme will have to pay under the new scheme.

The opposition opposes this bill on the grounds that it breaks a promise and because it has been introduced for two key reasons: firstly, the five years of short-term chaotic and bungling financial management in this state; and, secondly, the lies told by the Liberal Party throughout electorates in Western Australia that its commitments were both fully costed and fully funded. They simply were not, and that is why the government is relying on these massive tax grabs. The budget will take $1.6 billion of additional revenue through policy changes, and that does not include other revenue increases that will occur through the nature of economic activity. Policy changes alone will raise $1.6 billion.

Since the budget was introduced, we have seen so many changes that I am losing count. Revenue predicated on changing existing contracts under the solar feed-in tariff has had to be changed, given some potential legal problems. We have seen the most bizarre, poorly handled education budget I have ever seen. I listened to the budget speech and read the budget papers, but I did not see evidence of such significant reform under the education budget. The government brings in an education budget but does not mention what it considers to be reform and for a couple weeks tries to hide the cuts. The minister goes on radio and says staff numbers will not be reduced, but lo and behold cuts are made everywhere. Four days later, cuts to the number of education assistants around WA are announced. Class sizes will be massive as a result of not employing any more teachers. There will be cuts to the school support programs resource allocation funding, which is dedicated funding. There used to be specific funding for things like literacy and numeracy, truancy and all the other aspects schools have to deal with, which was all rolled into SSPRA funding. But SSPRA funding has been cut by 30 per cent. It is beyond belief that anyone can stand in this place, in particular former teachers who I know are concerned about SSPRA funding, and say that it is all good news.

It is completely and utterly bizarre that the Premier does not seem to care that he is using Saturday's election result to vindicate his cuts to school funding. This is a government that has lost its way in the very short time since the election. Everyone knows it and everyone feels it. We have heard about the vibe, but it is not that our international representation has increased because Tony Abbott is now our Prime Minister; it is about when the next state election will come around. It is just crazy for the Premier to talk about all the people who will not vote for us and to say that if the federal election had been a state election, a lot of us would have lost our seats. Let the Premier sit on the Cottesloe beachfront sipping champagne. Do members know what? It demonstrates how out of touch and arrogant this Premier has become. As I said, everyone knows it. The performances we saw today in question time do not make the opposition uncomfortable. I hope the Premier does that every day; they make everyone behind him feel uncomfortable because they all know and they can all see it. The more uncomfortable he feels, the more stupid the decisions and the more bizarre he gets, the crazier are the things he says. On backflips, we need only look at what he said about the bus rapid transit proposal. The government cancelled the rail line to Ellenbrook and promised a bus rapid transit system, but then went on radio and said that maybe a train line is a better option. Is that not a sign of a government that has completely lost its way? The Premier thinks the people of Ellenbrook love him. It is a parallel universe and it is getting worse, and everyone knows it is getting worse. We know it, but we are not feeling that uncomfortable about it. The more he attacks us and says the things he said today, the better, because it shows that he has learnt nothing. He makes cuts to education funding and a day later makes announcements about radios and toilets at the proposed new football stadium. If that is not a sign of a government that has lost its way, I have never seen one. The thing is, he does not know it;

he is proud of it. The more stupid the decision, the prouder he is. As I say, let him continue to say the sorts of things we heard from him today when he gloated about the federal election result, thinking that everyone loves him.

Mr W.J. Johnston: Christopher Pyne loves him.

Ms R. SAFFIOTI: The federal Liberal Party loves him because it helped fund his election campaign and gave us nothing—$1 billion less actually. They wonder where these guys come from. They helped fund his federal election campaign. But remember that the Premier said, "I'm going to be really angry; I'm going to deny funds to the federal Liberal campaign. I'm so angry." It reminds me of *Team America*. I will write a very angry letter to Colin Barnett! He said, "I'm so angry, we're going to deny donations to the federal Liberal Party." He was egging on his federal colleagues, although I did not see any posters of him anywhere.

Mr W.J. Johnston: I put up posters.

Ms R. SAFFIOTI: Sorry—only we put up the posters of him! He was egging them on, saying, "We're going to deny those funds." He did not. There is now $1 billion less, which has made this budget even more out of date. Now there is nothing and everyone is happy about the vibe. There are projects in WA that will not be undertaken or completed. The federal Liberal Party now says that it is serious and will really talk to Mr Barnett about these issues. The new Liberal federal government has billions of dollars' worth of commitments in the eastern states; do we think it will really care about a few projects in WA? Of course it will not. At the only time the now federal Treasurer was under any pressure on this issue in WA he just laughed and said to build toll roads. The federal Liberal Party put ads in the Tasmanian newspapers saying that it would not change the GST arrangement.

Mr B.S. Wyatt: They said, "We fully support the current arrangement."

Ms R. SAFFIOTI: It fully supported the current arrangement.

There is the now member for Pearce—seriously?—who used to stand in this place —

Mr P. Papalia: The architect of the future fund.

Ms R. SAFFIOTI: The architect of the future fund, who stood in this place all the time talking about the nasty cuts of the Gillard government. During the election campaign he was nowhere to be seen arguing for a better GST deal—he was absolutely nowhere. No wonder there was a swing against the Liberal Party to a candidate who probably spent on her campaign one five-hundredth of the amount spent by the Liberal Party. There was some commentary about how she went. When our candidate spends $1 000 and the Liberal party candidate spends $500 000, it is not rocket science.

As I said, this budget is deeply flawed and already out of date. This bill is nothing more than a cash grab and another broken promise. It is a broken promise because the government never told us it would change the first home owner grant for existing homes and it never told us it would rip more money out of those mining companies it loves so much. The fact that the government will rip out more money this year is an absolute broken promise. It is a broken promise because that money was there to help fund projects that the government claimed throughout the election campaign were fully costed and fully funded.

MR B.S. WYATT (Victoria Park) [5.12 pm]: I rise to speak on the Revenue Laws Amendment Bill 2013. The member for West Swan has gone through in great detail not only what the purpose of this legislation is, but also the many financial and fiscal failures of the government. I guess this is the first legislation to deal with the great big election lie of "fully funded, fully costed", because we now know that that is not the case. Actually, we knew it two days before the election when Treasury released those documents saying that those major commitments made by the government relied on the federal government to pay for them. An interesting point was made by the Premier during question time and thankfully Hansard, in its very efficient way, has already provided me with a copy of the transcript, which, just for the benefit of members, I assume is the uncorrected version. The Premier made a very interesting comment during question time and I hope all those political journalists upstairs were aware of it—Gareth, Alisha, Daniel, be aware of this: there has now been a slight but significant change from the Premier. This is what he said —

> The removal of the mining tax will be great for this state in terms of international confidence in mining investment. It will be more important than the amount of money that may or may not be raised in tax.

I say that again —

> It will be more important than the amount of money that may or may not be raised in tax.

That very small sentence represents a fundamental shift from the Premier. I do not think we will hear many more complaints about the GST return to Western Australia now that Mr Abbott will shortly be sworn in as Prime Minister. The amount of money that may or may not be raised in tax is now not so important and the GST return

is no longer an important issue; the government will now focus on the mining tax. No doubt tomorrow there will be a dorothy dixer about the carbon tax because issues about the GST return are no longer that important—that has all changed. That all changed on Saturday for the Premier. He is no longer so interested in debating GST revenue, given that new Prime Minister Abbott advertised in Tasmania that not only would a Liberal federal government not change the GST share, but also that it fully supports the current arrangement. Now it is all about the mining tax and I dare say there will be a carbon tax dorothy dixer from somebody on the government benches tomorrow. That is a significant change in rhetoric from the Premier. It is worth noting —

Mr C.J. Barnett: It is one of the issues I discussed.

Mr B.S. WYATT: Premier, it is worth noting—the member for West Swan just made this point—that when it became apparent in the final few days of the federal election campaign that WA had been diddled by Mr Hockey and that we had lost $1 billion for our infrastructure spending, the silence from Mr Barnett and Mr Buswell was absolutely deafening. There was not a complaint or an outraged press conference with them red and indignant and yelling at the journalists. I did not see that; there was nothing but silence. The time when there can be an influence on what a government will do—just before an election or, importantly, when an intergovernmental agreement is about to be signed to change the arrangements for the GST—is when commitments can be obtained from governments, not afterwards when the votes are in and done. I now hear that the Premier is interested in a new word that I have not heard him say before—mandate! It was in the media statement on News.com that I assume the Premier made just after he had been sipping on the champagne. Referring to the mining tax and carbon tax, he said —

> "Tony Abbott absolutely has a clear mandate to repeal those taxes," …
>
> "If people in parliament oppose that they are failing in their responsibility as MPs."

That is what the Premier said. He has now found this little thing called a mandate. I do not recall a mandate to change the first home owner scheme; I do not recall a mandate to change the way the education system is funded; I do not recall a mandate to increase land tax; I do not recall a mandate that would take debt well beyond what former Treasurer Porter said last year was peaking at $24 billion and then starting its decline; I do not recall those mandates. Do you, members?

Opposition members: No!

Mr B.S. WYATT: It is interesting that the Premier now has a new word—mandate. He has a new word that up until now I have not heard him utter. I do not know where all these mandates —

Ms R. Saffioti: The Ellenbrook rail line!

Mr B.S. WYATT: I would be here for quite some time if I kept going through the things for which the current government may or may not have a mandate! I make some other points that I cannot believe I forgot. Was there a mandate to sack public servants or a mandate on local government reform? The list goes on.

Mr W.J. Johnston: ICWA!

Mr B.S. WYATT: The Insurance Commission of WA—grabbing a dirty little dividend out of the insurance commission, increasing third-party insurance premiums and now in desperation bringing forward revenue because the government has to plug the holes! It has been caught out over "fully funded, fully costed," and the holes have just blown out exponentially. Because of that deceit during the state election campaign, Western Australians have to cop all this despite the lack of a mandate. The mandate that the Premier had was subject to the commonwealth government funding his election promises. That was the mandate the Premier had, not this bevy of legislation and announcements post-election that completely contradict everything that was said in the lead-up to the state election on 9 March. I do not often say this, but Don Randall was right when he said, "You don't just go out and say something, you explain it. You tell Western Australians what you're doing." What we have now—the performance of the Premier in question time highlighted this—is that hubris has grabbed the Premier tightly. I hope it keeps its firm grip on him because nothing will bring down a Premier more than hubris. I hope the Premier sticks with it, and I hope that those members on the front bench and those laughing behind him stick with it, because hubris will always bring a government unstuck. Government members are riding high now, but I remember riding high in 2007 when I sat on the government benches—probably where the member for Belmont now sits. How quickly it can change. Be very wary of the guy in charge. He is the greatest liability for members opposite. Keep a close eye on him.

Mr C.J. Barnett: You got the worst result in Australia.

The ACTING SPEAKER: Members! Thank you, member for Victoria Park.

Mr B.S. WYATT: I am making sure that the Hansard reporter got that interjection from the Premier because it makes my point about the hubris of the Premier. That is why, without any mandate—a word the Premier is now very keen on—a range of legislation is being introduced that completely contradicts the commitments made during the election campaign.

We now know that the GST is no longer the most important issue on the Premier's agenda. The problem we have with the GST goes back to how it was concluded. I have made the point previously that the former Court Liberal government, in which the Premier played a senior role, fundamentally misunderstood the assumptions of the GST. It assumed it would get all the GST back. I refer again, as I have done before, to a debate that took place in this house on 13 October 1999 between the then member for Belmont, Hon Eric Ripper, and the then Premier Richard Court, who was also the Treasurer at the time. Mr Ripper was on his feet talking about the GST. The Premier, Mr Court, interjected —

> At least with this regime —

He was referring to the GST proposal —

> we will be given access to all of a major growth tax.

Hon Eric Ripper responded —

> He says that we will be given access to a growth tax. Let me put that more precisely: We will be given access to a share, to be determined by the Commonwealth, of that taxation revenue. That share might change from time to time depending on whether the Commonwealth thinks that Victoria or New South Wales needs a bit more.

Mr Court then interjected —

> Are you saying that the Commonwealth Grants Commission should change?

That was the time to have it changed. Eric Ripper responded —

> I am saying that the Treasurer has signed up to an arrangement which makes a very large portion of our revenue hostage to a commonwealth government authority's determination. Its determination might not be helpful to this State.

We knew then—it was debated in this place—that through the GST we were giving more of our revenue to the Commonwealth Grants Commission to redistribute. Richard Court incorrectly assumed that we would get access to all of that growth tax, despite Eric Ripper clearly pointing out that was not the case.

On 2 September 1998, the then Under Treasurer John Langoulant advised the then government and the then Treasurer Richard Court in an assessment by Treasury. Interestingly, this is a media statement that Treasury provided to Mr Court, which states in part —

> "Western Australia will be better off by $2 billion over the first ten years of operation of the Commonwealth Government's tax reform arrangements …

That is the 10 years through to 2009–10. WA was to be better off to the tune of $2 billion. I was also struck by an interesting point in the media statement, which states—

> Mr Court said this outcome had been modelled by Treasury on the basis of a personal undertaking given by the Prime Minister that no State would be worse off from the introduction of the proposed reforms than if the current real per capita arrangements had been maintained.

Between Prime Minister John Howard and Premier Richard Court, there was nothing more than a personal undertaking that no state would be worse off than if the current real per capita arrangements had been maintained. Unfortunately, the problem with nudge-nudge, wink-wink arrangements is that was not put into the agreement signed between the government of WA and the Commonwealth of Australia, which would have protected Western Australia. That would have ensured that our share of the GST would have been returned at a per capita level. Instead, there was a personal undertaking between Richard Court and John Howard. Therein lies the problem with the way the GST was negotiated, the way their outcome was modelled by Treasury and the problems that we now have with GST return. That is why land tax has increased and there is this desperate attempt to claw-in revenue in the legislation now being debated. I note that the interim assessments—the money brought forward—are estimated in the forward estimates to bring in $260 million in the current year, of which $200 million is raised in the current financial year. That illustrates the desperation of bringing in this legislation. The government is exposed by the fully-funded, fully-costed lie and now has to grab revenue in any which way it possibly can.

The member for West Swan pointed out the changes to the first home owner grant. I do not recall any of those changes being mentioned prior to the election on 9 March this year. They are significant changes for people who

wish to buy an established home. One would have thought mention would have been made of that prior to the election campaign. If the government is to manage its finances in this way, it will find itself on a debt trajectory that will continue to increase beyond the 10-year estimates.

Last year in his budget speech, former Treasurer Christian Porter said that net debt would peak at $24 billion in 2015–16. He underlined the word "peak". Members who look at Treasury's website will see that it is still underlined. It was to peak in 2015–16 and then decline. During the election campaign, Treasurer Buswell said that the second term was all about stabilising debt and that any extra revenue would go to paying down net debt. I have said that the Premier and the Treasurer have made the decision to wipe that away and are now focussed on simply spending. Debt is no longer an issue. We saw in an exchange with the Treasurer during the budget estimates that now the AAA rating is perhaps not as important as it once was. The Treasurer has walked away from the rhetoric that he demanded when he sat on the opposition benches, which he described as the cheap seats, when he said that the Gallop and Carpenter governments should have imposed a real per capita cap on their spending. That is what he demanded. He moved motions in this place condemning the then government for not sticking to a real per capita cap. He said —

> … the government could not cap public spending growth at real per capita levels, because it lacked the discipline and the capacity to manage the state's finances effectively.

This government has now completely stripped out the real per capita cap from the financial targets of the budget. It is gone. It has been there year after year but now the government has removed it because the government is embarrassed because it is not meeting its real per capita cap. It will certainly not meet it across the forward estimates. That is why we have this situation in which debt is getting to a level that is simply unsustainable.

It is worth noting that the budget booked, I think, $120 million in revenue for the decision to charge 457 visa workers $4 000 for each of their children to go to school.

Mr C.J. Barnett: The criteria are yet to be set.

Mr B.S. WYATT: I thank the Premier. That was a perfect interjection. I was just about to quote him from the newspaper. The Premier has been preparing my speeches, along with campaigning for Alannah MacTiernan. As the Premier just interjected, and as reported in *The West Australian* on 27 August 2013 —

> "We have yet to determine the criteria. That is being worked on now. There will be charges, but how they will be structured, how they will apply, we haven't got to that point yet."

What is going on? The budget has booked $120 million in revenue from this policy, and the government is still working out the criteria.

[Member's time extended.]

Mr B.S. WYATT: Now I understand why John Langoulant, when Under Treasurer, was tearing his hair out with the Premier.

Mr C.J. Barnett: No, he wasn't.

Mr B.S. WYATT: I have the letter here; I will get to it in a minute. It is a good letter. Actually, I will quote it now. The famous Langoulant letter states —

> Individual Ministers proposing, and Cabinet endorsing, expenditure proposals with no regard to the state of the overall budget and with no examination or consideration of existing budgetary capacity within a portfolio. Examples include the … Education Minister's —

Now Premier —

> announcements on matters such as reduced class sizes which are not funded.

The Premier has not changed. Now he is booking revenue, scratching his head and saying that they are working out the criteria now.

Mr M. McGowan: Surely the criteria must be set, otherwise how would they correct it?

Mr B.S. WYATT: One would think that, but we are in a different paradigm now. As I think I said in my budget reply, there was the opposition member for Cottesloe and the government member for Cottesloe and never the twain shall meet.

The budget was handed down on a Thursday afternoon. The Minister for Energy scurried around rapidly when he realised that maybe he should have got some legal advice on one of the key aspects of the fiscal action plan and that maybe the government does have to honour contracts with the citizens of Western Australia. We saw that abandoned in the blink of an eye. Now we see another key part of the fiscal action plan, being the $120 million for children of 457 visa workers. The criteria are still to be worked out. We now see $1 billion

gone, courtesy of the election of Prime Minister Abbott. The silence—the crickets were chirping—during the last few days of the election campaign from government ministers was most disconcerting. Now we also know that GST is no longer the issue. Everyone is focused on the mining tax because that is now the key issue. This is why we have this bill. This is why John Langoulant wrote that letter all that time ago.

I also want to quote the Treasurer, the member for Vasse, from the motion that he moved when he sat over here in the cheap seats —

Mr J.M. Francis: Cheap seats?

Mr B.S. WYATT: I was quoting the Treasurer, Mr Buswell, who described the opposition seats as the cheap seats. This is what he said when commenting on the failure of the former Labor government to stick to a real per capita cap on its spending —

> This government has put future generations of people in this state in a very precarious situation by creating structural instability in Western Australia. The great tragedy of the government's mismanagement and the explosion of public sector expenditure in this state is that it has mismanaged the good times. Future generations of people in this state will be left with a legacy for which I fear they will pay for a long time to come.

If only I could just grasp what he would have said if he sat here now, looking at debt going out to $47 billion. If only he could apply the standards he demanded in opposition now that he has his hands on the levers of power, similarly with the Minister for Finance when he headed the Institute of Public Affairs.

I want to conclude on a point relating to the desperation of the government regarding revenue, primarily because of these issues surrounding debt and the fact that it is struggling to pay for its "fully funded and fully costed" election promises. I have quoted at length the motion that the Premier moved not long after he was first elected to this place around setting up a select committee to inquire into state debt. At the time he spoke of making up debt. I have often brought this to the attention of members in this place. How much of our net debt is held in the general government sector versus the total public sector? As members will know, when the member for Cottesloe became Premier there was no net debt in the general government sector and about $3.5 billion in assets, from memory. The debt was held in the non-financial public sector. This is the reason why that was important, and the Premier knew it back in the early 1990s when he moved his motion on 28 August 1991. Again, I draw the attention of members to opposition member for Cottesloe and government member for Cottesloe.

Mr C.J. Barnett: Well, I was in opposition in 1991.

Mr B.S. WYATT: He was, and that is why I am quoting the Premier when he was the opposition member for Cottesloe. It tends to make a bit more sense. He said —

> … we need a change in policy in the way in which we operate our State Budget. We need to shift the financing of non-income generating assets away from debt finance into finance from current revenues. That is the socially responsible thing to do, it is the economically responsible thing to do, and for this generation it is a fair thing to do for the coming generation.

The Premier was right. I said in my budget reply that in each budget, it is not just the budget we have to worry about. The Minister for Finance is gushing about the $300 million being spent in his electorate. He would have been horrified about that when he headed up the IPA. He is now gloating about it because all he is worried about for the next four years is his own little electorate. All government members have to think about is budgets for future governments, whether they be Labor or Liberal. As the Premier said on 28 August 1991, what the government is doing is socially irresponsible. It is constraining the options of future governments. It is assuming it knows better by taking all the financial capacity of the next couple of governments, probably the one in 2017 and 2021, by simply gorging itself on the debt now to build various projects that the Premier wants a brass plaque on. Again, I come back to that word that the Premier has learnt in the last two days—mandate. I do not recall the mandate to find the savings to fund those projects from the education budget. I do not recall that debate occurring during the election campaign. Where is the mandate—the new word that the Premier is excited about? I do not know, probably because it is not there. I dare say that is why school communities across Western Australia are so agitated. The Premier can say that no-one has raised it with him. I dare say they are not going to raise it with him while he is sitting in a coffee shop in Cottesloe drinking champagne.

Mr C.J. Barnett: I guess you wouldn't have had a glass of champagne on Sunday morning, would you?

Mr B.S. WYATT: No, I did not. I was in Halls Creek. I was handing out how-to-vote cards in the Durack campaign, opening up the Halls Creek Music Festival that I was invited to early this year. That is right; I was not drinking champagne. I was having a very good morning with some of the traditional owners in Halls Creek.

Mr W.J. Johnston: The National Party accused you of being in cahoots with the Liberal Party in that campaign.

Mr B.S. WYATT: Was I? I cannot keep up! All I know is that the National Party was not at the Halls Creek booth. Maybe I am wandering; I am getting the hairy eyeball from the Acting Speaker!

In conclusion, here we have the first part of the fiscal reality of the deceit around "fully funded, fully costed". That reflects a pattern of financial management which the Premier has had since the moment he came into this place and which John Langoulant identified to the then Premier Richard Court. This budget has already been abandoned before it has even passed through the lower house, let alone through the upper house, and we wonder why we find ourselves in the financial mess of debt levels to which we are going.

This budget represents a fundamental change to the way that the government has been handling or approaching financial management, and that change happened between when Treasurer Porter announced his budget last year and this budget. In 12 months a fundamental change has occurred. Christian Porter said that debt will peak and decline, but now that has been walked away from. I dare say that, in the ambivalent commentary by the Premier, the AAA credit rating is no longer a key component of this government's financial management strategy. I dare say that at some point, if we lose that AAA rating, there will be a lot of rhetoric about how it is not that important. It is similar to why the GST is no longer important. The Premier said that it will be more important than the amount of money that may or may not be raised in tax. It is a subtle shift that reflects exactly what the Barnett government will get from the new Abbott government for its five-year-old argument on GST.

MR W.J. JOHNSTON (Cannington) [5.41 pm]: I want to make a few remarks on the Revenue Laws Amendment Bill 2013 and, in doing so, I will put it in context. I note the Minister for Finance stated in his second reading speech —

> The interim assessment measure is expected to raise an estimated $200 million in 2013–14 and a total of $260 million over the forward estimates period.

I find that figure quite interesting because at page 217 of budget paper No 3, it states —

> … an amount of $263 million will be transferred from the Royalties for Regions Fund into the Future Fund in 2013–14 …

That matches up. The government says that it is using the Western Australian Future Fund to build for the future, while at the same time it is drawing forward revenue from future years to put into the future fund. This pull forward will reduce tax revenue in the out years. As the minister said in his second reading speech, this measure by itself does not increase tax revenue; it simply brings it forward from future years. Of course, all the money in the future fund has been borrowed. Leaving that issue aside, if the idea is that the future fund is about building for the future, why is the government drawing the tax revenues back from the future? It does not add up. It does not make any sense. We know what this bill is about. This bill is just another step in looking down the back of the lounge to find all the spare change. It is not about financial management. It is not about preparing the state for the fiscal challenges that it will find itself in. It is about none of those things. It is about papering over the incapacity of the Premier and the Treasurer to deliver on their word to the people of this state. They are not doing that. They do not have a plan. We are already paying $9 million extra each year in interest payments on the state's debt because of the failure of the Premier to properly manage the budget.

The minister can comment in his reply to the second reading debate on whether he believes the increase in the first home owner grant will lead to higher prices for first home buyers. Several years ago in a debate about the boost payment that occurred during the global financial crisis, the member for Riverton, as a backbench Liberal MP, railed against the increased payments to first home buyers at that time on the basis that they would flow to the benefit of the owners and sellers of the property, not to the benefit of first home buyers. Perhaps the minister could explain whether there will be an increase in prices paid by first home buyers because of his decision to increase the first home owner grant for new home buyers. I also make the point that the member for West Swan has made: this is actually a budget cut, because the government's expectation is that it will pay out less in first home owner grants than it would have if there had been no change to the procedure. Although the government likes to highlight one aspect of the change it has made, it does not tell everybody that its expectation is that it will save money by making these changes.

In judging the government's budget cuts and decisions, the Premier highlighted in question time today how well the Liberal Party did in Western Australia.

Several members interjected.

Mr W.J. JOHNSTON: It is interesting that the federal minister for education–elect, Hon Christopher Pyne —

Several members interjected.

The ACTING SPEAKER (Mr I.M. Britza): Thank you, members!

Mr W.J. JOHNSTON: As I was trying to say before I was interrupted by the Premier's constant inane interjections, the federal minister for education–elect, Hon Christopher Pyne, said —

Several members interjected.

The ACTING SPEAKER: I want to hear only one person right now, and that is the member for Cannington. I remind the member for Warnbro that he is on four strikes, so I would be very careful if I were him.

Mr W.J. JOHNSTON: As I was saying before the Premier interrupted me, the federal minister for education–elect, Hon Christopher Pyne, said on television on Saturday night that education cuts and other recent events had damaged the party in Western Australia. It is also interesting that the Labor Party put pictures of the Premier on its polling booths, but the Liberal Party did not.

Mr C.J. Barnett: It was a nice photo as well.

Mr W.J. JOHNSTON: It was not as good as the photo of the Premier that I used to use! At the election in 2010, the Premier sent a personally addressed postcard to everybody in Western Australia, but not this time. I do not understand why the Liberal Party decided that it did not want to have anything from the Premier of Western Australia in people's letterboxes. It was an interesting decision. I also note the email sent yesterday by Dixie Marshall in the Premier's office to a range of people. It was quoted on The Good Oil website today. Apparently her duties are to get value for money from advertising for government-owned corporations, but she went on in some detail about political issues. Perhaps at some future time the Premier can explain why his highly paid media adviser sent out a note about political issues arising from the federal election, an analysis of voting patterns and all these things while receiving a salary from the public service? Was she requested to do that by her employer, the Premier? Was this a rogue action of the servant I am discussing, Dixie Marshall? What was the genesis of this decision to engage in political commentary with other media advisers in government ministers' offices? Perhaps we can have that explanation about what role is being played.

It is also interesting that Hon Christian Porter ran as a Liberal Party candidate. Nine per cent of Liberal voters did not vote for him. One in 11 Liberal voters in the electorate of Pearce did not vote for Christian Porter. That is what happened in that seat. We could analyse the election results, but it is not the picture that the Premier likes to paint.

I have some quotes here from the newly-elected Prime Minister of Australia, Hon Tony Abbott. This relates to the fact that I think we should be judging what is happening here today with the government's behaviour. On 28 August, he is quoted on www.news.com.au as follows —

> I accept that it is quite unusual for a national government to make direct grants to a commercial operation but Tasmania, I put it to you, is a special case —

Also on 28 August, he is quoted on www.abc.net.au as saying —

> Tasmania has the lowest wages, the lowest GDP per head, the lowest life expectancy, the lowest education attainment and the highest unemployment of any state by far in our Commonwealth.
>
> And if we are determined to be one nation, not some states that are skyrocketing, others that are languishing, we've got to be prepared to make these investments.

That is referring to the investment into the Cadbury factory in Hobart.

The www.tonyabbott.com.au website contains a copy of the speech Tony Abbott gave, again on 28 August, at the launch of the decision to fund the Cadbury operation in Tasmania. He stated —

> Unemployment here in Tasmania is two and a half percentage points above the national average. GDP per head is lower in Tasmania than any other state. I regret to say that wages in Tasmania on average are lower than any other state—that must change. I want this state to be an economic powerhouse, not an economic also-ran and some judicious investment by the national government is an important part of that and that is the commitment that I give to the people of Tasmania today.

At the same time as the incoming Liberal government has announced its intentions to cut funding from essential projects here in Western Australia, it is adding projects in Tasmania. It is cutting funding for the airport line while adding money to Tasmania. It is cutting funding for the Premier's beloved MAX light rail system, but it is adding money in Tasmania. No wonder the Premier no longer talks about the GST.

The Premier does talk about the minerals resource rent tax, and the fact that the incoming Liberal government will abolish that. It is interesting that he does not talk about the petroleum resource rent tax, which is the other

half of the mining and resource industry changes. The PRRT was extended from offshore operations to onshore operations. The Liberal government is continuing with that policy. That is happening in this state.

Mr C.J. Barnett: No, it won't be. I can tell the member right now; it won't be.

Mr W.J. JOHNSTON: That is the incoming government's policy position.

Mr C.J. Barnett: That doesn't matter. It won't be doing it onshore.

Mr W.J. JOHNSTON: It is. It has already been announced.

Mr C.J. Barnett: There will be royalties applied to the onshore —

Mr W.J. JOHNSTON: Of course there will be. That does not stop the PRRT applying.

Mr C.J. Barnett: No, but that will come after the payment of a royalty.

Mr W.J. JOHNSTON: But that is exactly how the MRRT worked. That is exactly the same system.

Mr C.J. Barnett: Not in the original version.

Mr W.J. JOHNSTON: That is the identical arrangement as was applied by the mining tax. The MRRT is to be abolished. The Premier is talking about the mining super profits tax that was never implemented. I am not talking about that. I am talking about the comparison between the MRRT, which was introduced by the former Labor government and which Tony Abbott and the Liberal Party are promising to abolish, and the PRRT—the petroleum resources rent tax—which the Liberal Party has committed to continue. The Liberal Party is not removing the other half of the resources industry tax changes, and I have not once heard the Premier speak up on that issue—not once. He is saying he will apply the royalties first; of course he will apply the royalties first. It does not change the fact that the PRRT will be applied to onshore operations in Western Australia by the incoming Liberal government.

In considering whether the people of Western Australia should support this draw forward of $260 million of future tax revenues to the current forward estimates period, we should look at the forward estimates. On page 672 of volume 2 of budget paper No 2 is mines and petroleum under the heading "Details of Administered Transactions". I draw attention to the 2015–16 forward estimates that predict there will be $6 866 514 000 in total income paid to the Department of Mines and Petroleum. That includes other revenue, so the figures are actually even starker. Those figures include $180 million of increased royalties that have not yet been legislated, and no-one knows what those royalty rates will relate to. I have made a quick calculation and I realise that the figures are actually worse than what I am about to say, but I will just continue here for a moment. Of the $6 866 514 000, $5987 400 000 is iron ore royalties. The Premier has already said that iron ore royalties are not included in the royalty rate analysis that has led to the $180 million of increases. Of the total revenue for the agency, the $180 million is 2.7 per cent. Members would not think that that is very much. However, if the iron ore royalties are excluded, suddenly the $180 million is over one quarter of the money that is to be taken from the mining sector. One hundred and eighty million dollars is less than the amount that was taken out of the iron ore sector in this state by the federal MRRT. This Premier is intending to tax the mining industry more than Julia Gillard did. That is what is proposed here.

Not only are we looking down the back of the sofa and bringing forward $260 million and cutting expenditure by changing the system of the first home owner grants, but this Premier, this Minister for Finance and this government generally intend to tax the mining sector one-quarter extra in royalties. They intend to increase the royalties paid by one quarter at a time when our industries are suffering because of the high value dollar; difficult construction costs, an issue that the industry is continuingly raising; and a lack of clarity about where mineral prices are going to go. Indeed, look at some of the minerals we are talking about—mineral sands and nickel, industries with great challenges in this state; gold, the price of which has fallen dramatically over the last six months; alumina, an industry with great challenges; and onshore petroleum production, to which the Liberal Party will continue to apply the petroleum resource rent tax. This Premier is intending to increase the royalty payments from those sectors by one quarter. All these sectors were not covered by the minerals resource rent tax and were excluded from the minerals resource rent tax because they did not fall within the high-value areas that was taxed by the MRRT, such as coal and iron ore. The federal government left those sectors alone; this government is intending to tax those sectors 25 per cent more than it is doing now. How can it be that those issues were not discussed by the government prior to the election?

I also draw attention to the Insurance Commission of WA decision. The Premier deliberately misled the RAC in his letter. At the time the Premier wrote to the RAC to say that it was against the rules to have that special dividend from ICWA, he neglected to say that the government had already made the decision to introduce that very action. The very decision he said could not be done, he had already decided to do.

[Member's time extended.]

Mr W.J. JOHNSTON: He wrote to the RAC saying, "This cannot be done", yet he had already made the decision to do it and had booked the revenue in the *Pre-election Financial Projections Statement*. How the heck can we allow that to occur? That is unfair and unreasonable.

Mr Acting Speaker, when we make a decision about whether we will support these broken promises contained in the Revenue Laws Amendment Bill 2013, we can see that this is a slippery government that has not been honest with the people of this state. It is a government that is treating the people of this state unfairly and is acting without honesty or integrity. We should not allow this to happen. When members come into this place and vote in favour of these changes, they will vote in favour of a reduction in state services and the taking of money from future budgets.

Sitting suspended from 6.00 to 7.00 pm

Mr W.J. JOHNSTON: Before the dinner break I had just about finished my argument about the Revenue Laws Amendment Bill 2013. I emphasise that the reason we need to oppose this bill is that it is just one more in a long list of broken promises by this government. I pointed out some of those other broken promises. I also pointed out how the federal Liberal government has abandoned its state colleagues. Christopher Pyne pointed out that one reason the federal Liberal Party did not do as well in Western Australia as it had promoted was because of the education cuts in Western Australia. These are very serious issues. I encourage members not to support this broken promise.

MR P.C. TINLEY (Willagee) [7.01 pm]: I rise to add my comments to the debate on the Revenue Laws Amendment Bill 2013 and will echo, in many ways, the very strong points that have been made by the member for Cannington and others. This is a bad bill in three ways: it is bad policy; it is bad economic management; and it is nothing more, really, than part of the wider web of bandaids that is being pulled over this budget to somehow mask the inefficiencies and ineffectiveness of this government in bringing the budget into surplus in a worthwhile way or in taking the state forward in a true economic-building fashion. One of the government's arguments on behalf of the Revenue Laws Amendment Bill is that the first home owner grant will deliver opportunities for people to buy new houses. This is a sop or a dog whistle—no; it is a big red flag to the development industry and the big end of town, which own the majority of private landholdings on the edge of this city, to ensure that they get far healthier balance sheets, cashflows and revenue streams.

One of the short-sighted things about this bill is its policy effect: increasing the first home owner grant for new homes will naturally put pressure on the outer edge of the metropolitan area. Perth, in a planning context, is one of the largest cities in the developed world, extending nearly 100 kilometres from north to south. I understand that the city developed north to south because the majority of development has occurred on the Swan coastal plain and has been constrained by the natural features of the escarpment, so the natural tendency has been for the city to spread. Through this policy, there will be a significant uplift in the construction of new homes, predominantly on the edge of the city. We will probably come to this in the consideration in detail stage, but I would like to know what the minister thinks about the uptake of this policy and what it will mean in terms of the number of dwellings that will be built and the increase in building activity, and whether there has been a consequent consideration, in a public policy sense, of how the additional services that will be required will be delivered. If new houses are built on the edge of the city, they will need to be serviced by police stations, schools and utilities, which are not cheap to deliver these days, and the public transport that ought to be delivered as well.

Additionally, we need to look at the knock-on effect of the increased size of the city as a general area and the impact this will have on local governments, which are themselves trying to prepare for forced amalgamations in some instances. Those amalgamated local governments will be inefficient, certainly in the short term, in delivering services, and all of a sudden there will be more and more demands on their services and supports from the outer rim of what is becoming one of the largest cities in the developed world and certainly one of the largest cities in Australia. I will stand corrected if I am wrong, but I think Perth now covers a greater land area than does Brisbane. It is a massive problem. It has been a long-term problem, so much so that it has been government policy to define the level of density that we want to achieve in urban infill. That level of density is 47 per cent under this government, and it was a similar figure under the previous Labor government. That policy is due recognition of the cost of delivering services to an ever-increasing outer rim, the cost of social isolation for those families who live in these virtually dormant suburbs, and the cost of delivering parks and recreational services in these new areas as opposed to leveraging what is already deployed capital. Capital has already gone into the inner urban area. We ought to be pushing harder and harder to achieve the objectives of the urban infill density policies of this and previous governments.

These sorts of things have a duplicating effect. We get a larger urban area because we are building new homes, which require more services and more schools, and we are hollowing out the inner urban areas, such as Belmont and Willagee. These are long-established suburbs—they have been there for 50, 60 or 70 years. The suburb of Willagee was originally 100 per cent public housing. People should put that in perspective when they talk about public housing issues. It was the lateral equivalent of the United Kingdom's council flats. Willagee is one of the largest suburbs in Perth and it has the largest number of single-person households in the city. The suburb of Willagee has fewer people per square kilometre than any other suburb in this city. This suburb was built post-war with war service homes—the old fibro homes—on quarter-acre blocks. Mum and dad moved into the home and raised a family. Typically, the dad died and mum was left there when the kids had gone, so it is now a single-person household sitting on a quarter-acre block. There is very little uptake by older citizens of the services that younger families need. Their service requirements shift more to medical services and those other things that an ageing population needs.

We have a hollowed out inner urban area. I refer to the inner urban ring of my seat. I dare say that Belmont and Balga and other such places, and potentially some of the areas around Bassendean and Maylands, need renovating. They need deep, well-thought-out, multilevel public policy to ensure that we deliver a better social outcome, and dare I say a better economic outcome, by leveraging up the deployed capital. Regardless of where a household is, it needs the basic utilities of water, sewerage and electricity; every household has a right to own and have access to those utilities. The public transport infrastructure in our inner urban areas will be given lower priority as a natural effect of the market being interfered with by government; that is, fiddling with a lever. In my opinion, this is nothing more than putting an artificial floor under the cost of delivering a house. Let us face it; anybody who is truly a purest—none of us in here can afford to be purists in the sense of a public policy arrangement—would have to look at the first home owners grant and say that it is a false floor; namely, it is governments playing in markets it ought not to play in. The government side—the side, supposedly, of free enterprise, the side of market forces and the side that endorses and champions the very notion of free markets—is playing with a lever that one would question as being inappropriate for governments. One could think of better things to do, particularly in this fiscally constrained budget situation, with the amount of money going into first home owner grants. That money should be deployed to keep better services in the inner urban ring.

Another example, because it is topical this week, is education. Melville High School has nearly 1 100 kids. It is the benchmark, if you like, because it can offer multistream academic opportunities for secondary school kids into the tertiary education system. The cuts to that school are nothing short of scandalous. Certainly, the former Premier and former member for Willagee, Alan Carpenter, supported the school because he understood, as I do, the unique nature of Melville's competitive disadvantage to schools such as Santa Maria College, Christian Brothers College and John Curtin selective arts school in Fremantle and Applecross on its other flank. It has had to work hard to survive. As we move further south, there is a hollowing out of suburbs such as Willagee, Hamilton Hill and Coolbellup, through a lack of investment in the delivery of the density requirements and targets that this government set at 47 per cent of the inner urban area. In those suburbs, schools such as Hamilton Senior High School has 460 kids even though it was built to cater for 1 000. South Fremantle High School has fewer than 400 kids even though it, too, was built for 1 000 kids. We know that 1 000 is the mark one needs to achieve the scale of resources. If we look at scale in education, we should talk about super campuses that sit nestled on the best public transport system to take in the widest catchment. John Curtin, for example, is a select school with a very good reputation. It is my old school. It did not have a good reputation when I went there. It has had a contracting boundary over the years because of its popularity.

Dr M.D. Nahan: Remember that it takes from a very large catchment because of its specialist nature.

Mr P.C. TINLEY: That is right. That is because of its specialist entry requirement; it is not by virtue of postcode. In the days gone past when I grew up in the district, that was the school students went to if they wanted to be in the public education system. There was no discussion about it; it was a geographic boundary. That geographic boundary, to be more accurate—as the minister rightly pointed out—has shrunk, but the streams of entry have broadened in the specialist areas. As a result, there has been contraction with less opportunity in these areas in the inner urban ring and less capacity to get proper value for capital. I go back to my point: delivering these services is not cheap. The Minister for Energy, the member for Riverton, would attest to this in relation to the cost of power. I wonder what it costs to deliver the infrastructure to power the outer edge of the city. I would love to hear from the minister in a future debate what it costs this state to deliver utilities into some of the suburbs way out on the urban fringe.

We have an absurd situation in which we have underinvested in our deployed capital in the inner urban ring. We have hollowed out schools that are now under enormous pressure and will be losing full-time staff in what we will call "the gap year of horror", which is 2014. Schools like those in my electorate know that with a half-cohort coming in in 2015, there will be an uptick. I am on the board of Hamilton Senior High School. I hope we can get

an uptick in enrolments. We are rejecting about 600 to 650, which would be a great outcome. However, it has to survive 2014. The best information I have at the moment—which is conservative in its position—is that we will lose between four and six teachers. The school has a swimming pool, which it has worked hard to keep. It costs $100 000 to do the routine mid-life upgrade. If it does not do the upgrade, it will have to shut the pool down. When the new year 7s come in in 2015, as part of the service agreement, the school will have to deliver swimming training two hours a week so that students can learn what every Aussie kid should be able to do—swim. Not every public school has a swimming pool. One may suggest that they use a bus. What bus? The school does not have a bus, and hiring one means another operational cost. Where would the bus go? How many public pools are in the inner south metropolitan area? There are three—and one of them is not really public. There is Fremantle, Bibra Lake —

Dr M.D. Nahan: What about East Fremantle, down by the river?

Mr P.C. TINLEY: That is not a public pool. Is that the water polo pool?

Dr M.D. Nahan: No, it is a 50-metre pool; I have swam there many times.

Mr P.C. TINLEY: Where?

Dr M.D. Nahan: Down by the yacht club. It used to be Fremantle yacht club.

Mr P.C. TINLEY: That is held under trust by the water polo club. My sons play there.

Dr M.D. Nahan: There is Somerset and Riverton —

An opposition member: Somerset is a fair way away.

Dr M.D. Nahan: No; South Perth.

Mr P.C. TINLEY: Okay. Let me bring it in.

In the course of a normal school day in trying to manage students' time in a 25-period week, there is a limited opportunity to get them to swimming pool facilities. The very point I make, again, is that the under exploitation of the deployed capital in those inner urban areas underpins bad public policy. Changing the first home owner grant to weight it so that it is new homes versus established homes is not what this government should be doing. It is not consistent with achieving a density infill requirement. I refer to the suburb of Coolbellup, for example, which is a 50, 60 or 70-year-old suburb that was filled mostly by migrants in the post-war period. In the last year, the biggest movers into that area were second home buyers; that is, typically families or young couples trying to buy a renovator's special.

These people, who are willing to move into these homes and renovate them—as difficult as that task may be, particularly when most of them involve asbestos—are being given a very clear artificial price signal that tells them that that is not what government wants them to do. The price signal is, "Here's $10 000 to build a new home". When we put that into perspective, we think: they can build a new home on a half or quarter-acre block and subdivide it; it is still a new home. The point is that we are talking about scale and the ability to move this at a rate at which the government wants to move it. Clearly, the government has some other agenda and I am sure the minister will talk to it. I suspect that this is about industry, which by itself has its own merits, but in my opinion it has not thought through the effect that this will have on these areas. Again, I go back to my example of the young family who has worked hard to move into a renovator's special in Coolbellup where roughly $550 000 buys a reasonable size block with a definite fixer-upper. That is above the average price of a home in this state. The price signal from this government is, "No, we want you to build a new home". People will not build a new home in Coolbellup, and I will tell members why.

[Member's time extended.]

Mr P.C. TINLEY: I will not delay the house too much longer. They will not build a new home because the cost of land in the inner urban area is significantly greater than it is in the outer urban area. Nigel Satterley will carve up a 450-square-metre block in the urban fringe for—I would not hazard a guess—less than two-thirds the cost of a block in the inner urban area. The public policy is inconsistent with planning policy and with what we all know ought to be done to ensure that we get the maximum effect for our public capital that has been deployed into utilities, services and parks over the entire period of developed European settlement in Western Australia. I want to offer at least some positive criticism, rather than just attack the government for what I think is short-sighted and poor public policy. To extend that criticism even further, as I said in my opening comments, I suggest that this is part of a series of bandaids placed over a mismanaged and poorly prioritised set of infrastructure public spending, which I believe will deliver for the next two generations of this state a large debt to pay off. I forget what the latest figure is, but I will run with the figure of $28 billion of debt over the forward

estimates. The government has no hope of being able to deliver its objectives for the inner urban areas and of using for leverage the good social capital that exists.

Members might ask what I mean by "social capital". Social capital is an absolutely essential and intangible part of our community. Country members and people who have had any experience of living in remote or regional towns and communities know innately the value of social capital. Social capital concerns those people about whom members will rarely read in *The West Australian* or hear on the news. They are in the clubs, sporting groups, police and community youth centres, canteens and parents and citizens associations, and they have a wealth of experience. My PCYC, for example, has taken years and years to build up. It services thousands of kids through various programs ranging from the traditional, including gymnastics, boxing and basketball, right through to youth intervention services. That PCYC has been able to deliver only because it has been there and done its job for so long. I think of people such as Bob Meredith, who was my boxing coach at the Fremantle PCYC when I was a kid. Bob Meredith is a lifetime member of the Fremantle PCYC in the suburb of Hilton. The club has just farewelled Bob after nearly 45 years. That is the record; he provided 45 years of continuous service to the club. People do not get that when they move to the outer rim of one of the largest urban areas in this country.

It takes generation after generation to build the social capital that delivers positive outcomes that we could never calculate. Treasury has no calculator for the value of that. It can have a calculator that shows what $10 000 does for a first home owner and it can have a calculator that shows what $3 000 does for an established home buyer. All that is pretty binary; it is really simple. That is what leads us down the pathway of dumb economics, dumb fiscal policy and dumb public policy because each and every one of us—I would not be so crude and rude as to describe anyone in this Parliament as someone who does not care about the electorate they represent—knows what it is to deliver those services and to build community in those areas. This policy is really debilitating because it sends a very clear signal to people who want to spend the time, effort and money that we do not want them to follow public policy on urban infill and density and we do not want them to have connection to community and those things that are uplifting for us and talk to us as an identity of people. This is a price signal that says, "Go out to the urban fringes and have a fence-to-fence house because the bigger you build it, the better industry likes it." The more resources new home builders use, the more industry likes it. Len Buckeridge and Nigel Satterley are more than happy to use 100 more bricks than 100 fewer bricks. Peet Limited and others are great contributors to our economy and they should be supported, but should they be supported by dumb policy? Should they be supported at the cost of community? Have members ever been to places such as Darch? Have members ever heard of the suburb called Darch?

Dr K.D. Hames: Go on.

Mr P.C. TINLEY: The Deputy Premier would know the number of new suburbs that have sprung up in his electorate; they are completely disconnected from the community. They are simply a collection of culs-de-sac that take some time to get out of when someone becomes lost in them, as I have. It is not anything against the people who move there or build there. This is not about demonising anyone who decides they want to have their own home; we should do everything to empower that. This is not demonising the land developers or the builders; this is talking in rational terms about a public policy that is plain dumb. It is dumb economics. It is dumb public policy and it is dumb for this government to keep grabbing at the easiest lever to pull to get a sugar hit. Let us face it, it is nothing more than an economic sugar hit to an industry group. In my opinion, that money would be better spent on leveraging the inner urban area to ensure that we meet the density targets. It would be harder to deliver, but it would be better spent.

This government owns more than 36 000 homes. By my best estimates, $7 billion worth of capital is deployed into Department of Housing homes. How many of those are sitting in these inner urban areas? I have an answer somewhere because I put a stack of questions on notice when I was the shadow Minister for Housing. There is a bunch of them, as members can imagine when they think about the areas that I have described, from Coolbellup, Hamilton Hill and all the way through to Balga. Think of the ring.

All those classic war-service homes are sitting on a quarter of an acre. This government would have been far better advised to go the harder public policy route and talk about what it can do with what it controls. Surely one of the best levers government has is leverage over its own assets. How much unallocated crown land is there? Why have we not gone there first? As much as I might criticise the Department of Housing for other matters, I actually think it is a quite innovative agency that partners well with industry to deliver some very good, well-thought-out and very appropriate higher-density housing developments for people on the public housing list, but why can it not turn it to meet the planning requirements of the density infill of the inner urban ring, and the requirement to assist the industry to get moving and, in turn, improve employment? Those things are not mutually exclusive. The problem with silo government is that one department decides to do one thing in isolation; work should be done across departments. The Department of Housing has had some great innovative

developments in some of its partner projects in both shared equity and straight-to-market accommodation, and they are not great 10-storey towers either; there is a mixture. Deployed capital is available in our public housing system now and we have unallocated crown land, but the harder public policy would be to get these departments together to create a critical mass of thinking and a critical mass of "can-do" to deliver a far better outcome than just simply grabbing the sugar lever. Ladies and gentlemen, thank you very much.

MR C.J. TALLENTIRE (Gosnells) [7.31 pm]: I rise to oppose the Revenue Laws Amendment Bill 2013. I begin by putting to the house that I do not believe the government consulted properly with industry on this. I do not think this legislation has captured what industry was after, and I will give reasons for my thinking

I attended the Housing Industry Association's GreenSmart Awards 2013 a couple of months ago. I went along with a degree of concern about how my position would go across, given that I had been critical of the HIA in the past, especially around the time that Hon Simon O'Brien was Minister for Commerce; Housing and was putting forward the six-star energy efficiency ratings. I was aware that the HIA was, for the most part, critical of that initiative. I was supportive of it and supported Hon Simon O'Brien bringing in the six-star rating on homes because of the benefits that would come to house owners. It would mean they could live in much more affordable-to-run properties. I was supportive of that six-star initiative, and I am keen to hear how it has settled in and how it is going.

With that in mind, I went along to the HIA GreenSmart Awards concerned that perhaps people would feel I was a person coming along representing the opposition who had been critical of the HIA. But, on the contrary, I found that the people there were actually very much of the same view as I was. They were very keen to make sure the housing industry was recognised for its innovation and ability to deliver very energy and water-efficient homes that were not a drain on natural resources. That message was delivered very strongly by the president of the Housing Industry Association. I was thrilled when I heard the president speak, but I also felt like he had taken the wind out of my sails because he said that one of the things we really need in Western Australia is a better targeted subsidy or grant to first home buyers. He said we need to make sure that money is much better targeted because at the moment the grant is being used in a way that goes into the pockets of real estate agents and encourages a certain type of development. He said it was not being properly targeted and that it should be targeted towards homes that incorporate energy efficiency measures. It really showed that the industry had come a long way and moved away from just wanting to defend the types of properties it has churned out for years—it builds around 20 000 homes a year. Of course, some project homes are well designed, and some blocks that developers are selling are perfectly located for maximum solar access. But if we do not get the two things right, then all the benefits can be lost, and that is where the six-star rating program can force the two elements to come together to make sure we have the right house on the right block. That is why I was supportive of the six-star system, as I continue to be.

It was very good to hear industry people say, "Yes, we would like a subsidy—of course we would; it is going to help our industry—but it needs to be better targeted, and it should be targeted towards homes that have energy efficiency initiatives in place." When that debate around six star was on, the industry gave some figures about the additional cost it reckoned would be imposed on consumers to have a more energy-efficient home. I was sceptical of some of the figures, I have to say. The industry was saying it was somewhere between $7 000 and $10 000 extra to have an energy-efficient home. But even if we accept those figures—let us do so—we are talking about a payback period of, at the most, 10 years. If we consider the sorts of savings that come from having an energy-efficient home, we are talking about annual savings of around $700 to $1 000 a year. That is a very reasonable payback period. We would be giving people homes that would be more affordable to live in. That is how this sort of public policy would have been much better targeted. But instead, the government has come up with an idea that it thought would be appealing to the industry, and of course the industry is not going to knock it back. But it is not the targeted initiative we really should have had, which would have been an innovative and worthy piece of public policy. Instead, we have something that is not really targeted at anything and is likely to be absorbed by those in the industry, who will put up their costs. If they know that first home buyer element is there, they will go for that and put up their prices.

That leads me to another area of concern. I am imagining a new subdivision and the marketing being targeted at first home buyers. If that happens there will be suburbs substantially dominated by first home buyers because the new properties have attracted this subsidy. I think we are actually getting into another form of ghetto creation here—a ghetto of first home buyers. Although we know of the many benefits of a socially diverse community, here we are creating these communities that will be dominated by a particular income level of first home buyers. That is wrong. As the member for Willagee said, we are also exacerbating the problems of urban sprawl, because, inevitably, these places will be located further out, instead of doing the far superior thing of encouraging and providing an incentive for the renovation of existing housing stock.

The Gosnells electorate is a good example of that; it is dominated by an older style of good housing stock that needs renovation. We have in place the essential infrastructure such as roads, sewerage, access to transport—it needs improvement in some areas—and electricity, but the quality of the housing stock needs improving. Why is this first home owner grant not targeted at encouraging people to buy a place and renovate it? Instead, when I read the minister's second reading speech, I see that in fact there is a stimulus here for people to buy an already renovated home. That is not going to happen necessarily in an area like Gosnells. I do not see a huge number of businesses or builders in a position to buy properties, renovate them and then sell them as substantially renovated homes. The targeting of this program is all wrong. It is extremely disappointing.

Urban sprawl is a real concern in that people have to go further and further out of Perth and we are inflicting on them the costs and perils of extended commuting, through time away from their family and the associated costs. It is just not fair. This is also a broken promise when it comes to the government's position on taxes. Above all, I am just appalled by this poor use of a subsidy. The government could have achieved a positive public policy outcome; instead, it is handing the money out in a way that yields little benefit, except a further drive towards the sprawl of Perth. I say again that the comments of the president of the Housing Industry Association of Western Australia suggest to me that there was not adequate consultation, or any consultation, with industry. I look forward to the minister's comments on that aspect, but it seems this initiative is completely at odds with the policy direction industry asked for only a few months ago. It is a poor piece of policy that does not, as has been said by other members, mesh with our planning policies. The need for urban renewal and the renovation of existing properties is not happening in this case; it will not be driven by this policy. Instead, it is providing substantially more money for people who buy new properties that inevitably are located on the outer limits of the city, with $10 000 going to someone who buys a new home on the outer limits of the city and $3 000 going to someone who buys an established home, perhaps in an inner-city area that they then renovate. That is such a silly situation and does not make sense at all when so much more could be achieved. The advice from the Housing Industry Association is that it would like to see that subsidy going towards energy efficiency and sustainability measures in a home. Why are we not doing something like that? This could have been a subsidy towards things that would enable people to reduce their electricity and water bills, and that would help them live more comfortably in their homes. We all know a home that is correctly oriented to get warming winter sun and to keep out hot summer sun is far more comfortable to live in than one with loads of mechanical heating or cooling. The government could have targeted this subsidy in a better way, but it has failed. It is a sad reflection on this government's ability to understand how such subsidies work and a very poor reflection on its capacity to consult those in industry who take an enlightened, innovative approach. That is not just a fringe element of the industry; it is the mainstream of the industry now. The Housing Industry Association has been cautious about innovation. It was cautious when it came to the six-star energy rating initiative, but now it is saying that the sort of subsidy that is contained in this bill is not giving the benefits that the industry wants to be involved with and is not providing the benefits that the community deserves from this sort of investment. It is just such a loss.

I am pleased to say that I oppose this bill. I am disappointed in it. I hope the government will have time to reflect on alternatives and perhaps even revise the bill so that we get the right sorts of policy outcomes. On the evidence, that is unlikely to happen, so it is a disappointing outcome and one that will leave a legacy for years to come in that urban sprawl and the costs to people who will suffer the consequences of a sprawled Perth. We could have had a much better outcome. I know the Minister for Planning is certainly concerned about that, because he has policy commitments towards infill housing and greater housing densities. Those policy commitments are not being fulfilled by this amendment to the first home owner grant scheme, and that is a disappointing result. I wonder whether the Minister for Planning voiced some opposition to this when it was going through cabinet. It is obvious that the Minister for Planning would have had concerns. I hope the Minister for Planning can enlighten us on his position and how he sees this sitting with good planning policy. It is not good for industry, which will be disappointed by this. I look forward to next catching up with Dean O'Rourke, the president of the Housing Industry Association, to hear what he really thinks about it. It is a shame the government did not do that in the first place.

DR A.D. BUTI (Armadale) [7.46 pm]: I rise to make some contribution to debate on the Revenue Laws Amendment Bill 2013. The crux of the bill before the house is to amend the First Home Owner Grant Act that was introduced in 2000. Through this legislation, the government seeks to change the original first home owner grant scheme, which is its prerogative. As other contributors have already stated, the government wishes to restrict people's ability to benefit from that scheme. People who purchase a new home will be awarded $10 000, and those who purchase an established home will receive $3 000. However, those people who contract to purchase a substantially renovated home will be affected by clause 41, which seeks to change the definition of "substantially renovated home" to mean —

> … a renovated home that is the subject of a contract for purchase where —

(a) the sale of the home under that contract is, under the A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth), a taxable supply as a sale of new residential premises within the meaning of section 40–75(1)(b) of that Act; and

(b) the home, as so renovated, has not been previously occupied or sold as a place of residence;

It is certainly a mouthful and it is not in keeping with the government's aim of reducing red tape. People who want to benefit from this scheme now have to go through this added layer of red tape to prove they are living in a substantially renovated home that falls within that new definition.

It is hard to understand the real purpose of this bill. Does the government see it as a way to reduce the amount it will have to outlay to first home buyers or as a way to stimulate the building industry through the building of new homes? This should encourage the building of new homes because the first home buyers who build new homes will be better off with this $10 000 grant, but it depends on one's views on that. We should be seeking to stimulate the building industry because that will have a multiplier effect on the economy in the sense that the industry will employ more people and purchase associated services and goods. But there are other issues we must consider. I wonder whether the government has done a proper public policy calculation of the measures it seeks to introduce through the Revenue Laws Amendment Bill 2013. There is no doubt that most new homes are built on the fringes of the metropolitan area, especially for first home buyers. A lot of first home buyers take advantage of this because they would not be able to afford to build new homes in inner-city areas or areas closer to the city.

What are the consequences of this ever expanding urban sprawl? Of course, there are various environmental issues. With an expanding outer fringe, the issue is: what is the provision of services? My neighbouring colleague, the member for Darling Range, is very well aware of the effect that rapidly expanding urban sprawl has on the local community. His office is smack bang in the middle of Byford, which is one of the fastest growing areas in the Perth metropolitan area and expanding down to Serpentine and Jarrahdale. I am sure that he would be able to confirm the number of social issues that arise in Byford and the surrounding areas because of the ever-expanding population as new homes are built there without a parallel increase in services. There has been an increase in bus public transport for Byford, but not to the extent needed to meet the demand of people who want to use public transport in that area. The train does not go to Byford. It should go to Byford; there is a train line to Byford and beyond. What about the provision of recreation facilities in the Byford area? There have been some, but not enough to keep pace with the increase in population. The government has built two new schools; a new high school will be up and running in Byford shortly and there is a new primary school. When the primary school opened this year, there was an incredibly high number of students to fill that school. Very soon that school will be unable to cope with the increasing population; there will be a need to build other schools.

Has the government properly factored in the actual social and economic costs of a system that seeks to encourage people to build new homes on the outer fringes of the urban sprawl? The member for Willagee mentioned interference with the marketplace. We all know that we do not live in a pure marketplace and we probably should not live in a pure marketplace, but the government is the party that alleges it is the champion of private enterprise. Although it is the champion of private enterprise, it has to be very careful when it interferes with the market. I am not —

Mr C.J. Barnett: They're different concepts.

Dr A.D. BUTI: They are different concepts in some regards, Premier, but there is no doubt that making only people who build new homes eligible for the first home owner grant affects the market. It obviously affects the market because the incentive is to build a new home rather than purchase a home that has already been built. The government may say that is good; but it cannot say that it does not affect the market.

Mr A.P. Jacob: It is good.

Mr J.H.D. Day: It does apply to apartment buildings, as well as stand-alone homes of course.

Dr A.D. BUTI: But not established homes, so it is affecting the market. I am just saying that it affects the market.

Mr A.P. Jacob: Yes, in a good way.

Dr A.D. BUTI: It may be good on some points, minister, but there are other consequences. I am sure that the Minister for Planning knows those consequences, but the Minister for Environment may not know them. The Minister for Environment should be aware that there are environmental issues with urban sprawl. The minister should be aware of the consequences of urban sprawl —

Mr A.P. Jacob: You assume it's greenfield; it also applies for infill. It is a very good incentive to infill.

Dr A.D. BUTI: How many homes will be renovated through this policy?

Mr J.H.D. Day: No, not renovated.

Dr A.D. BUTI: Purchased from renovated homes—how many does the minister think? Does the minister think that that will be the major take-up?

Mr J.H.D. Day: New apartment developments will apply.

Dr A.D. BUTI: I will tell the minister one thing: it will not help in my area too much, will it? The Minister for Planning knows my area quite well and I do not think we will have many renovated homes in my area. The point I am trying to make is that the government could argue that there are merits in parts of this bill. The government can argue that; I am not saying it cannot. I worry that there are other consequences that the government has not considered. minister should just have an open mind for a minute; the Minister for Environment's colleague sitting next to him does. I am trying to have a serious debate, maybe just for once?

Mr A.P. Jacob: I didn't say anything.

Dr A.D. BUTI: The minister was shaking his head.

Mr A.P. Jacob: I didn't shake my head!

Dr A.D. BUTI: Did he not? It was just his normal nodding, was it?

There are consequences with urban sprawl. There is no doubt.

Mr A.P. Jacob: But you're assuming this translates into urban sprawl!

The DEPUTY SPEAKER: Order, members! The debate is sufficient.

Dr A.D. BUTI: I said that there will be an incentive to build new homes and most of those new homes for people who will take up the first home owner grant will be in the outer suburbs.

Mr A.P. Jacob: But won't it also incentivise new infill homes?

Dr A.D. BUTI: Not many, though. Most of the people who are eligible for the first home owner grant will not have the economic capacity to build a new home closer to the city where the infill will take place.

Mr A.P. Jacob: No, even outer suburbs are going through a rezoning process, such as in and around Joondalup, so it will incentivise in older lower socioeconomic status—SES—suburbs to go back and build. So it actually is a very good environmental policy setting.

Dr A.D. BUTI: I am pretty confident that most people who will benefit from this change in the bill are people who will build in the outer areas of the metropolitan area.

Mr A.P. Jacob: But at the moment there is no policy setting to incentivise to infill; this actually does that.

Dr A.D. BUTI: It may do and maybe that is a good part of it. But I am talking about the other part whereby there will be greater demands on government for transport, recreation facilities and education. They will be increasing costs on this government that talks about the great demands that it has to meet year in, year out because of increasing population growth et cetera.

Mr A.P. Jacob: Not if it incentivises to say R20 areas become R40s.

The DEPUTY SPEAKER: Order, minister!

Dr A.D. BUTI: If the minister wants to contribute, he should stand and contribute and just let me continue with my debate. Of course, there will be some incentive to purchase a renovated home, but not to the degree that there will be an incentive to build new homes in the outer fringes, because if we look at the people who benefit from the first home owner grant, they generally do not have the economic capacity to build in inner-city areas. Anyway, I have given the minister enough time, and maybe Madam Deputy Speaker wants to protect me from the minister. He should get up and make a contribution. The minister does not make much contribution to his own portfolios, so maybe he —

Mr J.M. Francis: Here we go! Play the man not the ball.

Dr A.D. BUTI: I was going to say that the Minister for Environment might want to help the Minister for Planning, but I do not think he needs his assistance. He may like to assist the minister, though!

It is very interesting that urban sprawl is happening. If what I am saying is not true, why is there urban sprawl? There is urban sprawl because people cannot afford to build closer to the city; the cheaper land is on the

outskirts. If it was not, those people would build closer to the city. With that urban sprawl is the need to build new services. It is interesting that this government, through the Minister for Health, has decreased the services that are available at Armadale–Kelmscott Memorial Hospital. Just recently, the government closed the eye surgery ward at Armadale hospital and people have to travel to Bentley. That will be fantastic for the people who now live in Byford. With this policy, there will be an increased incentive to build in Byford and beyond. Where is their nearest hospital? It is Armadale, which cannot cope with the demand it has now. The government is decreasing the capacity at Armadale hospital, so where will the people in Byford go? The minister probably does not even know where Byford is; he probably does not go any further south than Parliament. Therefore, it would be good if, rather than shaking his head and smiling, he got up and made a proper contribution to the debate. The minister should ask the people who attend Armadale hospital whether they think it is a great hospital. They think the staff are fantastic, but it is not a very good hospital when people go there to have eye surgery and they are told that it will close in a week so they will have to go to Bentley Hospital. Bentley already had a one-year waiting list before the government made this decision to close the eye surgery ward at Armadale hospital. I do not see why the minister would want to shake his head or smile at that.

Mr A.P. Jacob: I wasn't smiling at that.

Dr A.D. BUTI: That hospital will come under greater demand as the urban sprawl continues further south. As the Minister for Health mentioned last year, there is no place in the south east corridor where a mother has a private maternity choice. The nearest private maternity facilities are at St John of God, Murdoch, and that is not actually in the south east corridor. Even the Minister for Health has said that is not an ideal situation.

On weekends, because of the closure of certain health services in country regions south of Armadale, Armadale becomes the hospital that patients who live south of the metropolitan area have to attend, unless they live closer to Bunbury, obviously. But what we have at Armadale hospital is a decrease in services. So any policy that will create an incentive for people to move to the outer metropolitan area will create a greater demand on public transport services, education services, recreational facilities and police services. As the member for Darling Range will tell us, the social issues in the Byford region are enormous. They are placing a greater demand on the police force, because the police now need to cover a larger area. There is no doubt that higher density enables the provision of a greater number of services in a smaller geographical area. This is not a political matter. It is something that we would probably both agree on. There is a danger that this bill will distort the market, because it will create an incentive for people to build on the outskirts of the city. There is nothing wrong with living on the outskirts of the city. I was living on the outskirts of the city when I first moved to Armadale. But now, of course, Armadale is no longer on the outskirts of the city. I am actually building a new home. There is nothing wrong with building new homes. We want that to happen. We want tradespeople to be employed. I am sure that is part of the reason this bill was introduced.

I am not saying that this bill is evil. All I am saying is that there will be some consequences as a result of this bill. It will cause greater demands to be placed on the government. Before this budget was handed down, the Treasurer was talking about the increasing demands that are being placed on this government because of the increasing population of this state. The demand for services will become even greater if there is more urban sprawl. This bill may have some beneficial consequences if more urban infill takes place, but I am sure there will be a mishmash between new homes built on the urban sprawl and renovated homes closer to the city. The way the economics works is that the people eligible for the first home owner grant will generally be people who cannot afford to purchase a renovated home. I also have a concern that the definition of "substantially renovated home" will increase the complications and the red tape that this government has argued it has been trying to reduce since it was elected five years ago. I am concerned that this bill has been drafted in such a way that the consequences have not been properly considered and planned for. This bill will certainly have an effect on our community. It is very hard to build a sense of community when there is urban sprawl. The more closely knit a community is geographically, the greater the chance of building a community of ideas and purpose, and also of providing a greater number of services for that community.

MR D.A. TEMPLEMAN (Mandurah) [8.03 pm]: I want to make a few comments on the Revenue Laws Amendment Bill 2013. I take note of the comments of previous speakers, including the member for West Swan, about the government's broken promises and its bizarre, if we like, approach to the economic position of this state. This budget, which was released a few weeks ago, before the federal election, is probably one of the worst budgets in the history of this state. This budget was certainly floundering within a few hours after its delivery in this house. That was exemplified by the decision about the solar panel rebate, which of course was backtracked upon at a million miles an hour within hours of that decision being introduced into this place as a budgetary measure.

This bill focuses specifically on changes to the first home owner grant scheme. As other speakers have already highlighted to the Parliament, there are some consequences from these changes that need to be highlighted and

considered. The first home owner grant scheme has a long history, from recollection, and it has been tinkered with by successive governments, both state and federal. The initial thrust of the first home owner grant scheme was to provide first home owners with a subsidy or an amount of money to assist them in that purchase. Subsequent to the introduction of the scheme, there have been changes to the stamp duty liability for first home buyers and changes to the thresholds for first home buyers. I would be interested to know from the Minister for Finance, in his response, some statistical details about the number of potential home owners who would be captured by this change. As the minister highlighted in his second reading speech, the first home owner grant will increase to $10 000 for people who purchase a new home—I assume that will include house and land packages—but will reduce to $3 000 for people who purchase an established home. I confess that I have not read the bill in a great amount of detail, but I assume the bill contains a definition of "established home" in terms of the year of construction and so on, and I would be interested in the minister's comments on that matter.

I am also interested in the impact of this bill on my area of Mandurah. In the current economic climate, two things are happening in Mandurah. In a number of areas in my electorate, including the localities of Greenfields, Coodanup and Riverside Gardens, older, established stock can be purchased for between $180 000 and $250 000. Those sorts of prices are very affordable for potential new home buyers. They are in established suburbs that have, in my view, relatively good community services or community infrastructure and close proximity to rail stations, particularly the locality of Greenfields. Of course the price goes up closer to the coast in Mandurah. On the coastal strip, which includes Madora Bay, San Remo and Silver Sands, through to the centre of town, prices are much more expensive and so are not as affordable for potential first home buyers. Certainly in those suburbs I mentioned in the eastern belt, they are still attractive; in fact they are good places for first home buyers to purchase their first home, and I encourage them.

The City of Mandurah, as many would know, is effectively a long geographically formed city. It is 50-odd kilometres long. I think in my electorate the widest part is less than 10 kilometres. A person can live in the City of Mandurah and have very close proximity to the waterways, which of course are a very much valued asset in the city and an attraction in terms of the lifestyle potential for many people. With the introduction of Perth–Mandurah rail, so many more employment opportunities were created, but it is still significantly commuter employment; that is, people commuting from the City of Mandurah into Perth for employment.

The unfortunate thing about the Revenue Laws Amendment Bill and the change to the home buyers grant is that for those people who might seek to purchase an established home in those localities I mentioned, particularly the earlier ones, their assistance will now go down to $3 000. Most house and land package developments in Mandurah occur in the northern suburbs and, to some extent, the southern suburbs, but they tend to be in areas closer to the coast—in areas such as the new Madora Bay development and the Lakelands development in the north—and then of course the smaller subdivisions occurring in the seat of Dawesville further south. The average house and land package is now a lot more—it is $260 000 plus, and usually in the $350 000 category. Yes, first home buyers will be eligible, if they are purchasing those sorts of packages, for the $10 000 package, but of course the package is much more expensive than if someone was considering a purchase in the centre of Mandurah or in those eastern areas that I mentioned earlier.

In my view this change effectively disenfranchises those people who may wish to choose an established home. I agree with the point that the members for Armadale and Gosnells made very clearly: supporting first home buyers primarily in new homes encourages the spread of urban development and, in some cases, the spread of urban sprawl. Quite often, as we have seen in areas such as Ellenbrook, the houses come but the services lag dramatically and that is why the people of Ellenbrook have a right to be so angry with this government in terms of promises made about infrastructure. Now we know that that infrastructure will not be delivered—the Treasurer has made that very clear—in terms of the rail connection and, more recently, the bus transit. People who need those connections have inefficient and, in many cases, substandard connections, if there are any connections at all. This of course impacts on the household budget. For a young couple, or even an older couple, seeking to be first home buyers, and encouraged to be first home buyers—but only encouraged, through this sort of revenue law change, to consider established house and land packages in the fringe suburbs or, indeed, in isolated pockets—the incentive may certainly be to purchase and build there; however, it is the additional cost of living there that impacts on the household budget over time. This bill does not consider the implications and the effect of this proposal.

I would be interested in hearing the minister give us some detail of exactly how many more people might benefit from the initial change to the grant. I agree with the member for Gosnells when he challenged the Minister for Planning on his involvement in the concoction of this proposal. I know, for example, that first home buyers will continue to be exempt from paying transfer duties on the purchase of homes up to $500 000, and it phases out at $600 000. We should have more detail on the statistics. If a person found a place valued at anywhere near $500 000 or $600 000 in inner city Perth, particularly an established home, they would want to jump on it

straightaway because I think they are as rare as hen's teeth. At the end of the day it is all about equity. The 2031 planning documentation refers to how Perth's growing population will be accommodated into the future and the out years to 2031. Much emphasis is placed on the provision of new areas to be opened up for development. As I have said in this place before—the Minister for Planning is well aware of this—the Peel region is seen as an area in which a significant proportion of the state's population growth will be expected to be housed. In various areas of the Peel region, particularly in the City of Mandurah and the Shire of Murray, the main future is urban nodes. In the Shire of Murray in the Peel region, for example, the growth in house and land areas or new areas for housing development is particularly rapid in the corridor between Mandurah and Pinjarra, particularly around the Austin Cove development, which is projected to have a population of thousands of people living there. There are other nodal developments proposed towards Pinjarra, around Riverland, in that corridor between Ravenswood and Pinjarra. All of these will not only house people seeking affordable accommodation or housing, but also provide housing that will allow them to enjoy the lifestyle of the region and to access employment. The government's intention to increase our population, or have the Peel region accommodate an increased population, must go hand in hand with job creation.

Every day many people in the Mandurah and Murray areas in particular utilise the Mandurah–Perth railway for their employment. Although it is desirable and still efficient at this time for people to use the public transport connection to Perth, we need significantly more employment opportunities created in the region itself. We cannot all have our populations simply upping and heading north each day and returning home in the early part of the evening, because that will simply create a dormitory suburb. The infrastructure must match the growth, and government must do more in terms of potential employment creation within the region itself. I am interested in the minister's comments regarding some of the statistical aspects of the change to the first home owner grant. What does that mean in raw figures? What has the minister done, will he be doing or has he considered doing about the impact on those people who will now have less of an incentive to purchase an established home, particularly in suburbs that I have mentioned in my electorate that are, in my view, hugely attractive and affordable. If people are now looking at a purchase there, the government's first home owner grant scheme will give them only $3 000 and they may look elsewhere. I would not like that to happen. If we can continue to provide affordable housing stock and options in as many suburbs as possible and still provide a grant that gives those people an incentive to choose an established home, we should give them that opportunity. I am interested in the minister's comments about these issues I mentioned. Obviously, because the government continues to break promises, the opposition has made its intentions on voting on this measure very clear.

DR M.D. NAHAN (Riverton — Minister for Finance) [8.23 pm] — in reply: I am just doing a bit of housekeeping here because the member caught me by surprise. I thank members opposite for their comments. It was a good wide-ranging debate and some good comments were made. I highlight that this is the Revenue Laws Amendment Bill 2013. As the member for West Swan indicated, it entails amendments to three acts—the Duties Act 2008, the Taxation Administration Act 2003 and the First Home Owner Grant Act 2000. There are a number of reasons for this legislation, one of which is revenue, be it saving or raising. It will do this over the forward estimates, in both the effect of the changes to the acts and the greater effort in tax raising from payroll tax and other areas. In the tax administration package, a number of announcements do not require legislative changes, particularly those relating to putting more staff on at the Office of State Revenue to eat away at the backlog of unassessed tax statement outcomes.

The Revenue Laws Amendment Bill 2013 focuses on the first home owner grant—most people commented on this aspect—and some changes to interim assessments on complex duties for both transfer fees and landholder duties, which I will go through in more detail. The major objective of this bill is twofold: revenue-raising to fund education, health and public transport and to reduce the need for borrowing, which I think most of us agree with, even though we do not express it clearly, and policy improvement, for both the fairness of the tax system—those opposite have tended to overlook this aspect, at least in terms of the interim arrangement—and better allocation of funding and targeting. This policy is not a backflip or a lack of commitment; it is fully consistent with good fiscal management.

Mr D.J. Kelly: Oh, yes.

Dr M.D. NAHAN: Yes. Earlier today, those opposite decried us for trimming the rate of rapid growth in education spending and said that we were poor fiscal managers. These are the things that we have to do. I am disappointed that the member for Victoria Park is not here right now. He went back to the issue of the inter-governmental agreement on the goods and services tax and claimed that a deal was done between Prime Minister Howard and the then Premier of Western Australia, Richard Court, to ensure that Western Australia got a guarantee of its GST payment. He said that it was just a kind of gentleman's agreement. It was actually part of the GST agreement that all states were guaranteed that they would be no worse off. In fact, a guaranteed

minimum income amount paid and an assessment done each year from 2000 to 2008–09 made sure that every state was no worse off because of the GST payments. That expired, as per that agreement, in 2008–09.

The member for Willagee decried the hollowing out of suburbs such as those he represents. I will discuss this in a minute. I agree with some of the issues that he indicated. As to what the Abbott government will do, I look forward with great hope. Abbott has promised to be the infrastructure Prime Minister. The distribution of GST is our biggest challenge, but there are many ways to address it. For a long time, GST did not include capital payments in the redistribution; there are ways to address this.

I will first go to the first home owners grant. It started in 2000 as part of the compensation for GST payments. The amount of $7 000, as members have said, has varied over time. The commonwealth gave it a top-up during the global financial crisis, as did we if my memory serves me correctly. It is currently $7 000 for new and existing homes—those are defined. Seventy-five per cent of the total moneys allocated go to existing homes under the current distribution. This bill will reduce the grant for existing homes from $7 000 to $3 000 and increase the grant from $7 000 to $10 000 for new homes purchased, new home-and-land packages and the purchase of homes defined for GST purposes as substantially changed and not sold again. All other states and territories have implemented similar changes. All jurisdictions, except for the Northern Territory, are phasing out in total grants for existing homes.

There are savings from this measure, and even though we are increasing the grant for new homes and reducing it for existing homes, Treasury modelling shows that fewer homes will be purchased under this system. Even though there will be an increase in the number of new homes purchased, there will be a slight drop in the number of existing homes purchased, which will therefore lead to savings.

The reason for phasing out the grant, as all other states have done, as I indicated, is that clear evidence indicates that the first home owner grant on existing homes leads to an increase in the price of homes, particularly in tight housing markets, like we now have in Western Australia. This finding was made in the Council of Australian Governments review of the impact of the first home owner grant on existing homes. Therefore, it is of benefit to the house owner or seller but of minimal benefit to the purchaser. This is supposed to be, as the name would suggest, a benefit to first home buyers. In response to that COAG-funded research, all states have shifted the focus away from existing homes to new homes. It is also in the context that over the last four or five years, particularly since the global financial crisis, even though there is a larger pool of land on the market, there has been a very slow to low turnover in the purchase of new housing blocks. Given Western Australia's very rapid population growth, the priority is to meet the demand for new homes. Whether they be built at the margins in new housing estates, whether they be infill blocks in my electorate, battleaxe blocks, or whether they be apartments, flats or whatever, we need housing stock.

The purpose of this was to, yes, make some savings to afford education and other things, but also to focus it on incentives to encourage the construction of new housing stock. I support that fully. Western Australia does a number of other things. The previous Labor government implemented the exemption for new home buyers for houses at $500 000, phasing out at $600 000. No other state has that. If we compare the situation with other states, particularly for existing homes, we have a $3 000 first home grant—no other jurisdiction, except the Northern Territory, has one or will have one. A new home valued at under $500 000 also gets a dispensation for stamp duty, which is valued at $21 000. When we compare the situation in New South Wales, a new home buyer from an existing home buyer, even after the reduction in the first home buyer grant under this set of bills, we will be better off in Western Australia to the tune of $17 000 than those in New South Wales. In Victoria, it is more like $13 000. In comparison with other states, we are moving in the same directions for similar reasons as other states, but we are better off.

Another issue arose: will new homes focus on the fringe? About 60 per cent of new homes are built on the outer margins. Much of that includes Mandurah and Armadale in that characterisation, but I am sure that the members for Mandurah and Armadale would not decry the provision of such housing in suburbs that they represent. They definitely would not call them ghettos. I guess it is horses for courses. When I think about the electorate I represent, Riverton was on the fringe when it was built in the 1970s. A large number of people my age moved into their first home there and often these people still live there. They think it is a tremendous community. I share that view. Yes, some of the housing is getting a bit old and it is hard to retrofit to be environmentally modern, let us say, but it is home and it is definitely not a ghetto. Just because people are on the fringe does not mean they have to cringe. There is an issue about the fringe in Western Australia. I accept the point that we cannot expand forever; I accept the issue about the cost of new infrastructure. But I might add that Western Power is spending about $270 million a year on new infrastructure in new suburbs. The water authority investment would be similar. For generations, Western Australia has not had fringe-dwelling development; it has had planned large-scale development on the outer rim that provides most of the infrastructure—namely, schools, water, housing and transport. They are nice places to live, as most of us can attest as we represent them.

Mr A.P. Jacob interjected.

Dr M.D. NAHAN: Yes. A very important point is emphasised by my colleague the Minister for Environment. I say to the member for Willagee that I think this one is an incentive for young families, new home buyers, who, by the way, are largely migrants in this state. It gives an incentive for them to move into a new house, and if we did have a supply response in infill, flats, townhouses or others, this would help. We need the chicken and the egg. We need an ability to subdivide in, for example, the member for Willagee's area of Palmyra and others, which are ripe for that, in my view, and have been for a long time; that is more so there than in my area, which is more difficult because the blocks are smaller and more tightly held. We must focus on encouraging new dwelling stock, which puts pressure on people looking for new dwelling stock. If we get a supply response for more dense dwellings in these areas, it will lead to rapid change, whether it is in social housing that the member for Willagee emphasised or whether it is private development. In fact, a number of articles have surrounded this debate outlining that young people who are new home buyers are moving into flats and often single-person homes. These are not necessarily in the city, but out by the member for Willagee's area. The train station at Joondalup has a large number of —

Mr J.M. Francis: Jandakot.

Dr M.D. NAHAN: Jandakot.

Mr J.M. Francis: Cockburn.

Dr M.D. NAHAN: Cockburn Central; that is right. In Joondalup, even though it is pretty far out —

Several members interjected.

Dr M.D. NAHAN: It has very intense developments on small blocks; there are intense multi-dwelling units out there. It is easily more densely populated than Fremantle. Western Australia has the smallest new blocks of those in any state. At the same time, the new blocks are very small—there are some pros and cons in that—and people are economising on land with the development of blocks.

I refer to an issue about efficiency in targeting; namely, the Housing Industry Association is onto that. My gut feeling is that we are seeing a very sharp response in the market from people who are interested in energy efficiency. That is why the solar cell take-up is growing by 20 per cent per year, as well as things such as insulation. Household consumption of electricity has declined by 11 per cent over the last three years; it is phenomenal! It is very good news. Only about 15 per cent of that reduction is due to solar cells. The rest is due to higher efficiency of housing—that is, insulation, windows and other things such as people turning lights off.

Mr P.C. Tinley: Minister, is that 11 per cent an average or is that —

Dr M.D. NAHAN: For the average household across the metro area, the consumption of electricity has declined by 11 per cent over the last —

Mr P.C. Tinley: What about peak?

Dr M.D. NAHAN: The peak is actually coming down too, but slightly. The peak drives it. Consultation with the Real Estate Institute of Western Australia was critical; it sells mainly existing properties. The HIA was generally positive. Treasury does not like modelling behavioural change; however, it estimates that this measure will lead to a net increase of 800 to 900 existing new housing and an overall increase of about 640 houses overall.

Mr P.C. Tinley: Sorry; can you say that again?

Dr M.D. NAHAN: Some $10 000 for new houses and $3 000 for existing houses will lead to an additional 800 to 900 new houses. Treasury estimates 800, but the HIA estimates 900. The reduction from $7 000 to $3 000 will lead to a reduction of 147 existing houses.

Mr P.C. Tinley: Reduction?

Dr M.D. NAHAN: Reduction of housing.

Mr P.C. Tinley: So, fewer sales of old houses and substantially more sales of new houses. Over what period of time?

Dr M.D. NAHAN: Next year.

Mr P.C. Tinley: One year.

Dr M.D. NAHAN: That is what we want. Members emphasised that we need a lot of investment in and intensification of our suburbs. Yes, we do. However, there needs to be a supply of housing to respond to this need. This is a demand response; lowering the entry price to new housing is very important. This is a good

move; it is what most states are doing. We need more housing stock. I encourage members to not knock the suburbs.

The other part of this set of bills is an arrangement that is complex in detail but simple in concept. In Western Australia there are a large number of transfer fees and landholder duties, which I will describe in a minute. These duties are large in volume, highly complex and open to long debates—they can stretch for five or six years—between the Office of State Revenue and the taxpayer. There is also clear evidence that there is an industry out there to advise taxpayers on how to stall the payment of those duties—to stretch it out as long as possible. Some of these duties are in the hundreds of thousands of dollars; it pays, therefore, to delay payment of them. There is also clear evidence that one of the means by which payment is delayed is by giving questionable valuations of the duty payable. There is a large industry out there; it is big money. This is particularly important in Western Australia, because a lot of mining transactions get caught up in this. There is no doubt that we are putting a lot of effort into making some tax changes to bring those to book now. It is estimated that these changes will bring in $200 million this year. That will be, to a large extent, payments that have been brought forward. There are other gains from these changes. It is basically an equity issue. Most people have to pay transfer duty immediately, such as when people buy their second home. Large businesses can stretch out their payments for five years and get the benefit of interest on those amounts. If a business owes $100 000 and stretches out that payment for five years, on an interest rate of seven per cent a year, that is 35 per cent in total, which is worth $35 000 to it. What we are doing with this bill is what is done in many tax arrangements—that is, to allow the Commissioner of State Revenue to assess the duty payable and to make an interim assessment that is equal to a proportion of the duty payable. For many of these duty arrangements, parts of the value of the property and the duty payable are quite clear, while other parts are negotiated. These changes will allow the commissioner to levy an interim assessment to collect a proportion of the total duty payable, which will bring the payment forward.

The ACTING SPEAKER (Mr I.C. Blayney): Members, I am having a bit of trouble following the minister because there are a few conversations happening. If members want to have an in-depth conversation, they should perhaps go outside so that we can hear the minister clearly.

Dr M.D. NAHAN: This bill gives the commissioner the power to levy an interim assessment that is determined as a proportion of the estimated duty, which will bring payments forward. There will be some restrictions on the commissioner's powers. He or she will not be able to do this until the duty payment is due for six months, so if full payment is made within six months, there will be no interim duty payable. There will also be other restrictions on the commissioner. There are a couple of other issues. As I mentioned, there is evidence that taxpayers often undervalue their assets when they come to the tax man or fail to provide a valuation, which forces the Office of State Revenue to value the asset itself at significant cost. These changes will allow the Commissioner of State Revenue to force the taxpayer to have a valuation done or to have the taxpayer charged for a valuation done by the Office of State Revenue. Penalties are also included for significantly undervaluing the duty payable. This, by the way, is just good tax management. It is fair. It is trying to have large, complex tax duties treated just like other duties are for the bulk of ordinary taxpayers. It also tries to diminish the potential for taxpayers to minimise their tax over time, to impose costs on the Office of State Revenue or to avoid tax to some extent. This is about fairness. I honestly struggle to see why members opposite would not support this bill, but they do not. I thank members opposite for their contributions to this debate. This set of amendments is about good fiscal management, improving the incentives and grants to first home buyers and improving the efficiency of the duties tax system.

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

Ayes (31)

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

Noes (16)

Ms L.L. Baker	Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley
Dr A.D. Buti	Mr F.M. Logan	Ms M.M. Quirk	Mr P.B. Watson
Ms J. Farrer	Mr M. McGowan	Ms R. Saffioti	Mr B.S. Wyatt
Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire	Mr D.A. Templeman *(Teller)*

Pairs

Mr G.M. Castrilli	Mr J.R. Quigley
Ms E. Evangel	Ms S.F. McGurk
Mr W.R. Marmion	Mr R.H. Cook
Mr R.F. Johnson	Ms J.M. Freeman
Dr G.G. Jacobs	Mrs M.H. Roberts

Question thus passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clause 1 put and passed.

Clause 2: Commencement —

Ms R. SAFFIOTI: Why was 15 September chosen as the day on which part 4 of the act will come into operation and what is the likely date that this bill will receive royal assent?

Dr M.D. NAHAN: I thank the member for the question. The legislation needed a starting date, so we chose the date that was most optimistic, which was 15 September. The act will come into operation then or on the day after royal assent, and we will have to wait and see when that is.

Mr B.S. WYATT: Will this bill therefore apply to transactions only after 15 September or will it apply to all transactions currently on foot?

Dr M.D. NAHAN: It affects transactions on or after the commencement date. For first home buyers, it applies to purchases and transactions on or after the commencement date of this legislation.

Mr B.S. Wyatt: Will an interim assessment be issued on a deal that has started already?

Dr M.D. NAHAN: I referred to the first home buyers grant.

Mr B.S. WYATT: I need to clarify that. Is this just in respect of the interim assessments? That is what we are dealing with, I think. Will this apply to transactions that have started now—a deal or an arrangement that will attract the duty that the interim assessment will now apply to—or will it be only on deals that will commence after 15 September?

Dr M.D. NAHAN: It can apply to asset transactions that are before the Commissioner for State Revenue now—that is, transactions that occur before and after the commencement date and that are still before the commissioner.

Mr B.S. WYATT: Will this apply to transactions that have occurred before the commencement date of this legislation and that are before the commissioner? If so, this changes the law on the payment of duties for transactions that have commenced already.

Dr M.D. NAHAN: That is right.

Mr W.J. JOHNSTON: Is the minister saying that we are retrospectively changing the tax arrangement that applies to transactions that are currently on foot?

Dr M.D. NAHAN: We are not changing the duty rate or the liability to pay duty. All we are doing in this instance is allowing the commissioner to make an interim assessment, and the final assessment would be the same regardless. We are not changing the duty rate. We are not changing eligibility to pay duty. We are putting in an arrangement that allows the commissioner to put in an interim assessment.

Mr W.J. JOHNSTON: As I understand from the second reading speech, we are also bringing in fresh penalties that do not yet exist. We are changing the basis upon which assessments are conducted because we are now requiring taxpayers to pay for assessments for the parts of the procedures that are used by the Commissioner of State Revenue in making an assessment. We are now charging people for the evaluations and we are also pulling forward $200 million of revenue from future years into the 2012–13 year. When the minister says that nothing is changing, it appears from the second reading speech that all those things are changes to the current law. Therefore, a person will have not only commenced a transaction but also be in the process of the transaction, and we will have changed the basis upon which the taxation of that transaction will occur. On the surface and on the face of the facts included in the minister's second reading speech, that appears to be retrospective.

Dr M.D. NAHAN: In terms of the penalties and the valuations, those requirements do not apply. If there is already a valuation provided to the tax office on a transaction, they are accepted, and the provisions of the Revenue Laws Amendment Bill 2013 about the powers of the Commissioner of State Revenue to enforce valuations do not apply. Therefore, the requirements of valuations and penalties do not apply to transactions prior to the commencement.

Mr W.J. JOHNSTON: I am terribly sorry, minister, if I have misread some provision of the bill, but I cannot see in this commencement clause the provisions that would mean that the provisions do not apply. If I have missed some provision of the bill, I would be very obliged if the minister could direct me to the provision in another clause that means that the commencement of the provisions set out in clause 2 are in some way delayed or modified by some other provision of the bill. I would be obliged if the minister could assist me with that.

Dr M.D. NAHAN: To clarify, if a taxpayer has provided a valuation to the commissioner prior to the commencement of this bill, the valuations and penalties do not apply to those transactions. If that taxpayer has not provided a valuation, they can apply. The transitional matters are related to proposed section 136, which relates to the valuation and penalties arrangements.

Mr W.J. Johnston: Is that proposed section 136?

Dr M.D. NAHAN: Yes; as outlined in clause 38.

Mr B.S. WYATT: While we are dealing with when things start or do not start or when things apply or do not apply, minister, from my memory of the briefing we had from the minister's staff or department, there is also now a limitation in respect of the right to object to an interim assessment. Will that apply to transactions that have already commenced or will that only apply to transactions that commence after 15 September?

Dr M.D. NAHAN: The objection can apply to any interim assessment, even to those undertaken after the commencement date and before the commencement date.

Mr B.S. WYATT: I note the comments the minister made in respect of penalty rates only applying to transactions that take place post–15 September, but clearly we are changing the rules upon which duty is applied to, obviously, some of the larger ones, from the briefing we received, that have currently taken place. The government is changing the ground rules in respect of rights that companies or people have to object to a particular duty assessment. I note that the minister did not respond, but perhaps he could, to the point the member for Cannington raised about charging taxpayers for the time of commission staff; I am assuming, therefore, that applies to transactions that have already commenced. Can the minister confirm that? Also, did this bill go through the regulatory gatekeeping unit, and did it make any comments about changing the basis upon which the law currently applies under the Duties Act?

Dr M.D. NAHAN: Under budgetary matters, the regulatory gatekeepers do not go through this matter. Secondly, I just want to clarify that for transactions that take place prior to the commencement date but are before the commissioner unsettled, if there is no valuation provided to the commissioner, the valuation and penalty clauses of this bill can apply.

As to the appeals against interim assessment, the right for an interim assessment only takes place after the commencement of this bill, because that is what the bill does. Therefore, prior to the commencement of the bill there is no interim assessment, and therefore there is no right to appeal against that interim assessment.

Ms R. SAFFIOTI: I wish to ask about the commencement date in relation to first home owners. If a house is purchased but the settlement is post–15 September or the date it receives royal assent, when do the new rates apply? Is it at the time of transaction or time of settlement?

Dr M.D. NAHAN: It is at the time of entering into the contract to purchase.

Mr B.S. WYATT: I want to clarify one point the minister made a minute ago about this bill not having gone through the regulatory gatekeeping unit because I think the minister said it is a budget matter. I am looking at the Department of Finance website regarding the regulatory gatekeeping unit, which states —

> The Regulatory Gatekeeping Unit (RGU) administers the Regulatory Impact Assessment (RIA) process in Western Australia. The RGU assists State government agencies in achieving best practice in accordance with RIA requirements, and in monitoring, assessing and reporting on compliance with those requirements.

Importantly, minister —

> The RIA process applies to both new and amending regulatory proposals. It has been designed to encourage careful consideration, at an early stage, of the fundamental question of whether regulatory action is required or if policy objectives can be achieved by alternate measures, with lower costs for business and the community.
>
> The RIA process is designed to improve the quality of regulation by ensuring that the decision maker is fully informed when approving new and amending regulatory instruments. RIA is aimed at ensuring rigorous analysis of regulatory proposals, effective and appropriate consultation, and transparency of process.

Importantly, minister —

> It also provides an early warning to the Government of unintended consequences of regulatory proposals.

I dare say that business will be subject to interim assessments because it would be rare for it to be an individual, but when the operating rules upon which organisations currently operate in respect of paying duties are changed—the current taxation regime—there is a very real potential to create unintended consequences. I am surprised that this has not gone through the regulatory gatekeeping unit in light of the very important role it clearly plays, as outlined on the Department of Finance's website. Perhaps the minister could explain to the house what goes to the regulatory gatekeeping unit, and whether it is only budget-related legislation such as this that is exempt.

Dr M.D. NAHAN: Taxation matters that go through the Economic and Expenditure Reform Committee are exempt. All other taxation matters go through the regulatory gatekeeper. All other tax matters that do not go to the EERC—housekeeping-type issues—go to the regulatory gatekeeper.

Mr B.S. Wyatt: Anything that would involve tax rate changes or significant changes would go to the EERC? So this bill, the minister is saying, did not go to the EERC?

Dr M.D. NAHAN: That went to the EERC. The policy decision to implement this set of changes went to the EERC.

Mr B.S. Wyatt: All substantial issues obviously go to the EERC, I assume?

Dr M.D. NAHAN: Most, yes—I would assume so.

Mr B.S. Wyatt: All those issues, therefore, do not go to the regulatory gatekeeping unit.

Dr M.D. NAHAN: Not necessarily. They do not necessarily have to go to the regulatory gatekeepers. My advisers here are not sure whether this went to the regulatory gatekeepers, so we will have to get back to the member on that; I cannot guarantee that. However, the policy is that if it is a major issue going through the EERC, it does not have to go to the regulatory gatekeepers. If it does not go to the EERC, it is probably a more administrative issue—then it does go to the regulatory gatekeeper.

Mr B.S. Wyatt: The more minor matters go to the regulatory gatekeeping unit.

Dr M.D. NAHAN: Issues other than tax and administration go to the regulatory gatekeeper, but I cannot answer which do and which do not.

Mr B.S. Wyatt: It seems to be subject to the process of the day.

Dr M.D. NAHAN: No; there are certain rules on what types of decisions have to go to the regulatory gatekeeper—most do, but there are some exemptions. I cannot answer the member on the policy on that, but I can ask my adviser to give some indication on the issues that are outside taxation matters, which we are dealing with today, and go to the regulatory gatekeeper and those that do not. We will have to take that on notice. It may have gone to the regulatory gatekeeper. The issue at hand went to the Economic and Expenditure Reform Committee and did not need to go to the regulatory gatekeeper.

Mr B.S. WYATT: I will not labour the point, but the regulatory gatekeeping unit is in the Department of Finance and it has a very important role. This states that the process applies to both new and amended registered proposals; it does not exempt those that have gone to the EERC. Now it appears that anything that is substantial will obviously go to the EERC and will not go through the administrative process because only minor matters will do so. Nobody seems to be aware of that, despite the fact it is on the Department of Finance's website. The minister does not need to respond, and I dare say he will not, but I would appreciate if he would come back to us, perhaps in response to the third reading debate, and outline whether this legislation went to the unit and what it said in particular about unintended consequences.

Dr M.D. NAHAN: The regulatory gatekeeper came from Treasury just recently and is now in the Department of Finance, as the member indicated. I will get back to the member today if I can. I cannot promise that that will be before the third reading stage of the bill, as I am not sure that I can get adequate advice at this time of the night. I will try to answer the member's question on what does and does not go to the regulatory gatekeeper.

Clause put and passed.

Clauses 3 to 4 put and passed.

Clause 5: Chapter 2 Part 4 Division 7 inserted —

Ms R. SAFFIOTI: How many interim assessments are likely to be undertaken this year? I understand $200 million has been brought in this year, and I would like an indication of how many assessments have been before the commissioner for more than six months and how many assessments are likely to be made this year, driving that $200 million.

Dr M.D. NAHAN: My advice is that there are about 500 assessments of over $5 million a year sitting there. Many of those will be treated very quickly and will not be delayed, but about 100 will take some time and there will be a backlog to cover this year. There may be potentially 100 this year.

Ms R. Saffioti: Is it usual to have 500 assessments a year?

Dr M.D. NAHAN: There are about 500 a year of $5 million or more.

Ms R. Saffioti: Is that of duty or dutiable property?

Dr M.D. NAHAN: It is dutiable value. The vast majority of those are treated very quickly and therefore will not be caught up in these changes. We estimate about 100 will be in excess of $5 million and will done in the first year.

Ms R. Saffioti: So those 100 assessments drive that $200 million figure?

Dr M.D. NAHAN: Yes.

Mr B.S. Wyatt: Is the minister expecting 100 interim assessments to be issued this year?

Dr M.D. NAHAN: About 100 assessments in excess of $5 million each year might be caught under these interim assessments.

Mr B.S. WYATT: The advice we received in the briefing was that this legislation would bring in $260 million over the forward estimates, of which $200 million is brought in in this financial year and then $60 million in the three years across the forward estimates.

Dr M.D. Nahan: Yes.

Mr B.S. WYATT: Therefore, there must be a fairly clear view that this will bring in $200 million this financial year. From what the minister just told the chamber, on average there are 500 assessments each year in which the dutiable value is $5 million, and of those 500 the minister expects about 100 interim assessments to be issued. How did the minister arrive at 100 out of those 500? Are they particularly complicated transactions?

The DEPUTY SPEAKER: Order! Member for Victoria Park, we cannot have you conversing directly with the adviser; thank you.

Dr M.D. NAHAN: This was focused on highly complex transactions. The assumption is an average. It is not statistically determined; it is an expression of trends. Out of the 500 assessments, there are about 100 highly complex transactions in a normal year. However, there are a number of transactions on tap now of a highly complex nature and of high value. That figure of 100 is the number of transactions, some of which have very large values and some are down to $5 million. In the first year, they obviously expect to deal with some very high value transactions.

Mr B.S. Wyatt: In how many of those transactions would the paying entity be an individual? I dare say it is zero.

Dr M.D. NAHAN: My advice is it is very close to zero.

Ms R. SAFFIOTI: If 100 transactions are expected this year, how many interim assessments are likely to be applied for each year of the forward estimates, given that only $60 million will be collected over the next three years?

Dr M.D. NAHAN: About 500 transactions of $5 million or more are estimated each year over the forward estimates, and of those about 100 will lead to an interim assessment. From the forecasts, since the bulk of the benefits in terms of revenue from these changes take place in this current year, the amount over the forward estimates is small—about $60 million or something like that. As the member said during the second reading debate, these interim assessments will affect and apply to a number of very large transactions that are outstanding and longstanding; after that, the revenue benefits from this are not large.

Mr B.S. WYATT: Is the revenue being brought forward from a financial year in particular?

Dr M.D. NAHAN: No, not really. The Duties Act, from which this derives, came into place only in 2008, so there would be none before that.

Mr B.S. Wyatt: Sorry, minister, I framed my question badly, I think. There is $200 million in extra revenue that the government expects in 2013–14. Is the government expecting that $200 million in 2016–17 or is it just an evenly spread assessment?

Dr M.D. NAHAN: My understanding, confirmed by my advisers here, is that the payment going forward is almost impossible to predict. These are very large transactions that can stretch over many years. If they are large and the benefits of postponing them are such, it is very easy to continue to stretch things out for years.

Mr B.S. WYATT: Clause 5 inserts new section 44A, which states in part —

> (1) The Commissioner may make an assessment … of a portion of the duty payable on a dutiable transaction if —
>
> (a) the Commissioner is satisfied that duty is payable on the transaction …

The issuing of an interim assessment, I dare say, will have a significant impact on transactions, particularly those that have already taken place under the current legal arrangements around the Duties Act. Therefore, who makes the decision? Will the Commissioner of State Revenue himself make the decision to issue that interim assessment or will that be delegated down the line; and, if so, how far down? Who makes that decision about something as significant as changing the ground rules and then also limiting the rights of objection, which we will deal with later?

Dr M.D. NAHAN: That is a good question. The Commissioner of State Revenue will establish internal procedures to ensure that only senior assessors will be authorised to recommend the issuing of interim assessments. The final decision as to whether they are issued will rest with the director level. A Commissioner's practice will be issued setting out the circumstances at which point the issuing of an interim assessment can be considered. It is anticipated that an interim assessment will generally be issued only when the primary liability for tax in respect of an interim assessment will be greater than $500 000.

Mr B.S. Wyatt: That's the liability not the value.

Dr M.D. NAHAN: That is right. This equates to dutiable value of $10 million.

Clause put and passed.

Clause 6: Chapter 3 Part 6 Division 6A inserted —

Ms R. SAFFIOTI: This might sound like a silly question. Can the minister explain the difference between landholder duty and transfer duty?

Dr M.D. NAHAN: Yes. It is not a silly question from my perspective; I asked it today myself. As I understand it, the Duties Act 2008 created an arrangement whereby if a corporation or unit trust that owns a large amount of land—in excess of $2 million—sells over 50 per cent of the interest in that entity, it is subject to what is called landholder duty. I think this is trying to get transactions of land and chattels that are held in unit trusts or corporations under duty.

Mr B.S. WYATT: It is an interesting distinction. Obviously, the minister expects that transactions in land completed by unit trusts will be significant, given the fact that a clause in the Revenue Laws Amendment Bill 2013 specifically deals with them. Is that expected to be the major part of these transactions?

Dr M.D. NAHAN: This landholder duty was created by the Duties Act 2008. Its purpose is to make sure that we can capture in the Duties Act transactions of land by selling interest in trusts and companies. That exists prior to these interim assessments; therefore, these interim assessments are arranged for transfer duties and landholder

duties. Those duties already exist in the act, so we are allowing interim assessments for both of them. As to whether landholder duty will be more dominant in collecting revenue from this, it generally represents the high-value transaction.

Mr B.S. WYATT: For the purposes of interim assessments, are transfer duty and landholder duty treated identically or differently; and, if so, why?

Dr M.D. NAHAN: The aim is to treat them neutrally—the same. Transfer duty is on a change in physical assets and landholder duty is on the transfer of assets in the form of shares. They are trying to treat them equally and the duties are the same.

Mr B.S. WYATT: I refer to the rights and obligations and the impact thereof that this legislation will have on the taxpayer in respect of the comments that we discussed recently around penalties, for example, and rights of objection et cetera. Whether it be transfer duty or landholder duty, is the taxpayer treated the same?

Dr M.D. NAHAN: Yes.

Ms R. SAFFIOTI: What percentage of total stamp duty is represented by landholder duty?

Dr M.D. NAHAN: I just do not have that data available.

Ms R. SAFFIOTI: For clarification, I ask a further question. Is it basically where there is the sale of 50 per cent of land that is held in the unit trust arrangement?

Dr M.D. NAHAN: Landholder duty is applied only to unit trusts and corporations that hold $2 million or more in land and the transaction it is applied to is 50 per cent or more of the value of that land. So, there is a threshold. The reason why, as I understand it, is that a large number of unit trusts own land and for administrative reasons we do not want to capture everybody in it.

I will just answer the member's previous question about landholder duty. In 2012–13, transfer duty was rounded off to $1.5 billion; it was $1.486 billion to be precise. Landholder duty was $137 million. So, it is overwhelmingly in transfer duty.

Ms R. SAFFIOTI: The threshold for landholder duty is higher than normal stamp duty, because there is a $2 million minimum, whereas normal stamp duty is about—I cannot remember—$250 000 or whatever. Therefore, it is a higher threshold for unit trusts and corporations.

Dr M.D. NAHAN: The member is right. It appears that property held in unit trusts has a higher threshold in terms of the $2 million and the 50 per cent transaction. It was put in the Duties Act 2008, I suppose, to minimise administration. Also, it was a transition from the land-rich provisions under the Stamp Act that preceded the Duties Act 2008.

Mr W.J. JOHNSTON: I must apologise, because I have been out of the chamber, and the minister may have already provided similar information, but I have a question about the assessment of the $200 million draw-forward from this provision. How many transactions does the minister expect that to represent? Some procedure must have been undertaken to come up with the figure of $200 million. What is the average value of the transactions that are expected to be covered by this provision?

Dr M.D. NAHAN: We dealt with some of this while the member was out of the chamber, but I will go through the data again. There are about 500 high-value transactions of $5 million, or more, a year, on average. It is expected that about 100 of those will be caught by these interim assessments, potentially. That is just the number of transactions, not the value. A number of outstanding transactions are of very high value, but the physical number of those is not available. Clearly, a number of high-value transactions are estimated to be affected by these interim assessments in the current fiscal year.

Mr W.J. JOHNSTON: So for the financial year 2013–14, there will be a double bonus. There will be the draw-forward of the $200 million from future years. There will also be the amounts that have been calculated over a period of time and for which there has not been an interim assessment; that is, the transactions that were not drawn forward from the past. This is the last year in which we will do the assessments under the current procedures. Therefore, this year there will be the transactions that were missed from last year, plus the transactions that we will be getting from future years. So this year there will be a double bonus.

Dr M.D. NAHAN: There are a number of high-value transactions that have stretched out for some time. When the duty would be received from those transactions if these measures were not in place is unknown. These interim arrangements will tap into those. Another issue is that if we bring forward the payment of duty, there is an interest benefit. There is also a benefit in terms of the valuation regulations and the penalties, and hopefully that will ensure greater payment of duty into the future. It is also hoped that these interim assessments will lead to taxpayers settling their duty more quickly.

Mr W.J. JOHNSTON: Thank you very much, minister. That is actually quite a good answer. I appreciate that. Is the minister expecting that there will be greater negotiation about the tax liability, so that rather than things being settled with lawyers at 40 paces, taxpayers are more likely to come to an arrangement with the commissioner? Also, when the minister said that there will be a greater benefit for interest payments, I assume the minister is referring to the benefit for the state of Western Australia and its revenue. The minister is surely not discussing the benefit to the taxpayer, because the taxpayer will have the commensurate opposite benefit, or penalty. The taxpayer will now have to hand over that money to the commissioner and will either have to borrow it or miss out on having that cash available in the bank or as working capital, or whatever the taxpayer is using that money for at the moment.

Dr M.D. NAHAN: What this will do is improve the integrity of the information provided to the commissioner. I am not sure that they will get into negotiations, but that might be the outcome. As I understand it, there are often many attributes to these transactions, and much of it is agreed upon very quickly, but there are areas on which they negotiate. These interim assessments apply to the proportion of the total estimated liabilities and those that are more easily estimated, and they then look at the rest of it. So it will improve the integrity of the information, and the efficiency. As to the bringing forward of revenue, it will provide a benefit to the state in terms of interest. It may also undermine the cash flow of the taxpayer, as the member has said. But the same thing applies to ordinary people when they buy a house and have to pay duty on that house. So this is treating large transactions, as much as we can, in the same way as we treat small transactions.

Mr B.S. WYATT: I want to come back to what the minister said when we were dealing with landholder duty. The minister said that this will effectively apply to unit trusts where the value is above $2 million and where the transaction is greater than 50 per cent, or over $1 million. The minister then said that anything under $2 million is effectively ignored for administrative purposes. Do the majority of unit trusts hold property that is valued at below $2 million? Does the minister see where I am going with this? Is it a fact that only a small number of unit trusts hold property that is valued at above $2 million, but because that is of a higher value, it is worth the administrative time to capture that duty?

Dr M.D. NAHAN: I have been advised this goes back to land-rich unit trusts and companies and to the Stamp Act that preceded the Duties Act 2008, in which an arrangement was made for land-rich companies and unit trusts, and the definition is $2 million or over. In the Duties Act, it is $2 million or over, and transactions of 50 per cent or over. The reason is that a huge number of companies and unit trusts have land, and it would be administratively impossible to capture them in this, because we would then need to levy a duty on the sale of shares in unit trusts or share stocks in companies, and we would then go back to the old stamp duty on marketable transactions, which we have done away with.

Mr B.S. WYATT: So is that the reason for the 50 per cent threshold? Is that what the minister is saying?

Dr M.D. NAHAN: The threshold is twofold: the value of the land assets in the unit trust or company, $2 million or above; and the size of the transaction of the unit trust and company, 50 per cent or above. The aim as I understand it is to try to capture land-rich companies and unit trust transactions as a mechanism to make sure that we do not allow people to avoid transfer duty by putting it through companies and unit trusts. The scheme is consistent nationally.

Mr W.J. JOHNSTON: I am seeking some clarification around the policy issues. I draw the minister's attention to the Liberal Party's election commitment in 2008 and the document titled "Securing the economic future of Western Australia". The document is only two pages of text. On the second page of the document, it is stated —

- Returning to taxpayers, through lower tax rates, any unforeseen tax revenue windfalls;

The budgeted collections for duties on transfers for 2012–13 in last year's budget was $1 502 million and the estimated actual from this year's budget for the 2012–13 financial year was $1 870 million; so $368 million higher than estimated at the time of the budget. Last year, the estimate for the 2013–14 period—the one we are just starting—was $1 596 million and now, in this year's budget including this $200 million draw-forward, it is $2 174 million. That is about $600 million over the revenue expected at budget time last year. More taxes are being put on and stamp duty has been reintroduced on non-real property; now we are drawing forward tax revenues from future years. Is it correct or not that this commitment to return to taxpayers, through lower tax rates, any unforeseen tax revenue windfalls is no longer part of the policy objectives of the Liberal Party?

Dr M.D. NAHAN: There has been another election between 2008 and now. I do not have the date in front of me, but my memory is that transfer duty collections back in 2008 were significantly higher than they are today. They dropped sharply during the global financial crisis and they have not recovered to the level of 2007–08, when they were over $2 billion. There are some overs and unders on years. There are overs and unders on different types of taxes. Sometimes they go up; sometimes they go down. Some, like payroll tax, generally grow

with a growing economy. I do not know very much about land duty but transfer duty in 2007 was over $2.1 million and in 2012–13 it was $500 million less. In 2007–08, it was $2.3 billion. That is the run-up to the election of 2008. It then dropped after the GFC to less than half that, to $1.1 million. In this year, including the changes put into this budget, it is back up to an estimated $2.9 billion, which is $300 million less than 2008. We are actually underspending. That 2008 commitment did not deal with what we do with unders. It is an interesting question, but we have had an election in the meantime.

Mr W.J. JOHNSTON: I refer again to the figures that I just pointed out to the minister. If the minister is saying that the commitment no longer applies, that is cool—I am very relaxed about that. I am not trying to put words in the minister's mouth; I just want an understanding. The commitment was to return to taxpayers, through lower tax rates, any unforeseen tax revenue windfalls. I looked at the budget estimate in 2012–13; the expectation for the budget year 2012–13—not the budget years 2008–09 and 2009–10 or any other budget year, but for the year just closed—was $1 502 million. The estimated actual in this year's budget shows an amount of $1 870 million, which is 300 and something million dollars higher than the expectation at the time of the budget. I pointed out that the figure for this financial year we are now debating is $600 million, including $200 million drawn forward from the out years. I want to know: is it still the government's policy? As the minister said, there has been another election. It might not be the government's policy anymore, but I want to clarify: is it the government's policy to return to taxpayers, through lower tax rates, any unforeseen tax revenue windfalls?

Dr M.D. NAHAN: I cannot recall during the last election making that commitment. I might add that revenue —

Mr W.J. Johnston: It is no longer applicable?

Dr M.D. NAHAN: I am not the Treasurer or the Premier.

Mr W.J. Johnston: That is the policy.

Dr M.D. NAHAN: My understanding is that the policy is not to look at each individual transaction and compare unexpected windfalls or not. I emphasise that in the run-up to the 2008 election we were not on a windfall. The next year we dropped revenue from that transfer duty by more than 50 per cent. We still have not recovered to that level of collections, which is the benchmark. In other words, the revenue in 2013–14 includes the measures that we put in place here, and even with the revenue expected from that, we are still substantially below the revenue collections in 2007–08. There is no windfall.

Mr B.S. WYATT: I note that when the minister sat down he said, "There is no windfall." Can the minister define what the windfall is? I note the minister referred to the transfer duty as at 2008. Before we see an unforeseen tax revenue windfall, is the benchmark once we return to the 2008 level? I think the minister said it is all about the benchmarks. The member for Cannington made the point, which I think is correct, that whatever the budget is and what the reality is, if it is more, there are the unforeseen tax revenue windfalls. I am not attacking the minister. He said there has been an election and it is no longer the policy to return unforeseen tax revenue windfalls, but the minister then said, at the conclusion, "It depends what a windfall is." Perhaps the minister might give us some guidance: when is a windfall a windfall?

Dr M.D. NAHAN: I suppose, if we get into the semantics of it, it is forecasting revenue for the next year. If it falls short, that is not a windfall. If it is exceeded, it depends why. If the tax effort is increased, it is not a windfall.

Mr B.S. Wyatt: If the tax effort is increased, it is not a windfall, but all things staying the same, that scenario described by the member for Cannington is a windfall.

Dr M.D. NAHAN: It makes no sense to look at one tax by itself; one has to look at the whole. Sometimes land tax goes up and transfer fees go down. I think that has been the case here. All I can say is my memory is that going into the last election, 2013, we did not make that commitment.

Clause put and passed.

Clause 7: Section 270 amended —

Ms R. SAFFIOTI: What does this clause mean? It is quite confusing. It states —

> (4) The Commissioner cannot exercise the powers under this section in the course of making an interim assessment but can exercise those powers in the course of making an assessment following an interim assessment.

Dr M.D. NAHAN: Section 270 relates to anti-avoidance measures. This clause states that we can apply anti-avoidance measures to the final assessment but not to the interim assessment.

Ms R. Saffioti: What are those anti-avoidance measures?

Dr M.D. NAHAN: The Commissioner of State Revenue has the powers to assess the behaviour and activities of a taxpayer and make rulings. If the commissioner perceives a taxpayer is undertaking avoidance measures, he has the ability to override the transaction under the Duties Act.

Ms R. Saffioti: Say that again.

Dr M.D. NAHAN: The commissioner has the powers to look at a transaction and decide whether or not a person has carried out a tax avoidance scheme. If it is blatant, artificial or contrived in nature, the commissioner may disregard that scheme. There are various rulings and procedures involved in determining what is a blatantly artificial or contrived scheme. The powers the commissioner has in applying such a determination are rarely used.

Ms R. SAFFIOTI: To clarify, the anti-avoidance powers cannot be used in the course of making the interim assessment but they can be used after an interim assessment has been made.

Dr M.D. NAHAN: The procedure is that the commissioner can make an interim assessment, and if he does, he has to make a final assessment. The anti-avoidance measures can apply only to the final assessment.

Mr W.J. JOHNSTON: The minister is saying that the commissioner can make an interim assessment. What happens if, in the process of making an interim assessment, the commissioner believes that the transaction is being structured in a way that will lead to the avoidance of tax? How does he then proceed? Does he not make the interim assessment and proceed instead to making a final assessment, or does he make an interim assessment based on the false structure and then subsequently move to do a final assessment?

Dr M.D. NAHAN: First, the member is going into untested waters; the anti-avoidance measures have never been used. My understanding is that the commissioner would look at the transaction. If he has a problem with its structure in terms of transparency and avoidance, he can levy an interim assessment on a proportion of the asset transfer and deal with the anti-avoidance measures at the final assessment. I have been informed that they have never been used.

Clause put and passed.

Clause 8: Section 273 amended —

Mr B.S. WYATT: I have a question concerning the impact of endorsement. Clause 8 proposes to insert the following subsection —

> (3A) Despite subsection (2), the Commissioner is not required to (but may) endorse a transaction record to indicate the duty paid as a consequence of an interim assessment.

Clearly, endorsement has an impact; it means something; it impacts on rights. What is the impact of endorsement and why would the commissioner make the decision to either endorse or not endorse?

Dr M.D. NAHAN: In some cases, endorsement will allow a transaction to be registered. In this case, as I understand it, the commissioner may or may not endorse a document with interim assessment to allow the document to be registered as a transaction. For instance, a person has to get an endorsement that he has paid transfer duty on his home in order for the transaction to take place. Proposed subsection (3A) will give the commissioner the ability to endorse a document with an interim assessment. As a general rule, he will not endorse it until the full assessment is undertaken.

Mr B.S. Wyatt: Why would an endorsement be needed at the interim assessment stage? How would the taxpayer benefit by getting an endorsement at the interim assessment stage, bearing in mind that it is likely that there will be a final assessment?

Dr M.D. NAHAN: Again, we are going into untested waters. The transaction might come with land and other assets, and to consummate the deal, the land may need to be transferred to effect value to the other assets. It might be that a transaction for land needs to be endorsed to effect the value for the other real assets.

Mr B.S. Wyatt: So it creates some flexibility.

Dr M.D. NAHAN: Yes, exactly.

Clause put and passed.

Clause 9: Schedule 3 Division 6 inserted —

Mr W.J. JOHNSTON: When we were discussing clause 2 and the commencement of the bill, I thought we said that transactions that occurred prior to the passage of this legislation would not be covered by it. However, I draw the minister's attention to the words proposed to be inserted in schedule 3 of the Duties Act that —

> The Commissioner may make an interim assessment of duty payable under Chapter 2 on a dutiable transaction, or under Chapter 3 in respect of a relevant acquisition, that occurred before the day on which the *Revenue Laws Amendment Act 2013* Part 2 came into operation.

I seek clarification of the circumstances in which the commissioner may make an interim assessment on a transaction that has already occurred.

Dr M.D. NAHAN: After the passage of this bill, the commissioner will be able to make an interim ruling on a transaction that is still before him, even if the transaction took place before the commencement of this legislation. We also said that the valuation rule and penalty changes in this bill will not apply to transactions that took place before the commencement of the bill and that already had a valuation.

Mr W.J. JOHNSTON: Clause 38, under which proposed section 136 will be inserted into the Taxation Administration Act 2003, includes a provision that will not allow the commissioner to recover the costs of obtaining a valuation, but I thought this was a little different. This is the sort of issue that was raised by the member for Victoria Park in that a transaction may have occurred prior to the passage of the legislation and the person would have made their business decision based on the legislation that existed then; however, we are now proposing to change the basis of taxation, because we are introducing this interim assessment procedure to a transaction that is already complete.

Dr M.D. NAHAN: When a person sells a high-value, complex asset, it is a complex transaction. That person or firm is eligible to pay duty under the Duties Act 2008. That has not changed. We are not changing that. What we are saying is that the commissioner in the assessment of that duty will have the power to issue an interim assessment based on a proportion of that transaction. We are not changing the liability of a taxpayer to pay duty. We are allowing the commissioner, in the carriage of his responsibility, to levy an interim assessment. The interim assessment will have to be followed up with a final assessment. Other aspects of the bill, which we might deal with later, deal with instances in which the interim assessment is more than the final assessment or otherwise. We are not changing the liability for duty through these amendments.

Mr W.J. JOHNSTON: That is splitting hairs, minister. Clearly the government would not need this legislation if it were not changing the provisions. The reason we are here debating this bill is that the rules are being changed. The point I am making is that this provision appears to provide that a transaction that is completed under one taxation arrangement will now come under another taxation arrangement. The minister is saying that the final assessment will be the same. That is true; if we do not pass the bill, the final assessment will be the same. The difference here is that the minister is drawing forward roughly 100 transactions for which the tax would not have been payable for at least 12 months and making it payable now. As the minister just said, the commissioner might actually set an interim taxation amount that is in fact higher than the final taxation amount to be paid. That may well be true. You are the minister. Later we will discuss how we refund the taxes paid that are more than the final assessment, but one way or another, the only reason we are debating any of this is that the government is changing the basis of the taxation system applying to transactions and this is a provision that applies retrospectively. I do not understand why the government is applying retrospective taxation. Why would the bill not provide that the commissioner may make an interim assessment of duty payable under chapter 2 on a dutiable transaction that occurred after the day on which the Revenue Laws Amendment Bill part 2 came into operation? Then it would be clear that no retrospective changes had been made to the taxation arrangements. Has the government assessed how many transactions will be affected by this retrospective transaction change and what is the expected additional revenue from this retrospective change?

Dr M.D. NAHAN: There is no retrospective change at all. The liability for duty takes place when the transaction is made. We are not changing that. The people who will be subject to an interim assessment have a liability for duty. This interim assessment will not change that liability. We are trying to deal with large value transactions when there is a strong incentive to postpone and delay the payment. The member for Cannington may believe it is the taxpayer's right to do that. I am not sure I agree with that. Through interim assessments, this bill will bring forward payments, but those payments are due at the time the transaction is made. This will adjust the payment period, perhaps to the benefit of the state, but it does not change at all the taxation liabilities or the duty paid. It is not changing that at all.

Mr W.J. JOHNSTON: I am not quite sure that the minister's comments are accurate. The minister said that the liability occurs when the transaction takes place. I understand why the minister says that, but surely the liability occurs when the invoice is issued. The taxpayer cannot be expected to invent the amount of stamp duty to be paid and surely the taxpayer knows the amount to be paid only when they are asked to pay it, unless the minister is saying that they somehow divine the amount in advance. Through the passage of this legislation the government proposes to change the way assessments are issued by the Office of State Revenue. At the moment

the commissioner issues one invoice, which is the final invoice, but that will be advanced to the tune of $200 million for about 100 transactions.

The minister then posed the question of whether the member for Cannington, or the Labor Party more broadly, has a view that taxpayers should pay their taxes. Of course we believe they should pay their taxes and we expect taxpayers not to use avoidance mechanisms. We are determined to protect the revenue base of the state but, of course, this legislation does not do any of those things. This is about bringing forward into the 2013–14 financial year $200 million of tax revenue that would otherwise be payable in 2014–15 and subsequent years. It is effectively a one-off benefit because, as the minister says, the payments will be made at some time. In defending it, I would have thought there was some intellectual framework around this to say that these are the reasons that the government is applying a retrospective taxation arrangement. It is retrospective. In its own words, the legislation provides that regardless of the fact that a transaction may have taken place, the government can now issue an invoice to the taxpayer on a different basis from the way it was on the day of the transaction. That is retrospective because the government is changing the rules after the transaction has occurred. I am not saying the government cannot do it. We are a sovereign Parliament; we can apply retrospective taxation and that is well understood. I am trying to seek clarification of the reason for doing it and whether it is considered reasonable.

All we are doing is making the state less wealthy in future years so that we are wealthier this year. We can have a larger surplus this year because we will have a smaller surplus in the out years. The minister's second reading speech explains that $200 million in the current financial year and then $60 million over the forward estimates is to be drawn from other years back into this financial year. What is the reason for that? Let me make it clear. I do not want to know the reason for deciding to have interim assessments; I understand that. What is the reason for allowing interim assessments to be retrospectively issued?

Dr M.D. NAHAN: They are not retrospectively issued. The interim assessments come after the royal assent of this bill. Nothing is retrospective. The liability to pay the duty exists. We are dealing with very complex transactions whereby large amounts have accumulated. There is evidence that because of the value of the assets and the wealth and capacity of certain individuals, people are using their wealth to postpone the payment of the duties and have been doing so for a while. Members opposite might want us to allow that practice to continue, but we will not. One of the reasons that we are doing this is good tax practice. It should have been done before.

Yes, it brings forward money to this financial year, but it gives the state the benefits that are due to it. Nothing is retrospective. The duty payable was incurred when the transaction took place. Time passes and then an assessment is made. The problem is that the determination of assessment often takes many years and the taxpayers can avoid, minimise or stretch out the payment by various means. I might add, in other forms of taxation, such as income tax and company tax, governments make similar changes when confronted with evidence that taxpayers are stretching out the timing of payments. Governments put in place administrative practices such as this to bring forward the income to provide equity to the tax system.

Mr W.J. JOHNSTON: Again, I do not understand that argument. Why would we not have a provision that provides a transaction occurring after the date of the royal assent is covered by the provision? It states here in plain and simple words that we are able to do it retrospectively. That is what this provision is about. If the government does not intend it to be retrospective, why would the bill provide that it can be done only after royal assent? Why is this provision required? I will repeat, minister: this is not a debate about tax structures, because the final assessment will continue to be issued in exactly the same manner that it would otherwise have been issued. This is about interim assessments. Why we are doing interim assessments?

Read the second reading speech. This bill allows us to bring forward $200 million from future years into this financial year. Let me point this out to the minister: if we bring revenue forward from future years, it will not be booked in those years and the income in those years will be reduced by $200 million. That is what the minister is saying. That may be a wonderful thing to do, but changing the basis of paying tax retrospectively, which is what this provision does, is a surprise for a Liberal government. The bottom-of-the-harbour tax avoidance scheme was an extraordinary circumstance in which a range of business people were ripping off the government by cheating and the government simply wanted to cut through the taxation fights in the courts and bring people to book. However, in this case we are not talking about people cheating; we are talking about people who will pay their duty at the time that the final invoice is issued by the commissioner. As the minister said, it is not about the anti-avoidance provision, because the anti-avoidance provision has never been used. This is about a timing provision. So the government is going to be $200 million richer in 2013–14, and make the surplus in 2013–14 $200 million bigger by making the surplus in the out years $200 million smaller, and it is doing it in a retrospective manner. I still have not heard a proper explanation for the government wanting to do it retrospectively.

Dr M.D. NAHAN: As I said before, there is no retrospectivity in this whatsoever. The member can go on about this all night if he wishes, but it is not true at all. Again, the reason for these interim assessments is that there is a larger body of transactions on which duties are payable that the parties are using their ability to stretch out and avoid payments. It is only good tax practice to put in interim measures to bring forward those payments in a due way. One of the objectives of tax policy is to treat taxpayers for like with like. With other smaller, simpler transactions, they cannot stretch them out as these larger ones do, and we are trying to put in these interim assessments to make sure payments are made in a forthright, timely nature, just like the other taxpayers have to. Also, the changes to the valuations and associated penalties are so that taxpayers provide accurate, timely valuations, which is an issue. This is just good tax policy.

Mr W.J. JOHNSTON: If this is not retrospective, I do not think the minister will have any problem with me moving my amendment to proposed section 36, which is to delete "before" and insert "after" on line 10 of page 8. That would fix this up. Interim assessments could still be issued, but there would be no question about retrospective operation. There would be no damage to revenue because the government will still issue its final revenue. We are not talking about the state of Western Australia losing any money; we would make it clear that we are not allowing anything to be retrospective.

The ACTING SPEAKER (Ms L.L. Baker): Member, can I just check whether you are moving an amendment?

Mr W.J. JOHNSTON: I am just about to, yes.

The ACTING SPEAKER: Jolly good! We will get a signed copy of it, I am sure.

Mr W.J. JOHNSTON: You will; I have just written it out in rough hand while the minister was on his feet. I move —

Page 8, line 10 — To delete "before" and substitute —

after

Mr B.S. WYATT: This is a very worthwhile amendment from the member for Cannington. I have been listening in on the exchange between the member for Cannington and the minister, and if the minister is indeed correct in his commentary to the house this evening, he will have no problem in supporting the member for Cannington's amendment. As the member for Cannington pointed out, if the Revenue Laws Amendment Bill 2013, particularly clause 9, does not operate retrospectively, the house can have no problem in passing this amendment. If, however, the government sees fit to divide on this issue and ensure that the "before" remains in clause 9, which introduces division 6, proposed section 36, then clearly there is some retrospectivity with this legislation.

The minister has said he is not changing the rate of tax and duties, but that is not the point the member for Cannington is making. However, the ground rules are changing with transactions that have completed. That does change the ground rules. If an entirely new method by which tax is assessed is introduced that brings with it a limitation on rights, particularly regarding the right to object, which is effectively removed for a three-year period, surely there are limitations with the entitlement to apply to the State Administrative Tribunal and there are changes to the tax law on complete transactions. I hope the minister is happy to support the amendment moved by the member for Cannington, because if indeed there is no retrospectivity to this legislation, the government will have no problem supporting it.

Dr M.D. NAHAN: There is no retrospectivity to this. The liability for duty will not change; the rate of duty will not change; and the final assessment, hopefully, will not change. All we are doing is creating an interim assessment to bring forward payment, to clarify payment and to give incentives for treating wealthy people's complex transactions the same as we treat ordinary people's purchases when they purchase a house. Therefore, of course, I do not support this amendment.

Ms R. SAFFIOTI: I rise to support the amendment moved by the member for Cannington. He makes a very good point about retrospective legislation. A significant change is being made on existing transactions. We know there are issues with the responsibilities and roles of taxpayers and with the timing of payments. I understand that many of these businesses would not have budgeted for the payments this financial year. If fact, I think many businesses will have been showing these payments as cash flow beyond even four or five years. This will cause a significant change that will have a significant impact on taxpayers. The question is: does it relate to transactions that have been entered into before the legislation has been introduced and passed in this place? The answer is yes. With this amendment, the member for Cannington is aiming to make it quite transparent and to ensure that it will apply only to transactions entered into after the legislation has passed. I do not think the government can say that a bill that will bring in an additional $260 million over four years and another $200 million this year is not

material in any way to how a business is running. As I said, businesses will not have budgeted or made capital investment decisions based on these payments so early in the process.

This is a good amendment. It seeks to stop this government from continually bringing into this house retrospective taxation laws. It has already done it since being elected in March this year and it continues to bring in retrospective legislation that impacts on transactions or activity that taxpayers have undertaken on the basis of a different set of rules. This amendment aims to make sure the legislation will not be retrospective from today.

The ACTING SPEAKER: Member for Cannington, before I give you the floor, I need to clarify that this amendment—clause 9, page 8, line 10 to delete the word "before" and insert "after"—be proposed as two separate amendments.

Mr W.J. JOHNSTON: I always appreciate your careful guidance, Madam Acting Speaker.

I will not speak for very long but I want to emphasise that the government is taking $200 million out of the private sector and putting it into the government's coffers. That might be a great thing to do; it might be a wonderful decision of government; it might be an important idea. I am not opposed to taxation revenue being imposed on the community of Western Australia because it is important that government have the revenue to complete the tasks that we all want it to do. I object to two things. The first issue is the simple dishonesty that the Liberal Party has perpetrated on the people of Western Australia. We stand here, a few months after the election, and the government is changing the basis of taxation for the second time. The Minister for Finance comes into this chamber with a second bill that will again take tax revenue off the people of this state and put it in the coffers of the government. That is contrary to what the minister and the Liberal Party promised prior to the election. The second issue is retrospectivity. I have no problem with protecting the revenue needs of the state, because they are obviously important. A well-established principle in taxation law is that the only time a government does something retrospectively is when the revenue of the state is being lost; it is not the timing of the revenue but the revenue itself. That is a classic example of when retrospective legislation is required. Another example is when a court has overturned an established interpretation of tax law because of some issue that nobody had recognised, and the government comes to the chamber and says that it needs to resolve the issue otherwise it will adversely affect the taxation base of the state. They are classic examples of the need for retrospective legislation. This is not one of those instances. As the minister said, the government is not changing the requirements or the administrative procedures; it is dragging $200 million forward into the current financial year. Let us understand, Clive Palmer might not have been correct in his assessment of what happens when taxes are cut —

Dr M.D. Nahan interjected.

Mr W.J. JOHNSTON: That is complete nonsense, minister. The Laffer curve is a joke; it does not work. Everybody who advocates the Laffer curve is wrong. I am not saying that at all. My point is that Clive Palmer may not be right in his assessment of the way the taxation system works, but if the government retrospectively changes a taxation rule, it will impact on people involved in that transaction. The minister said that 100 transactions roughly represent a tax liability of $200 million. That is about $2 million of tax per transaction. They are very large transactions, but they are not billion-dollar transactions. I will bet that many of these transactions will be done by families doing property developments. The government is talking about retrospectively taking money off family businesses. As the minister said, it is not a higher tax; it is just a tax grab in the current financial year to fill the hole created by the bad administration of an incompetent government. If the government wants to proceed with a retrospective provision, that is fine, but it is overturning centuries of good tax policy by introducing a bad tax policy.

Dr M.D. NAHAN: This is not about imposing any additional liability. It is basically good tax policy. It would be improper not to implement this policy; it should have been implemented before. I am surprised that the Labor Party is so strongly against this policy and wants to exempt these interim assessments on very large amounts.

Mr W.J. Johnston: Do not tell lies to the chamber.

Withdrawal of Remark

The ACTING SPEAKER (Ms L.L. Baker): Member for Cannington, I need you to retract that; it is not an appropriate comment.

Mr W.J. JOHNSTON: I withdraw.

Debate Resumed

Dr M.D. NAHAN: There is no aspect of retrospectivity. This does not apply to mum and dad businesses and property transactions as the member supposed. It relates to large, complex transactions in which it has been clearly identified that there is an incentive and people are undertaking investments and are being advised to

postpone payments. This will not increase the amount of assessments, but it will bring forward and crystallise things for the benefit of the state. Members opposite might not like that but that is what we are doing; it is good tax policy.

Mr W.J. JOHNSTON: I want clarification. The minister said that this will not affect family businesses. If the minister can stand and give a commitment that no family business will be impacted by this legislation, I will withdraw the amendment.

Dr M.D. NAHAN: The member supposes that this will apply to large family businesses. I am clarifying for the member that that is not the evidence. I am not saying that it does not apply to any of them. There are some families with very large transactions around here, so I am not going to exempt all families. However, I am clarifying the member's supposition: it does not primarily, or even in large part, apply to simple family transactions because most family transactions are quite simple and they pay very quickly, particularly within the six months of this interim repayment. Indeed, we are trying to make the same conditions apply to family transactions as apply to large, complex transactions. It is about equity with families.

Amendment put and negatived.

Ms R. SAFFIOTI: Will there be time limits between the interim assessment and the final assessment? I just want to get an understanding of what sort of time will lapse between the interim and the final assessments.

Dr M.D. NAHAN: There is no time specified. In fact, we expect that with these interim assessments, the final assessment will be sped up. That is our objective; the whole package is to speed up the final assessment.

Clause put and passed.

Clauses 10 and 11 put and passed.

Clause 12: Section 16A inserted —

Mr B.S. WYATT: I have been waiting for clause 12 to ask this question and it may be that the minister's answer will circumvent some questions later. I would like the minister to explain the process. A decision is made by the Commissioner of State Revenue or at director level in the department to issue an interim assessment. Can the minister take us through—I dare say he has a piece of paper outlining this—the process, the time frames and when a final assessment is made? I think that if the minister spends a couple of minutes doing that, he may circumvent some questions later.

Dr M.D. NAHAN: In answering the member's question, I might have to go to my advisers. However, I understand that a liability to pay duty is incurred, there is some time—months—before the Commissioner of State Revenue can exercise his powers and then six months pass —

Mr B.S. Wyatt: Is the six months after the interim assessment?

Dr M.D. NAHAN: No. A transaction takes place and the taxpayer has two months to lodge the tax liability with the commissioner. Then if, in six months, no final assessment is made, the commissioner can levy an interim assessment. In that six-month period, if the commissioner comes to a view that the taxpayer has no intention of coming to an assessment, he can issue an interim assessment. But he cannot do so before six months. The commissioner can also levy an interim assessment if he thinks the assessment will take more than six months. That is discretionary. After six months, let us say that the commissioner levies an interim assessment. The interim assessment is levied on a proportion of the estimated total assessment—then there is no timing to obtain a final assessment. Indeed, the objectives of these amendments is to give an incentive to the taxpayers to come to a final assessment. Once the final assessment is made, there is a comparison between the final assessment and the interim assessment, and the taxpayer pays the difference if the final assessment is higher than the interim assessment, which is the objective. If, however, the final assessment is less than the interim assessment, there is a repayment with interest and the taxpayer has the right to object.

Mr B.S. WYATT: That is only the final assessment. Sorry, I should have let the minister keep standing. My question is now in three parts. When the transaction is lodged in that two-month period in which to lodge it, will the commissioner therefore now give notice to the taxpayer that they may well be subject to an interim assessment within the next six months from that date? They may be put on notice that they may face an earlier-than-expected obligation to pay duty. Secondly, the minister made the point about incentives being given to move to a final assessment, because there is no timing stipulation with moving to a final assessment. I had a third point.

Dr M.D. Nahan: I will answer the two.

Mr B.S. WYATT: Yes, answer those two questions and I will think about the third.

Dr M.D. NAHAN: The proposal is, once they have lodged, to indicate to the taxpayer that there is a possibility for an interim assessment if the assessment is not made in six months. So the taxpayer is informed that an interim assessment may be levied if the final assessment is made within six months.

Mr B.S. Wyatt: And the incentives?

Dr M.D. NAHAN: The major incentive is in stretching out the payment; that is, the need to pay the duty is avoided for a period of time. The interim assessment minimises or reduces that incentive because of the form of the interim assessment. Let us say that the final assessment is $100 million and the interim assessment is $50 million; the interim assessment will have to be paid. The incentive to stretch it out is less; it is $50 million less, because the interim assessment has already been paid. There are also incentives to provide clear valuation to the satisfaction of the commissioner, and there are penalties for undervaluing. One of the issues is that taxpayers are submitting valuations significantly below the final valuation, and by doing so, they stretch out the assessment period. The incentives in this legislation are through the interim payment because it in effect forces the taxpayer to put a down payment on their liability duties. The amendments also have requirements for better valuations and for the commissioner to impose valuations, as well as penalties for lodging excessively low valuations. Those are all incentive structures to expedite the payment of duty.

Mr B.S. WYATT: Using the example of the $100 million, if the interim assessment is $50 million —

Dr M.D. Nahan: I am just guessing.

Mr B.S. WYATT: Yes, but just using this example, if the interim assessment is $50 million and it rapidly emerges in the taxpayer's mind that there will be another $50 million in the final assessment, I assume at some point the commissioner can simply say that that is it and that he will issue the final assessment for that $50 million. Presumably the process cannot drag on for years and years.

Dr M.D. Nahan: It does—that is the point.

Mr B.S. WYATT: Yes, but for that final $50 million—I do not know the legislation well enough—I assume that there must be a point at which the commissioner can just say to the taxpayer that everything has been pursued and the taxpayer now owes $50 million. What capacity does the commissioner have to draw things to a conclusion by the issuing of a final assessment?

Dr M.D. NAHAN: The commissioner has the power to hire consultants to come up with a valuation. But, likewise, the taxpayer has the ability to hire consultants to argue about the valuation. The whole issue here is that many of these assessments take five or more years to come to a final agreement. The transfer also has many different aspects, and they can change the valuation of aspects such as goodwill, the value of the land and other things. One of the issues is that there are limits on the ability of the commissioner to force a final valuation in a timely manner.

Mr B.S. WYATT: The minister said also that there is access to the State Administrative Tribunal. My initial question was to ask the minister to run through the process. As I understand the briefing that we were provided with by the department, there is no right for the taxpayer to object to an interim assessment for a period of three years. However, the right of objection to a final decision still stands. Can the minister clarify that for a three-year period after the interim assessment is given by the commissioner, there is no right to object, but once that three-year period has passed, the taxpayer can object to the interim assessment?

Dr M.D. NAHAN: The taxpayer has the right to object to an interim assessment after the three-year period has passed. However, if a final assessment is made, the taxpayer can object within 60 days.

Mr B.S. WYATT: So if an interim assessment is given, and six months later the final assessment is made, the normal process of objection will apply?

Dr M.D. NAHAN: Yes.

Mr W.J. JOHNSTON: I seek clarification. Proposed new section 16A(1) reads —

> The Commissioner may make an assessment (an ***interim assessment***) of a portion of the tax payable by a person when a taxation Act specifically authorises the Commissioner to do so.

I draw the minister's attention to the words "portion of the tax payable". If the commissioner is not in a position to make a final decision on the tax payable—which is why he is seeking to make an interim assessment—how does he know that the interim assessment is for only a portion of the tax payable? If the commissioner issues an interim tax assessment, and he subsequently issues a final assessment and the final assessment is for less than the interim assessment, does that not invalidate the interim assessment, because it was issued for something other than the portion of the tax payable?

Dr M.D. NAHAN: These types of transactions generally have many aspects to them, but generally a portion of the transaction—sometimes a large portion—is readily observable and agreed to. Therefore, the interim assessment will be levied to those portions of the transaction that are determined and agreed to, and the other aspects will then be determined in the final assessment. Therefore, generally, the expectation is that the interim assessment levied under a portion of the total will be less than the final assessment; and if the final assessment is less than the interim assessment, there are provisions in the bill for the commissioner to repay the difference, with interest.

Mr W.J. JOHNSTON: In answering my question a moment ago, the minister used the word "agreed".

Dr M.D. Nahan: I said "generally agreed".

Mr W.J. JOHNSTON: Is the minister saying that the commissioner must get agreement before he issues the interim assessment, because that does not appear to be in the legislation? I appreciate that a provision regarding refunding moneys to a person is being put in at clause 14. I again ask the simple question: if an interim assessment is issued for an amount that exceeds the final assessment and therefore the interim assessment was not for a portion of the tax payable, is the interim assessment invalid?

Dr M.D. NAHAN: Clause 5, which we have gone through, lists a number of factors that the commissioner may have regard to in setting an interim assessment. Proposed section 44A(3) includes —

(a) the value, as agreed between the Commissioner and the taxpayer, of anything;

(b) the consideration (if any) given for the dutiable transaction; —

That is the payment made, for example, and —

(c) any evidence, whether provided by the taxpayer or obtained by the Commissioner, of the value of anything;

(d) any document or other record kept by or on behalf of a party to the dutiable transaction;

(e) any information held by a regulatory authority in the State, another Australian jurisdiction or an overseas jurisdiction;

(f) any information that is publicly available.

The commissioner can make an agreed evaluation with the taxpayer and can access information about the value paid for an asset, or a proportion of that asset, and can use that information to put in place an interim assessment. Again, the objective is for the interim assessment to be applied to a readily identified, and often agreed to, portion of the total transaction. The member raised the issue of what happens if the interim assessment is less than the final assessment —

Mr W.J. Johnston: No, make it the other way around. My question is around the other way.

Dr M.D. NAHAN: The final assessment is less than the interim assessment.

Mr W.J. Johnston: Yes.

Dr M.D. NAHAN: That is not the objective, and the bill has provisions for repaying the difference. The complete assessment following the interim assessment supersedes the interim assessment but does not affect any liability for the penalty —

Mr B.S. Wyatt: Where are you reading from?

Dr M.D. NAHAN: It is proposed section 16A(5).

Mr B.S. WYATT: This is an interesting point, because the member for Cannington said that if the final assessment is less than the interim assessment or, indeed, if the final assessment is the same as the interim assessment, clearly we are not dealing with a portion of the tax payable anymore. The minister's answer to the member for Cannington was when there is an agreement with the taxpayer. What if the taxpayer disputes the process and the interim assessment, and we get down to the final assessment? I agree that proposed section 16A(5) states that the final assessment supersedes the interim assessment. Let us say that is three years after the interim assessment has been given and that taxpayer, using the example the minister talked about before, had paid $50 million to the state. My concern is that the taxpayer could argue that three years ago he paid to the state $50 million by way of interim assessment and the final assessment was $40 million—or even $50 million. Therefore, the interim assessment was not a portion of the tax payable and the interim assessment was invalid. The taxpayer would argue that he would want not just the $50 million he had paid to the state, but also the interest earned at a rate of X per cent. That is my, and I think the member for Cannington's, concern

about the issue of portion. I would like the minister's comments on any potential exposure to the broader Western Australian community about the way that is drafted.

Dr M.D. NAHAN: If the interim assessment is $50 million and the final assessment is $50 million, that is the liability. If the interim assessment is larger than the final assessment, the commissioner has to pay the difference with interest. The interest applies to the difference.

Mr B.S. WYATT: I make these comments as a lapsed lawyer, so my knowledge of the law is not necessarily up to date. Proposed section 16A(5) states —

> The complete assessment following the interim assessment supersedes the interim assessment

The argument would be made in a court that that is assuming that the initial interim assessment is valid. Is that interim assessment valid? We go back to proposed section 16A(1), which states —

> The Commissioner may make an assessment (an ***interim assessment***) of a portion of the tax payable by a person when a taxation Act specifically authorises the Commissioner to do so.

If proposed section 16A(1) is not met, we do not have an interim assessment; we simply have an amount paid to the government without legislative basis that would then have to be paid back at a set interest rate. No doubt any competent plaintiff in that situation would argue that over three years they could have put that $50 million in a standard bank account at 10 per cent interest and they would be owed X dollars. The way I read proposed subsection (5), and I am sure the way the court would read it, is that complete assessment will supersede the interim assessment if the interim assessment is valid. In the minister's view, with respect to proposed section 16A(1), will an interim assessment be valid if it is greater or equal to the final assessment?

Dr M.D. NAHAN: According to proposed section 16A(1), the commissioner may make an assessment, not a final determination, of a portion of the tax payable. That is the basis upon which they make an interim assessment. Proposed section 16A(5) indicates that the final assessment supersedes the interim assessment. The bill then addresses the issues where the final assessment is less than the interim assessment. The fact that the final assessment might be more than 100 per cent of the interim assessment does not invalidate the commissioner's earlier assessment or the introduction of an interim assessment. The bill provides provisions for repayment of the differential plus interest.

Mr W.J. JOHNSTON: The minister asserts that the proposed legislation allows the commissioner to issue an interim assessment for more than the tax payable. I do not understand that. The plain words in the bill show that is not true. I will again read the plain words in the bill. They state —

> The Commissioner may make an assessment (an ***interim assessment***) of a portion of the tax payable by a person when a taxation Act specifically authorises the Commissioner to do so.

The words "tax payable" is the issue that the member for Victoria Park and I are raising with the minister. The tax payable is the tax payable in the final assessment—the final notice to the person of their liability—because that is the only time the tax is actually payable. We are discussing the interim assessment which we have all agreed is just that—interim. It is not the actual tax to be paid; it is, according to the bill, a portion. If an assessment is issued for more than 100 per cent of the tax payable, it is not an interim assessment. It is not a portion of the tax payable if it is more than 100 per cent. That is not a portion—unless it is said that 1.5 is a portion, which would defy logic and the English language. I do not understand why the clause does not state, "… of a portion of the tax expected to be payable." It would then be fixed. The minister would cover himself because then it would be the amount the Commissioner of State Revenue expects the taxpayer to pay.

I strongly urge the minister to talk to his advisers away from the chamber and to give some undertaking that this matter will be properly reviewed and dealt with in the other house. I draw the minister's attention to a number of bills, including provisions in the Commonwealth Heads of Government Meeting (Special Powers) Act. When the opposition pointed out provisions in bills and the government went away and looked at the provisions, it realised that they were not drafted in the intended way. I make no criticism of the Minister for Finance on this aspect. I would not have expected him to be across every word in the bill, but clearly if an interim assessment is issued for an amount that is more than the tax payable, it is not an interim assessment. An interim assessment can only be for a portion of the tax payable. I am no lawyer, I am an ordinary person; I am the ordinary man on the Clapham bus. These words do not cover the situation the minister has described. The minister does not have to respond to me; I strongly urge him to have this matter examined. Like the CHOGM bill and a number of others, I think the minister will find, if he looks at it, that the government is leaving itself exposed to the clever lawyers that he says he is trying to deal with. The minister says he is trying to shut down loopholes; good luck to him. I would hate to think he is creating a fresh one for those lawyers to drive the Clapham bus through.

Dr M.D. NAHAN: My advice is that this has been vetted by state solicitors. The procedures that will be put in place by the revenue office will ensure that "a portion" is less than the total estimated final assessment. State solicitors were comfortable with this wording. This is the advice that the experts have given us.

Clause put and passed.

Clauses 13 to 15 put and passed.

Clause 16: Section 20A amended —

Ms R. SAFFIOTI: What is the intention of this clause and what is the impact of this proposed change?

Dr M.D. NAHAN: As I understand it, the commissioner can make a compromised assessment, which means the commissioner has the powers to make a compromised agreement with the taxpayers—a negotiated settlement. That only applies to the final assessment. This clause provides that it cannot apply to the interim assessment.

Ms R. Saffioti: Is there any possibility that the compromise agreement could be lower than the interim assessment?

Dr M.D. NAHAN: Again, a compromise agreement can be made only on the final assessment, not on the interim assessment. I go back to the other question: will the commissioner enter into a compromise agreement applying to the final assessment that is lower than the interim assessment? I cannot rule that out, but this bill has conditions if the final assessment, whether it is negotiated through a compromise agreement or otherwise, is less than the interim assessment. Again, we go back to those issues. There are provisions in the bill that address that eventuality.

Ms R. SAFFIOTI: Are there any mechanisms for when that is made public? I would not expect that it would be an everyday occurrence that a compromise agreement would be less than the fair value to be paid. Is there any current or proposed mechanism or process that would make these compromise agreements public?

Dr M.D. NAHAN: The outcomes of these negotiations are commercially private; they are not made public. Section 20A of the Taxation Administration Act 2003 states —

> (1) If the Commissioner considers it appropriate to do so to avoid undue delay or expense, to settle a dispute or for any other reason, the Commissioner may —
>
> (a) make a written agreement (a ***compromise agreement***) with a taxpayer in relation to the assessment of the taxpayer's tax liability; and
>
> (b) make an assessment in accordance with the compromise agreement.

Let us say that there are two disagreements. A compromise agreement can be made under the powers in the Taxation Administration Act. By the way, we believe it has been used only once. The negotiation has to be based on reliable data. Again, it is not the intention of this legislation for a compromise agreement to be made for less than the interim assessment.

Mr B.S. WYATT: Just to confirm that, the purpose of clause 16 is simply to provide that the compromise agreement can be made only on the final assessment.

Dr M.D. NAHAN: Yes. The objective is to put enough pressure on the taxpayer to make the deal and get it done.

Clause put and passed.

Clause 17: Section 24 amended —

Mr W.J. JOHNSTON: This clause proposes to insert into section 24 proposed new subsection (3A), paragraph (c) of which states —

> if an amount of tax has been over paid — state whether the overpaid amount is to be refunded or credited to the taxpayer.

I seek clarification on the difference between "refunded" and "credited".

Dr M.D. NAHAN: There is a provision in the Taxation Administration Act for payment to be either refunded or offset against other tax liabilities.

Mr W.J. JOHNSTON: It may well be established procedure, but I would be interested to know whether a benefit such as an interest payment is included in the payment that is returned to the taxpayer.

Dr M.D. NAHAN: For overpayment of an interim assessment, yes, there is an interest payment.

Clause put and passed.

Clause 18: Section 25 amended —

Mr B.S. WYATT: I want quick clarification of the proposed amendment to section 25 of the Taxation Administration Act. Subclause (3) states —

> After section 25(3) insert:
>
> (4) A statement of grounds relating to an interim assessment does not bind the Commissioner in relation to an assessment following the interim assessment.

Can the minister explain why that is the case? Does that assume that at some point, as time has moved on, the statement of grounds that led to the interim assessment may have changed as the details of the transaction have become clearer? Is that the purpose of that proposed amendment?

Dr M.D. NAHAN: Yes.

Clause put and passed.

Clause 19: Section 34 amended —

Mr W.J. JOHNSTON: Again I imagine that there may be provision in the act itself. I seek clarification that proposed subsection 34(2)(ca) will insert the appeal rights, which naturally are very important. Is there an obligation on the commissioner to provide reasons for issuing an interim assessment? If so, is the commissioner then bound to those reasons when the matter is reviewed, or can the commissioner introduce new reasons during the review procedure of the commissioner's decision?

Dr M.D. NAHAN: Yes, once he makes an interim assessment he has to state the grounds for it; and if after three years an objection is made, the objection is heard on the grounds of the commissioner's statement.

Mr W.J. Johnston: So the taxpayer can't introduce new grounds?

Dr M.D. NAHAN: No.

Mr B.S. WYATT: What is the purpose of limiting the right to object? Why not, for example, apply the standard practice in a final assessment to an interim assessment, bearing in mind that there may be a considerable period of time between the interim assessment and the final assessment?

Dr M.D. NAHAN: The purpose is to encourage the taxpayer to come up with a final assessment. The interim assessment is supposed to be a step along to the final assessment. There is a right of appeal but there is a three-year period on it. The objective is to ensure that the final assessment is made within three years; therefore, there is an automatic right to appeal until the final assessment.

Clause put and passed.

Clauses 20 and 21 put and passed.

Clause 22: Section 40 amended —

Mr B.S. WYATT: Again I simply seek the minister's explanation of this proposed subsection. Does this deal with the limits on the right to object to an interim assessment? This proposed subsection will amend section 40 of the Taxation Administration Act, and states —

> A person ceases to be entitled to apply to the State Administrative Tribunal for a review of a decision on an objection against an interim assessment if the assessment following the interim assessment is made before the person makes an application under subsection (1) for a review of the decision.

Can the minister explain to me why the entitlement to apply to the State Administrative Tribunal has been removed?

Dr M.D. NAHAN: I have been advised that this relates to the condition when a final assessment has been made and the taxpayer has the right to go to SAT and appeal against the final assessment. The final assessment supersedes the interim assessment. This applies to the situation when a final assessment has been made. As stated in the previous clause, the final assessment supersedes the interim assessment. This clause states that if there is already a final assessment, there is not a right to go to the State Administrative Tribunal about the interim assessment.

Clause put and passed.

Clause 23: Section 43 amended —

Mr W.J. JOHNSTON: I understand, because we have just dealt with it in clause 22, that after the final assessment has been issued there is no longer a right of appeal regarding the interim assessment, and so naturally there is a provision that states that somebody—whether it is the commissioner, taxpayer or even SAT—can then dismiss the proceedings, which is very understandable. But the taxpayer may have provided a great deal of information to the State Administrative Tribunal, there may have been hearings and there may have been cross-examination of witnesses, and I am wondering whether the evidence put before SAT will be made available to SAT if the taxpayer then objects to the final assessment. The objection the taxpayer has to the interim assessment might be carried over to his objections to the final assessment. He might think the commissioner is wrong on the basis of assessment. There could be many issues that the taxpayer thinks the commissioner has wrong. So there is an action on foot, they have had solicitors, accountants and lawyers—they have had all this stuff—they have had hearings and there has been cross-examination of witnesses, which is a lot of work, and that whole product then disappears and they might have to go back to the start. So, is there to be a provision that will allow those things to be read, rather than having to go through all those procedures again?

Dr M.D. NAHAN: That is actually a good question. The clause states—

> The State Administrative Tribunal may, on its own initiative or the application of a party, dismiss …

Let us say, hypothetically, that after a three-year dispute about an interim assessment, there is a final assessment and they want to continue and forward SAT all the information rather than duplicating it. It is up to SAT to make that decision.

Mr W.J. Johnston: So what you are saying is that SAT has the power to apply the information to —

Dr M.D. NAHAN: Yes; it is up to the discretion of SAT. This clause states that the State Administrative Tribunal may, on its own initiative or application of a party, dismiss the proceedings. It does not have to.

Mr W.J. Johnston: But it would be fresh proceedings, wouldn't it, minister?

Dr M.D. NAHAN: The clause states that SAT —

> … may, on its own initiative or the application of a party, dismiss a proceeding relating to an objection against an interim assessment once the assessment following the interim assessment is made.

It does not direct SAT as to what evidence or otherwise it uses in looking at a final assessment.

Mr W.J. Johnston: Yes, but that is not quite the question I am asking. I will stand and ask it again.

Dr M.D. NAHAN: Yes.

Mr W.J. JOHNSTON: I understand what the minister is saying. This provision states that it does not have to happen. But clearly there would be no good reason to continue an application around an interim assessment when the interim assessment has been set aside by the issuing of a final assessment.

Dr M.D. Nahan: Yes.

Mr W.J. JOHNSTON: So there would have to be a fresh application, because otherwise the matter being objected to ceases to exist. I am not a lawyer, but even if SAT did not set aside the proceedings it would just be invalid because there is nothing to be argued, because the issue on foot—perhaps Mr Speaker might be able to help me as he is a lawyer—is no longer in dispute because the issue has disappeared.

Mr P. Papalia: You can't find a decent lawyer when you need one!

Mr W.J. JOHNSTON: No! I would think I could in this place!

Mr B.S. Wyatt: No decent ones!

Mr W.J. JOHNSTON: No!

So then the taxpayer makes a fresh application. That is why I am a little to the side of what the minister has said. What the minister has said is perfectly valid and I understand it, but my question is whether SAT can then use the evidence and information gathered to that point if the taxpayer makes a fresh application, because it is not the same application; now we are objecting to the underlying final assessment, not the interim assessment. But can the issues that have been raised at SAT in respect of the interim assessment somehow be given to SAT when it sits in respect of the final assessment, because they are actually two separate applications?

Dr M.D. NAHAN: I accept that. I guess someone can appear before the State Administrative Tribunal with an interim assessment, but the final assessment is a different one. It is up to the SAT what information is brought forward and whether it says, "We've had a dispute in front of us that's materially similar but different; why don't we expedite it by continuing the relevant material?" This clause will not determine what SAT does in terms of the evidence or roll-over evidence to a final assessment.

Mr W.J. JOHNSTON: Is the minister confident that SAT has the power to use information from a previous application for a new application?

Dr M.D. NAHAN: I have been advised that the parties can agree to that.

Mr W.J. Johnston: Is the minister saying that the commissioner would give agreement? There is a difference between being able to give agreement and actually giving agreement.

Dr M.D. NAHAN: It will depend on the circumstances generally before SAT; whether the parties had agreed to the facts and data beforehand and then presented it. It will depend on the circumstances.

Mr W.J. JOHNSTON: I think it would be worthwhile for the government to look at this issue because I think taxpayers will find this a ground for annoyance. There is a model litigant procedure. It would not be seen as a model litigant if, halfway through litigation, even if it is only in front of SAT, the final assessment is issued and the commissioner says, "No; I'm not agreeing to that being put before the new commissioner." I am not asking the minister to stand up again, but I make the point that it is an important issue that needs to be considered.

Clause put and passed.

Clause 24: Section 54 amended —

Mr B.S. WYATT: How does this clause work in conjunction with clause 17? It states —

> (2A) If the tax paid on an interim assessment exceeds the tax payable on the assessment following the interim assessment, the Commissioner must refund the taxpayer these amounts —

The minister may recall that the member for Cannington asked a question about clause 17, which states —

> (3A) An assessment notice in relation to the assessment following an interim assessment must also —
>
> ...
>
> (c) if an amount of tax has been overpaid—state whether the overpaid amount is to be refunded or credited to the taxpayer.

The minister explained to the member for Cannington that being "credited to the taxpayer" is a situation in which a taxpayer may have an outstanding liability, so in respect of that overpayment at the interim assessment level, that could simply be credited. Clause 23 states that if there has been an overpayment at the interim assessment level, the commissioner must refund the amount to the taxpayer. My concern here is that when a taxpayer has an outstanding liability to the people of WA on another transaction, but with the interim assessment they have overpaid to the state, rather than the good people of Western Australia keeping that and offsetting it against that debt, they will rely on this to say, "Well, actually, the commissioner must refund those moneys to me and must refund them with those interest payments." There seems to me to be a contradiction between clauses 17 and 24.

Dr M.D. NAHAN: I accept that. The explanation is contained in the Taxation Administration Act 2003, by which the commissioner may refund tax to a taxpayer under certain conditions. Section 54(2) reads —

> However, instead of repaying the amount to be refunded, the Commissioner may credit the amount of the refund against the taxpayer's existing and future tax liabilities;

My understanding is that the credit is a form of refund. The question is then why clause 17 refers to an amount that is to be refunded or credited.

Mr B.S. Wyatt: That is right; there are two different things.

Dr M.D. NAHAN: Clause 17 relates to what must be on an assessment notice following an interim assessment, which is set out in paragraphs (a), (b) and (c) of proposed section 24(3A). Clause 24 relates to the eventuality, which would be the final assessment.

Mr B.S. Wyatt: In that case, although the notice might say the overpaid amount is to be refunded or credited to the taxpayer under this clause, a refund will occur and not a credit.

Dr M.D. NAHAN: Under the Taxation Administration Act the commissioner must repay tax if these things happen and section 54(2) reads —

> However, instead of repaying the amount to be refunded, the Commissioner may credit the amount of the refund against the taxpayer's existing and future tax liabilities;

In dealing with the issue of refunds more generally, the Taxation Administration Act allows the commissioner to repay by either a refund or a credit against tax liabilities.

Mr B.S. WYATT: What we have now is a clash between the commissioner "may" credit and the commissioner "must" refund the taxpayer these amounts. In light of clause 24, we have the flexibility to credit with the word "may", yet clause 17 limits the commissioner on the actual overpayment because the commissioner "must" make a refund. That removes the option for the commissioner to credit the taxpayer for an outstanding liability in another transaction. Should not this clause therefore say that the commissioner "may" refund the taxpayer these amounts? In that way the commissioner will have the discretion to do either.

Dr M.D. NAHAN: My advice is that under the Taxation Administration Act a credit against a tax liability is equivalent to a refund.

Mr B.S. WYATT: This amendment bill creates a difference between this clause and clause 17. I understand that the Taxation Administration Act 2003 equates a payment with a credit, but this bill, which amends that act, separates them.

Mr W.J. Johnston: Is the word "refund" defined elsewhere?

Dr M.D. Nahan: Yes.

Mr B.S. WYATT: Is "credited" defined elsewhere? I see what the minister is saying: the current act stipulates that a credit is also a refund of money. But clause 17 splits that and says we can have one or the other. Clearly, they now mean something different. That brings us to this clause, which limits the commissioner to "repaying"; he cannot "credit". The minister read section 54(2) of the Taxation Administration Act in which the commissioner "may" credit, but this clause will limit the commissioner's option by saying he "must" refund, because we have now created two different terms—a credit and a refund. Can this be fixed by simply changing the word "must" in clause 24 to "may"?

Dr M.D. NAHAN: Clause 17 deals with the assessment notice and states —

> … state whether the overpaid amount is to be refunded or credited to the taxpayer.

It gives the options. In the Taxation Administration Act, division 3, "Refunds of tax", section 54(1) states the conditions under which the commissioner must refund tax to a taxpayer. Section 54(2) states —

> However, instead of repaying the amount to be refunded, the Commissioner may credit the amount of the refund …

My reading of it is that the Taxation Administration Act gives the conditions under which the commissioner must refund tax to a taxpayer, as does clause 24 of the Revenue Laws Amendment Bill 2013. It then gives the commissioner the option to either refund or credit the tax. Therefore, the fact that clause 24 of the bill states "must refund" as does section 54(1) of the Taxation Administration Act, which states that the commissioner must refund tax to a taxpayer if certain conditions are met, is consistent. But section 54(2) states —

> However, instead of repaying the amount to be refunded, the Commissioner may credit …

Therefore, I think this is dealt with. They both use the term "must refund"; however, under the "must refund" provision in the act, there is a subset that states the commissioner may credit the refund.

Mr B.S. WYATT: I will make my final point. Clearly, we are going to make these arguments to and fro. The minister quoted from the Taxation Administration Act 2003, which sets out that a refund can also be a credit. However, we are dealing with an amendment to the Taxation Administration Act 2003. Therefore, we are now amending the Taxation Administration Act in 2013 with this bill. What this will do, in my view, is create a point of difference. If we have a large taxpayer who has other liabilities to the people of Western Australia, the court will look, as the member for Cannington helpfully pointed out, to the most recent expression of the Parliament. That will, in my view, be the words that "the commissioner must refund the taxpayer these amounts", bearing in mind that we would now have amended the Taxation Administration Act 2003 to distinguish between an amount to be refunded and a credit to the taxpayer. I will leave it at that. I cannot convince the minister to change "must" to "may" and it is not my intent to move an amendment.

Dr M.D. NAHAN: Let me respond. Clause 24 is an amendment to the Taxation Administration Act that inserts new section 54(2A) after section 54(1). Section 54(1) states that the commissioner must refund tax to a taxpayer. New section 54(2A) is inserted after section 54(1) but before section 54(2), which states —

> However, instead of repaying the amount to be refunded, the Commissioner may credit …

That refers to the refund under both section 54(1) and new section 54(2A) and adjusts it by stating —

> However, instead of repaying the amount to be refunded, —

That is the refund in section 54(1) or new section 54(2A) —

> the Commissioner may credit the amount of the refund against the taxpayer's existing and future tax liabilities …

Mr B.S. Wyatt: While the minister is on his feet, because I do not have that act in front of me, I have a question about new section 54(2A) that is inserted by clause 24. To avoid that doubt then, should we not have words to the effect that "the commissioner must refund the taxpayer these amounts or credit pursuant to subsection (2) below"?

Dr M.D. NAHAN: No. Section 54(1) states that the commissioner must refund tax to a taxpayer under three conditions. New section 54(2A) states —

> If the tax paid on an interim assessment exceeds the tax payable on the assessment following the interim assessment, the Commissioner must refund the taxpayer these amounts …

Therefore, section 54(1) and new section 54(2A) are consistent in stating the conditions under which the commissioner must refund tax. Section 54(2) then states, however, that a credit is equivalent to a refund and that applies to both section 54(1) and new section 54(2A).

Mr B.S. WYATT: I will leave it with this: I think we are creating some ambiguity here that may create opportunity for a taxpayer with another liability to the government avoiding having a refund credited.

Clause put and passed.

Clause 25 put and passed.

Clause 26: Part 10 Division 7 inserted —

Ms R. SAFFIOTI: What form will the review take after three years? Who will undertake it and what are the criteria in measuring the success of this legislation?

Dr M.D. NAHAN: The minister sets up the review. We imagine he will ask the commissioner to undertake the review, but he would have the ability to do otherwise. As the legislation states, the minister will table the review in Parliament.

Clause put and passed.

Clauses 27 and 28 put and passed.

Clause 29: Section 21 amended —

Mr W.J. JOHNSTON: I do not know what is in existing section 21(1) of the act and it does not really matter. Proposed section 21(2A)(c) states —

> if methods, models and assumptions must be provided electronically — they be provided in a form that allows the Commissioner to examine and test them for the purposes of determining whether to adopt the valuation.

What is the intention? Does the commissioner expect that generally speaking he will have resources existing internally in the commissioner's office or will he expect that for these large transactions we have been debating he will need to call on additional outside expertise?

Dr M.D. NAHAN: Often, particularly with mining, there is a lot of modelling work undertaken to do valuation. The effort in this case is to get the methods used by the taxpayers—the data and methodology. Generally, the commissioner would have to use an outside body to assess the data.

Mr W.J. JOHNSTON: As I say, I do not know what is in existing section 21(1). A brand-new subsection is being inserted into the legislation, but I am not worried about that, and we are inserting proposed section 21(2A). I am making the assumption that currently these provisions are not in the old section 21(1) and I thank the minister very much for his answer. Is it expected that this will create a demand for additional resources by the commissioner's office, which he will need because he is engaging outside people to assess what are often very complex transactions?

Dr M.D. NAHAN: All we are doing is speeding up the process. This would have to be done anyway, and this provision clarifies that the commissioner has the ability to acquire the data and methodology used for the assessment, otherwise the commissioner would have to replicate it and there is obviously potential debate about issues.

Clause put and passed.

Clauses 30 to 40 put and passed.

Clause 41: Section 3 amended —

Ms R. SAFFIOTI: My question relates to the definition of "substantially renovated home". How in practice will that be monitored? Who will be responsible for assessing whether a home has been substantially renovated, and what will be the benefit for the Commissioner of State Revenue in making that assessment?

Dr M.D. NAHAN: The definition of "substantially renovated home" is already contained in the act. In the past, it applied to the GFC boost from the commonwealth government. We are just making it more generalised.

Ms R. Saffioti: How will it be monitored and enforced?

Dr M.D. NAHAN: There will need to be a statement from the vendor that they had to pay GST on the transaction. The real marker will be whether the commonwealth has levied GST on the basis that it is treated as a new home.

Mr W.J. Johnston: So you will be using the ATO assessment?

Dr M.D. NAHAN: Yes.

Ms R. SAFFIOTI: What does "substantially renovated" mean? Does it mean over 50 per cent of the value of the property?

Dr M.D. NAHAN: It means that the building has been substantially altered—for instance, a warehouse has been converted into a liveable dwelling unit, so an altered use of the dwelling, or the structure has been substantially altered, including foundations, floors, supporting walls, lifts, or modification of the roof. The Australian Taxation Office has a process and a set of rules to determine what is substantially altered. What we are doing in this case is adopting the definition from the GST act, as we did when the commonwealth was involved in the first home owner grant and provided the boost during the GFC. So we are relying to some extent on the methodology set up in that act, and that will be supported by the commonwealth levying GST on the transaction and the vendor making a statement.

Mr W.J. JOHNSTON: What is the difference between the three new definitions that are proposed to be inserted by this clause and the three definitions that are proposed to be deleted by clause 42, because the three headings are the same? I imagine there must be some reason for inserting these new definitions.

Dr M.D. NAHAN: The act as it stands does not differentiate between existing and new payments; it is $7 000 each. The boost did differentiate. These provisions are in the act, but they are related to the boost. We will now be applying these provisions generally so that we can differentiate between established, new and substantially renovated homes.

Mr W.J. Johnston: Is there any difference between the two sets of definitions?

Dr M.D. NAHAN: No. We are just taking those definitions in the act that apply to the boost and applying them more generally.

Clause put and passed.

Clause 42 put and passed.

Clause 43: Section 19 amended —

Mr B.S. WYATT: I have a question on the government advice about the impact of the government's decision to reduce the first home owner grant for sub-$600 000 established homes. I raise that because there has been some speculation in the media from a number of real estate agents in my area of Victoria Park that it has had an impact on that market. I am keen to get the minister and the government's reflection on whether that has indeed been the case.

Dr M.D. NAHAN: The Real Estate Institute of Western Australia has complained about the shift in weight from existing housing and the reduction in the first home owners grant from $7 000 to $3 000. It has stated that it will have a negative impact on the sale of lower priced existing homes. I have read some indications in the media, not from REIWA to be fair, that this has led to a rush of new home buyers into the existing home market. That is why when changes such as this are made, we have to get them in quickly. On the other hand, in the member for Victoria Park's area there are a lot of moderately sized apartments—I am not an expert on the area—valued around $500 000 and $600 000.

Mr B.S. Wyatt: It's a bigger range than that, in the $500 000 to $700 000 range.

Dr M.D. NAHAN: A lot of younger people and families are moving into those apartments. I have read press reports that an increasing number of first home buyers, particularly people without children, are looking to move into apartments as their first homes, as my daughter did. One suspects that the area of the member for Victoria Park would be the focus of that. However one of the arguments that lay behind the shift in Western Australia and

other states reducing their payments to existing homes and putting more into new homes was the idea that we need to give an incentive to build more dwelling capacity stock. Also the clear evidence is that first homes and existing properties vary, but it generally boosts the prices of homes, giving a return to the seller of the home and therefore reducing benefits to first home buyers.

Mr B.S. Wyatt: Why would that not apply to new homes?

Dr M.D. NAHAN: Because there is a fixed supply of existing homes. Let us say there is a fixed supply and the price of that supply is reduced artificially, the fixed supply of existing homes cannot be altered. If the demand increases, the price is jacked up. That is demand and supply, and it cannot be altered. There is a fixed supply of existing homes, whereas for new homes, people can be given an incentive to build new capacity. The supply of new homes can be adjusted more easily by expanding the number of them.

Mr B.S. Wyatt: If there is a limited supply—I gather there is—surely that would have the same impact on an existing home. Maybe you are right and the grant is feeding through into a higher price. I mean, that argument you put to me would make sense if there was an unlimited supply or a much greater supply of new homes than there is demand.

Dr M.D. NAHAN: First, it is a new home, and the way it is built; it is easier to expand the supply of new homes, whereas the supply of existing homes is fixed. The supply curve is fixed vertically and if the demand can be increased, the price goes up. However the capacity can be increased by building new homes, and that is sufficient, they say—although I share the member for West Swan's concern about the long-term adequacy of not only capacity but also land supply. However, in this current market the indications are that if the demand for new homes is increased, there will be a supply response to increase the number of new homes.

Mr B.S. Wyatt: This is my final question to you. So your view, the government's view, is that the supply of new homes is sufficient for the demand that is out there so that this increase in the grant will not simply result in a higher price?

Dr M.D. NAHAN: Exactly; we need to put our limited dollars into stimulating new housing capacity. We are also confident that it will apply to apartments, perhaps not in the centre of the city but in the member for Victoria Park's area and in other areas.

Mr W.J. JOHNSTON: Given that it is often announced that changes to these types of programs will take effect from the date of the budget and then the legislation is passed—I spoke earlier about understanding the need for retrospective legislation sometimes—that would be an understandable situation. We have this situation in which these provisions do not come in until some future date. It certainly will not be 15 September because the bill will not pass through the other house before then. The announcement was made in the budget on 8 August and the provisions will change perhaps sometime in October. What is the government's assessment of the delay of contracts? I imagine that a first home buyer thinking of buying a new apartment or a new house in some greenfields development would wait because they would get an extra $3 000 from the government. Proposed subclause (2C) states that if a person has signed a contract, cancelled it and re-signed it subsequent to the passage of the legislation, the commissioner is entitled to say that that person gets only $7 000. Therefore, the government must have seen the effect of first home buyers exiting the market for newly built houses. Can the government tell us what the effect is on that at the moment?

Dr M.D. NAHAN: The member is right; people will react to these incentives. I am sure, to the extent they can, that people will delay getting into new houses. They will probably react now, assuming that will happen, but they would have delayed for a period. They would have hurried into existing houses before the change was made. I am sure there is an assessment process. Exactly how much it is, we do not know. Our aim is to get the bill through as quickly as possible to minimise that distortionary effect.

Mr W.J. JOHNSTON: Why did the government not make the decision on budget day so that it was effective from budget day, which is quite common with budget provisions? It is a very well understood practice that the government makes a policy announcement and, with effect from that day, these are the rules, and then the legislation passes subsequently. Why did the government not adopt that course?

Dr M.D. NAHAN: That is a good point. Any reduction to the first home owner grant of $7 000 cannot be implemented until legislative commitments are effected as the Commissioner of State Revenue has no discretion to refuse to pay a $7 000 grant where the home buyer meets the requirements under the act.

Mr W.J. Johnston: I am asking about the increase, not the decrease.

Dr M.D. NAHAN: There was an increase and a decrease. The amended legislation could retrospectively apply to a reduced grant and in many cases it would be difficult for the Office of State Revenue to recover the excess grant from first home buyers as grants are likely to be part of the home loan deposit.

Mr W.J. Johnston: I am not asking about the reduction.

Dr M.D. NAHAN: It would have been possible to increase the grant for new homes from the date of announcement and reduce the grant for established homes following the passage of legislation. However, after balancing the competing objectives and minimising market distortions, and the need for legislative and administrative clarity, it was simply decided that the changes to the first home owner grant would come into effect on 15 September or the day after royal assent. The tax office looked at it and decided, for simplicity, that it would allow the thing to flow through and come into effect on the day of assent.

Mr W.J. JOHNSTON: I think it is a bit strange that the government admits there is a distortion in the market and people will delay transactions because they will pick up an extra $3 000. I was not talking about the people having their payment cut from $7 000 to $3 000; I am just talking about the people being faced with an increase from $7 000 to $10 000. It seems that the government is deliberately putting a stop to these transactions.

I would also like to know what negotiations, discussions, considerations or meetings were held with people in the property development industry prior to the budget announcement regarding the increase in the first home owner grant for new homes from $7 000 to $10 000.

Dr M.D. NAHAN: There has been extensive discussion on this around the state and around the nation. All states, other than the Northern Territory, have done exactly this. They have done it some time ago, but their budgets came down earlier than ours for a variety of reasons. There have been extensive discussions with the Housing Industry Association and the Real Estate Institute of Western Australia equivalents around the nation for a shift. I am sure Treasury held these discussions; I did not. I am the implementer of taxation; not the implementer of taxation policy.

Mr W.J. JOHNSTON: Could the minister undertake to let the chamber know what organisations were consulted on this increase from $7 000 to $10 000, and perhaps when those consultations took place?

Dr M.D. NAHAN: The member will have to ask that question of the Treasurer. I am the minister responsible for the collection of taxation and the implementation of tax law, not the policies involved in it. I know Treasury has been in extensive discussions on a range of issues for a long time. As to whether it specifically put those options and exact quantums to the various groups, I cannot answer that. I am not party to that.

Clause put and passed.

Dr M.D. NAHAN: The member for Victoria Park asked me to get some information about the regulatory gatekeepers unit. An exemption from the regulatory gatekeeping unit was received because of budget measures; because it went to the Economic and Expenditure Reform Committee.

Mr B.S. Wyatt: So all the —

The SPEAKER: I am not allowing debate on this; sorry.

Dr M.D. NAHAN: I am just informing. I was asked a question.

The SPEAKER: Okay, that is it. Thank you.

Title put and passed.

Debate adjourned, on motion by **Dr M.D. Nahan (Minister for Finance)**.

House adjourned at 11.47 pm