



NSW Legislative Assembly Hansard

Duties Amendment (Abolition of Vendor Duty) Bill

Extract from NSW Legislative Assembly Hansard and Papers Tuesday 13 September 2005.

Second Reading

Mr MORRIS IEMMA (Lakemba—Premier, Treasurer, and Minister for Citizenship) [5.05 p.m.]: I move:

That this bill be now read a second time.

This bill implements the announcement on 2 August 2005 that vendor duty would not apply in respect of contracts for the sale of property first signed on or after that date. It is a very simple piece of legislation and it does two things. First, it abolishes vendor duty for all contracts exchanged on or after 2 August this year. Second, it abolishes disposal duty, the vendor duty equivalent for people with indirect interests in property, for all disposals completed on or after 2 August this year. It is simple and should be supported wholeheartedly by all honourable members.

Vendor duty was introduced at a time when the market was strong, but times have changed. In current market conditions vendor duty is a handbrake on economic activity. Moreover, it had become a psychological impediment on investment in New South Wales. The abolition of vendor duty should assist in boosting the level of investment in this State and lead to an increase in building activity, thus helping to keep New South Wales the economic powerhouse of the nation. It has been supported by stakeholders, the Real Estate Institute, the Property Council and, as we heard today, small investors, or mums and dads. Even Treasury's own data showed that vendor duty would dampen the level of turnover.

There will be a cost to abolishing vendor duty. It was projected to raise \$358 million this financial year. Increased activity in the property market resulting in increased revenue from transfer duty is likely to go some way towards funding the gap. The remainder will be found through the audit of expenditure I have commissioned to forensically scrutinise areas of expenditure and find ways of improving government services while reducing their cost. The audit team is headed by Dr Mike Vertigan, former head of the Victorian Treasury, and Mr Nigel Stokes, who has extensive experience in banking and public finance. They have already started their work.

The details of the bill are as follows. The bill abolishes vendor duty. The bill also abolishes disposal duty—the application of vendor duty to land-rich transactions. The introduction of disposal duty was necessary to prevent avoidance of vendor duty through the disposal of indirect interest in land rather than the disposal of direct interests. Disposal duty is abolished from the same date—2 August this year—for disposals of any interest by a significant interest holder. Contracts exchanged but not settled by 2 August 2005 will remain liable for vendor duty, which is appropriate. Contracts exchanged prior to 2 August were exchanged on the basis that vendor duty would continue to apply.

The impact of vendor duty on the transaction was factored into the agreement. To unilaterally change the basis of the agreement after the contracts had been exchanged would provide one party with a windfall gain. The alternative of exempting from duty those contracts that had been exchanged but not settled prior to 2 August would be unfair. It would mean that two contracts exchanged on the same date could have different taxation outcomes—those settled prior to 2 August would be taxed, while those settled after 2 August would not be taxed.

The approach taken in this bill of no longer applying vendor duty only to transactions entered into on or after 2 August is fair and consistent. These anti-avoidance provisions are a matter of equity and consistent with how governments—State and Federal, now and in the past—have dealt with tax changes. That means the changes take effect from the day of the announcement in order to ensure that all taxpayers are treated fairly. This is the sensible step. It reduces State taxation, it boosts investor confidence and it should be supported wholeheartedly by all members of the House. I commend the bill to the House.