

STATUTES AMENDMENT (BUDGET 2008) BILL

23 July 2008

The Hon. D.G.E. HOOD: I rise to make a contribution to this bill on behalf of Family First, and I will specifically be talking to the major taxation reforms outlined in that bill. Suffice to say that Family First welcomes both the measures contained in this bill as regards first-home buyers and payroll tax reductions—or, I should say, beneficial changes. I will start with the second by simply saying that the reduction of payroll tax is a welcome boost to business in South Australia, and we support it. The lifting of the threshold there is a boost to small business in particular, and Family First supports small businesses because, in many cases, they are also family businesses.

I will give an interstate comparison and simply remark for comparison purposes that the bill sets a 5 per cent payroll tax rate this financial year going down to some 4.95 per cent next financial year, with our thresholds up to \$552,000 this financial year rising to \$600,000 in the next. New South Wales has a higher taxing regime having 6 per cent payroll tax with a raised threshold this financial year from \$600,000 to \$623,000, then lowering to 5.75 per cent in the second half of this financial year. Victoria's rate is 4.95 per cent this financial year, down from 5.05 per cent in the previous financial year, and Queensland leads the way at 4.75 per cent.

Western Australia's rate is 5.5 per cent but interestingly has quite a high threshold of \$750,000—under that no payroll tax is paid at all, although I note it is lower than the figure Business SA has been lobbying for. These comparisons on face value suggest that our payroll tax is still a little on the high side but, before other opinions are put forward, the question of cost of doing business in this state is a complex picture of which payroll tax is a significant but obviously not the sole component. We have just passed the payroll tax harmonisation legislation, and we hear a lot in this place about red tape for business from equal opportunities to other compliance legislation which raise the administration costs and hence the cost of doing business in South Australia.

In closing on that subject, we welcome the relief given to small business in particular in this budget, but we will have an open mind to calls from business or other parties for further reductions in years ahead; indeed, we would like to see the rate come down in the years ahead. It is a step in the right direction, but more can be done.

Family First has somewhat more to say about the second measure in this bill, and that is stamp duty relief for first home buyers. Honourable members will recall that I have asked questions about this issue before in this place on several occasions. For instance, on 27 March last year I asked the government a question about the threshold ranges, and I invite honourable members and readers of *Hansard* to look at that question which gives a background on the rises in those thresholds.

My question then was about the minimum threshold where a home buyer gets full stamp duty relief—they pay no stamp duty at all. At the time the threshold was a ridiculous \$80,000. The Treasurer's reply on 19 June 2007 was largely couched in terms saying it was an issue in the mix, amongst other budget considerations. During question time on 3 June this year, I raised a question about stamp duty relief for first home buyers, noting the threshold range as from the 2004-05 budget was \$130,000 to \$250,000 for the purchase price of a house. I noted in that question that the 2004-05 budget had estimated a cost to the government of some \$10.5 million recurrent per year to run that scheme.

It is a bit early yet perhaps but I will refresh my question here as a question on this bill, to ask what the 2004-05 budget measure actually cost the government in delivery of relief to first home buyers. Just to make the point: the estimate was \$10.5 million and I am asking what the actual cost was. My point is this: Family First is concerned that the budget measure (and, before that, the previous minimum thresholds) meant little to nothing in real terms to families trying to buy their first home because housing prices have risen to such an extent as to render the thresholds quickly irrelevant.

Against this background the reform of the threshold system in this bill is welcome. The reforms were met with front page fanfare in *The Advertiser* on Thursday 5 June this year in a pre-budget release of measures to come. The Treasurer was quoted as saying that this reform will deliver significant help for first home buyers. Now the minimum threshold is some \$400,000—in other words, homes purchased under this amount attract the full \$4,000 bonus payment—and this phases out over a much narrower range than was the case before, phasing out over a \$50,000 range—that is, by \$450,000 no relief is attracted.

I think it is important to place on the record what was not in the second reading inserted in *Hansard* but was in the press, being the cost to government. One might understand, given my earlier comments about the 2004-05 changes, that it is worth scrutinising how the actual cost measures up against the expected cost, because it shows how well the government's package has hit its intended target. The same *Advertiser* article I referred to says that the government will incur some \$32 million in the current financial year, and then \$130 million over the next four years in delivering its relief.

It is also worth putting on record the Treasurer's expectation in that article: that 9,000 first home buyers would receive the full \$4,000 grant and that 95 per cent of all first home buyers would receive some form of assistance. This is, indeed, a positive measure. Family First welcomes this measure and we hope that it hits the mark as intended. We think it is worth casting a critical eye over this area because it promises so much for first home buyers and we hope it delivers.

Our strong intuition about the previous regime—and we have not seen the answers to questions about that regime as yet, referring back to the earlier period that I mentioned—is that it was failing to live up to expectations. I invite the government to demonstrate that the previous regime did better than regimes under previous administrations, because that would be a fair thing to do. It may be that under the previous regime, despite its failings, it was still more generous than others before it.

As I said in my question on 27 March this year, this sort of stamp duty relief for first home buyers began in 1979 under the then Tonkin government. I think it is worth noting that the day before the government's 5 June front page announcement (which I referred to earlier) the Queensland government announced for its budget that there would be no stamp duty payable for houses with a purchase price of less than half a million dollars—none at all. The median house price in Brisbane at that time—and it is only over a month ago—as reported by *The Australian* newspaper of 4 June, was \$467,380. So, their threshold is actually substantially above the median price in that city.

A table published with that article was very insightful. It stated what stamp duty was payable on first home purchases in all the states as of 1 September, including the freshly-announced Queensland measure that day. Of course, the state government's announcement the following day renders the column redundant (that which outlines the South Australian figures) but the table glaringly showed how poorly we ranked at that time.

As I say, clearly, this measure is a step in the right direction but I think Queensland is definitely leading the way with respect to genuine relief on stamp duty, particularly for first home buyers, and the fact that their relief cuts out at a level above the median price of houses in that state, which is not the case here in South Australia.

Referring back to the table, I note that it shows that only Victoria has a higher stamp duty on first homes in the \$600,000-upwards range, and below that South Australia was ranked worst in the \$100,000 range (in fact, no other state imposed stamp duty on that purchase price at all), and South Australia was also worst at the \$200,000, \$300,000, \$400,000 and \$500,000 levels. Only Victoria and Tasmania were at that time imposing duty in those ranges, prior to Queensland's 4 June measure, it was the fourth state to impose stamp duty on first home buyers in the \$300,000 to \$500,000 band. As I have said, they changed that to raise their level up to \$500,000, making it currently the best state.

Recent reports in South Australia suggest a cooling in our prices, but in this place we are hearing more and more about our mining prospects in particular. For instance, in places such as Whyalla, house prices are still surging. Talking from experience, I can say that house prices in my local area are still doing very well indeed.

So, on the back of the mining boom and other developments and advancements in the state, there is every chance that, during the life cycle of this package, these reforms might become redundant themselves, as house prices exceed the thresholds.

Family First will be watching the performance of this scheme, and we will have more to say about it as the weeks and months pass. As I have said, we see this as a positive measure, and we commend the government for introducing it. It is a step in the right direction but, clearly, Queensland leads the way due to the fact that its threshold expires above the median house price in the city.