

DRAFT SECOND READING SPEECH

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Taxation Related Legislation (Housing Availability and Payroll Relief) Bill 2018

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Madam Speaker

Today, this Government is delivering on its promises to support more apprenticeships and traineeships, create more jobs in regional Tasmania, promote increased employment and economic growth across the State, and improve Tasmania's rental market and home ownership.

Following the 2018 Tasmanian State Election, this Government committed to introduce legislation to give effect to its suite of tax reform initiatives within its first 100 days of Government. These initiatives included:

- a new tax bracket with a lower payroll tax rate;
- a regional business relocation payroll tax exemption;
- an extension of the payroll tax rebate scheme for apprentices and trainees in targeted areas of skills shortage;
- a three year land tax exemption for new long-term rentals;
- a 50 per cent duty concession for first home buyers of established dwellings;
- a 50 per cent duty concession for seniors downsizing their homes; and
- a Foreign Investor Duty Surcharge.

In response to the Housing Summit on 15 March 2018, the Government further committed to introduce a land tax exemption for short-stay accommodation listed for long-term rental in the Greater Hobart Area and lastly the Government announced on 20 May 2018 that it will extend

the \$20 000 First Home Owner Grant for newly constructed homes by one year from 1 July 2018.

This Bill delivers on all of these commitments within the first 100 days of the Government's second term as promised.

Madam Speaker,

This Government's number one priority is jobs and we have listened to businesses that have argued that payroll tax is an impediment to job creation. Now that the Government has balanced the budget and is in a strong fiscal position we are able to address this issue.

This Bill therefore amends the *Payroll Tax Act 2008* to introduce **new arrangements that reduce the rate of payroll tax paid on taxable wages** between \$1.25 million and \$2.0 million per annum to 4 per cent. A payroll tax rate of 6.1 per cent currently applies to all wages above the tax-free threshold of \$1.25 million.

This change will potentially save a business generating taxable wages of over \$2.0 million per annum more than \$15 000 a year, freeing up funds to invest in the business or to boost employment. For example, if just 25 per cent of those businesses currently paying payroll tax were to create one extra job as a result of this measure around 650 new jobs would be created.

The new payroll tax arrangements will apply from 1 July 2018 and continue this Government's commitment to having among the most competitive taxation arrangements in Australia.

Madam Speaker

The Tasmanian economy is now performing strongly under this Government's leadership.

However we know that the benefits of our growing economy are not being felt in some regional areas of Tasmania. To help address this the Government is providing **payroll tax incentives for mainland businesses to relocate to regional Tasmania**.

Consequently, this Bill further amends the Payroll Tax Act to introduce a three year payroll tax exemption for mainland businesses that relocate to Tasmania between 1 July 2018 and 30 June 2021 and establish their operations in a regional area.

This increase in business will not immediately impact on the Budget, as businesses that relocate to Tasmania would not have been paying Tasmanian payroll tax. However after three years there will be a positive revenue impact on the budget in addition to the added benefit of regional economies being supported by the relocation of people and plant to those areas.

This measure will be subject to eligibility criteria designed to establish that a business relocation has occurred and that the business or any part of a related corporate group does not already have employees in Tasmania.

Madam Speaker,

This Government is committed to rebuilding the number of apprenticeships and trainees in Tasmania.

To support our local businesses that invest in an apprentice or trainee the Government intends to **extend the successful Payroll Tax Rebate Scheme for apprentices and trainees** from 30 June 2019 to 30 June 2021. The extended scheme will focus on addressing identified skills shortage areas of the Tasmanian economy.

This Bill therefore amends the *Payroll Tax Rebate (Apprentices, Trainees and Youth Employees) Act 2017* to provide that businesses that employ apprentices and trainees from 1 July 2019 will

be eligible for a two year rebate of the payroll tax paid for those eligible apprentices and trainees employed in the areas of building and construction, tourism and hospitality, and manufacturing.

This will ensure a more productive workforce, now and in the future, to the benefit of both young people and businesses.

Madam Speaker,

Six of the nine measures in this Bill are directed towards improving housing access and security for all Tasmanians by increasing housing supply, managing demand in the housing market and making housing more affordable for those seeking to enter the market as property owners.

Under this Government, business confidence is high and the population is growing. Since this Government was elected, Tasmania's population has grown by more than 8 000 people, of which more than half are new arrivals to Tasmania. There is no doubt that the attractiveness of Tasmania as a place to live and work is driving strong demand in parts of Tasmania's property market.

The Tasmanian Government has set a target to grow Tasmania's population to 650 000 by 2050. This is an ambitious target, but it is key to underpinning Tasmania's continued economic growth. Growing our population will deliver significant benefits for Tasmania. However, as a Government we recognise that growing our population requires a greater supply of housing, including affordable long-term rental accommodation.

Madam Speaker,

As promised, this Government is introducing measures aimed at improving Tasmania's rental market. This Bill amends the *Land Tax Act 2000* to provide a **three year land tax exemption** for all newly built housing made available for long-term rental for up to three years. This measure is aimed specifically at encouraging the construction of more long-term rental accommodation.

To be eligible for the land tax exemption a property must:

- be a new dwelling that has not been previously occupied;
- have an Occupancy Permit issued between 8 February 2018 and 7 February 2021;
- be rented for a minimum lease term of 12 months or, where the property is in between tenants, be untenanted for no more than six weeks each financial year; and
- be rented out entirely.

If the criteria are met, the land tax exemption will be provided the following financial year. This is in keeping with the current application of exemptions under the Land Tax Act which determines land tax liability based on usage as at 1 July.

Madam Speaker,

The success of Tasmania's tourism industry has encouraged the growth of the private **short-stay accommodation market**, through companies such as Airbnb and Stayz. While this Government continues to support growth in the tourism and hospitality industry by embracing the sharing economy, it also recognises that the composition of the rental market has changed with the introduction of short-stay accommodation sharing.

Following the Housing Summit held on 15 March 2018, the Government announced that, to assist with Tasmania's housing shortage, it would implement a one year land tax exemption to encourage short-stay accommodation properties to be made available for long-term rental accommodation within the Greater Hobart Area.

This measure will be subject to eligibility criteria, and similar to the land tax exemption for newly built properties, will be provided in the form of a land tax exemption in the following financial year.

The exemption will be available between 15 March 2018 and 14 March 2019.

Madam Speaker,

The Government will also increase housing supply and improve the accessibility of the housing market by encouraging more first home buyers to build residential housing or purchase newly built homes. To do this the Government will extend the \$20 000 **First Home Owner Grant** for a further year.

Without the Government's intervention, the grant amount of \$20 000 will fall to \$10 000 on 1 July 2018. This Bill therefore amends the *First Home Owner Grant Act 2000* to extend the grant of \$20 000 for eligible first home buyers who enter an eligible transaction for the purchase of a newly constructed home or construction of a new home from 1 July 2018 to 30 June 2019 inclusive. This means that Tasmania will continue to have one of the most competitive home owner grants offered by any jurisdiction in Australia.

The Government's continued focus on the construction of new homes will promote employment and increase new housing supply, supporting the Government's population strategy.

Madam Speaker,

To manage the increasing demand from foreign investors in Tasmanian property and to assist local buyers to remain competitive in the housing market, this Government is introducing an **additional duty on foreign acquisitions of residential and primary production land** in Tasmania.

This Bill therefore amends the *Duties Act 2001* to impose a Foreign Investor Duty Surcharge.

The Foreign Investor Duty Surcharge imposes an additional duty of:

- 3 per cent on residential property which is acquired by a foreign person; and
- 0.5 per cent on primary production property which is acquired by a foreign person.

The Government believes this surcharge will level the playing field for Tasmanians and ensure that foreign investors contribute their fair share to our State. The surcharge will commence on 1 July 2018.

Madam Speaker

First home buyers who are not eligible for the First Home Owner Grant will now also benefit under the Government's housing strategy.

As part of its election commitments, the Government announced a **50 per cent duty concession for first home buyers purchasing an established home** with a dutiable value which does not exceed \$400 000. The concession, which will apply retrospectively from the date of the Government's announcement on 7 February 2018, will be available where the transfer or settlement occurs during the 12 month period from the date of announcement until 6 February 2019.

This measure will be implemented by providing a concessional rate in the Duties Act, and will be subject to certain eligibility criteria. This measure will provide assistance to eligible first home buyers who purchase established properties as their first home, however it will not apply to:

- vacant land purchased with the intention to build;
- newly constructed homes;
- spec homes; or
- owner builder homes;

as first home buyers for such properties may already be eligible for the \$20 000 First Home Owner Grant.

Finally Madam Speaker,

This Bill amends the Duties Act to provide a **50 per cent duty concession for eligible pensioners that downsize** their existing home to a home or unit at a lower cost.

The concession will be available for the purchase of an eligible home if a pensioner's existing home is sold and settled within the 12 months from 10 February 2018, and again will be implemented by providing a concessional rate of duty subject to eligibility criteria to ensure that the concession targets the intended taxpayers.

Key eligibility criteria include: the purchased home having a dutiable value which does not exceed \$400 000; the purchased home costing less than the dutiable value of the existing home upon sale; and the sale of the existing home occurring within six months of the purchase of the downsized home.

This measure will help seniors to downsize - freeing up larger, family style housing for growing families and allowing pensioners to move to homes which suit their lifestyles and require less maintenance. This measure will apply retrospectively from the date of the Government's announcement on 10 February 2018.

Both the duty concession for first home buyers of established properties and the duty concession for seniors downsizing will be reviewed in the lead up to the 2019-20 State Budget prior to any decision to continue or modify the measures beyond their original 12 month availability.

Madam Speaker,

This Bill gives effect to the Government's suite of tax reform initiatives and affordable housing commitments in accordance with the Government's 100 day plan.

It implements measures that:

- promote employment and economic growth in Tasmania;

- provide incentives to increase the supply of housing, including affordable rental accommodation; and
- level the housing affordability playing field in Tasmania.

This Bill reflects the government's commitment to improve the life of Tasmanians and their families.

Madam Speaker,

I commend this Bill to the House.