



## NSW Legislative Assembly Hansard

### Duties Amendment (Abolition of Bob Carr's Vendor Duty) Bill

Extract from NSW Legislative Assembly Hansard and Papers Thursday 23 June 2005.

#### Second Reading

**Mr JOHN BROGDEN** (Pittwater—Leader of the Opposition) [10.05 a.m.]: I move:

That this bill be now read a second time.

Yesterday in this House we saw from within the Australian Labor Party one of its most senior backbenchers open up—

**Mr Kim Yeadon:** Come on!

**Mr JOHN BROGDEN:** I note the criticism from the Left of the honourable member for Blacktown. Today we have represented in the Chamber the Left, and the left right out—the honourable member for Granville. He was once a great member of the Carr Labor Government but was shafted by the Left faction at the last election and is now faced with the indignity of sitting next to the honourable member for Swansea and the honourable member for Monaro, who is surrounded by all his friends, that is, sitting alone.

**Mr Steve Whan:** Look at your support today. When the Premier comes into the Chamber the Government benches are full.

**Mr JOHN BROGDEN:** The only reason the Premier gets a full audience when he speaks in this place is because the Government members hope that will be the speech he announces his retirement, and they all want to be there for that moment. Today I introduce a bill that abolishes Bob Carr's 2.25 per cent vendor duty. It is the stated policy of the Liberal-Nationals Coalition to abolish Bob Carr's 2.25 per cent vendor duty. This tax is destroying the New South Wales economy. This tax, titled by the Labor Party alone as the world's dumbest tax, must go. This bill abolishes the 2.25 per cent vendor duty. The Government should never have introduced this legislation in the first place. Having done so, it should have abolished it in the budget a month ago. It failed to do so.

After more than 12 months of its operation we now know the real effect of this tax. We have seen a significant reduction in various sectors. We have seen the loss of jobs from the construction sector, the loss of value in houses and properties and investment opportunities fly north. The only person who has won from this tax is Peter Beattie, the Premier of Queensland. We have seen the ridiculous spectacle of the Government introducing a piece of legislation, reportedly to make up for the shortfall in the GST that goes to Queensland, which has produced an outcome that has seen direct investment go from New South Wales to where? Queensland. Other States, such as Victoria and Western Australia, have also benefited significantly from this tax. Did we ever think we would live to see the day when the Auckland property market was more interesting than the Sydney property market? Is it any wonder that the Premier's preferred nation of investment, New Zealand, has benefited from this tax?

This tax is damaging mum and dad property investors. It is a clear point of differentiation between the Liberal-Nationals Coalition and the Labor Party. Unlike the Labor Party, we believe that people who work hard all their lives, invest in their retirement and build their wealth should be rewarded, not punished. We believe that people should be encouraged to build their wealth. We believe that people should be encouraged to invest in their retirement. We believe that people should be encouraged to do better. The Labor Party punishes people who invest in their retirement. The great act of stupidity from the Labor Party was to predict that this would be a political non-event. They predicted that the only people who would be affected by this tax, the only people who would be hurt by the introduction of the 2.25 per cent vendor duty would be multibillionaire property investors. Bus drivers own investment properties, schoolteachers own investment properties, plumbers own investment properties and carpenters own investment properties.

For generations creation of wealth for a family and an individual, and planning for a person's retirement—indeed, in many cases, the creation of something to give to your children when they leave home or when they marry—has been through investment in property. But now, the only government in Australia that taxes you when you buy an investment property and again when you sell that property is the Government of New South Wales. The creation of this new tax last year has led to New South Wales becoming the least attractive investment market in the entire country, so far as property is concerned, and the flow-on effects are clear. Yesterday, in his regular report on the state of finances in Australia, the ANZ economist, Saul Eslake, said in part that the New South Wales economy is now a drag on the national economy. We have seen the worst Treasurer in the history of New South Wales, Andrew Refshauge—

**Mr Milton Orkopoulos:** Give him a chance!

**Mr JOHN BROGDEN:** Give him a chance? He had a chance—it was called the 2005 budget, and he did absolutely nothing. In his short tenure as Treasurer of New South Wales he has established himself as the highest taxing Treasurer in the country and the highest taxing Treasurer in this State's history—and is the Left Wing proud of him! The vendor tax is having an effect on people throughout New South Wales. As the statistics clearly show, parts of the south-west of Sydney have the greatest number of property investors in the State. This tax is not damaging only the traditional Liberal and National heartland; the reverse is in fact the case. Vendor duty is affecting people in the aspirational part of greater Sydney and greater New South Wales who want nothing more than to invest in their future and to get ahead.

The Opposition believes that those people should be rewarded. This bill will put pressure on members of the Labor Party to vote for the abolition of the vendor duty. It will put pressure on every member of the Labor Party in New South Wales to indicate whether or not they support this legislation and exactly what they are going to do about it. We are witnessing, courtesy of the vendor tax and 10 years of this Government's appalling performance in budgeting in particular, the title "powerhouse of the nation" slipping away from New South Wales.

An analysis in Tuesday's *Australian Financial Review* indicated that, while other State treasurers had vowed to cut land tax and duties affecting business, New South Wales had actually increased taxes in the 2005 State budget. The Chief Executive Officer of Australian Business Ltd, Mark Bethwaite, stated that New South Wales was less competitive for business than other States. In the 2005-06 budget year the Victorian tax ratio, a measure of gross State product to tax revenue, will be 0.07 percentage points below the Australian average and 0.57 percentage points below figures for New South Wales. Victoria is fast becoming an aggressive market for new investment and we know that Queensland has continued to cut taxes. In contrast, New South Wales has fallen behind.

In its recent budget the Queensland Government promised even bigger tax cuts, pledging a \$3.48 billion in cuts to business duties such as lease duty and credit card business. This Government seems to be ignoring those figures and ignoring the reality. Let me turn to the property finance sector. Finance for purchasers of dwellings for rent and resale by individuals between March 2004 and March 2005, a period during which the vendor duty was in operation for 11 months, showed a reduction of 4 per cent in finance in Victoria, an increase of 14.75 per cent in Queensland, and an increase of 23.4 per cent in Western Australia. But in the same period finance for property in New South Wales dropped a massive 21 per cent. What is clearly happening is that the flow-on of the New South Wales only vendor duty is specifically damaging the New South Wales economy.

We have also witnessed a massive slump in home starts. The ABS figures released in April for the March quarter showed that New South Wales dwelling unit commencements had dropped by 14.8 per cent while Queensland's had increased by 9.2 per cent in the same quarter. In the 12 months to March 2005, New South Wales new dwelling commencements had dropped by some 3,873 homes and units. That means 3,873 fewer work sites and the loss of thousands of jobs. It also has a flow-on effect for businesses that supply timber, tiles, paint, transport, cement, bricks, furnishings and landscaping. They are doing less business courtesy of the Premier's vendor duty. At the table today, representing the Government, is the honourable member for Tweed. The honourable member for Tweed, whose electorate is just across the border from the aggressive low-taxed State of Queensland, supports the policies of his lazy high-taxing Government and says nothing—unlike the brave member for Blacktown.

**Mr Andrew Constance:** What did he say?

**Mr JOHN BROGDEN:** The honourable member for Bega wants to know what he said. The honourable member for Blacktown said yesterday that the vendor duty is hurting mums and dads. He said it was a stupid tax. From day one the Government's rhetoric has been that it had to introduce vendor duty in order to pay for the exemption from stamp duty for first home buyers paying less than \$500,000. That has been the Government's weak rhetoric and yesterday the honourable member for Blacktown exposed it as a lie. He said in this House:

Well, let me say this, no money is required to fund the first home buyers scheme because the Government is merely forgoing a small amount of income from stamp duty and mortgage duty paid by the first home buyer ... as I say, the vendor tax hurt so many ordinary people, including mum and dad investors, tenants and workers in the property industry.

The honourable member is right. By way of flourish, he added:

It is a little bit akin to giving somebody a hiding and then, as they are walking out the door, you give them a kick in the backside.

**Mrs Jillian Skinner:** He said that on the radio this morning.

**Mr JOHN BROGDEN:** What did he say on radio this morning? The honourable member for North Shore encourages me to go to the audiotape. The brave member for Blacktown, the courageous member for Blacktown, said:

... I am elected by the people in my electorate firstly and they're the people that I am responsible to and I wouldn't be doing justice if I didn't say what I feel. You know, ... there's no doubt the vendor tax has failed to raise its projected revenue. The fifty-seven and one half million monthly revenue target, we've never achieved it and never will.

He went on—Call Waiting was going crazy, the mobile phone was ringing and Walt was on the phone. They were trying to black out Blacktown. They were trying to get Telstra to cut the wires so that Gibbo could not keep going, but he did:

And the worst part Alan is simply this, the State's missing out in two ways because people aren't selling their property, so we're missing a massive amount of stamp duty on the sale of that property and also on the purchase of that property.

He ought to stop stealing my speeches. A theft has taken place here. Reflecting on the revelations of the last few months about leaking, I am confident that the leak has come from my office on this occasion! Paul Gibson went on to say:

So we're missing out twice and I believe and I've got no doubt that I'm right—

and neither have we—

that if the exit tax or the vendor tax hadn't of been implemented we would have raised more money ...

Paul Gibson is right. The interview continued:

Jones: Correct

Gibson: in revenue for the people of this State

Jones: no doubt about that

Gibson: for hospitals, schools and railways

Jones: I had thought that this would be addressed at the ALP State Conference, was some deal done on the floor of the Conference?

Gibson: Well Alan I'm not privy to that ...

I get the feeling he is not going to be privy to much at all in the next little while.

**Mr Steve Whan:** That's about right.

**Mr JOHN BROGDEN:** "That's about right," said the honourable member for Monaro. You should show some loyalty to the member for Blacktown. Why does he not have the guts to back the abolition of the vendor duty? Why does he not find some courage, like the member for Blacktown? Why does he not find some spine?

**Mr SPEAKER:** Order! The honourable member for Monaro will cease interjecting and the Leader of the Opposition will address the Chair.

**Mr JOHN BROGDEN:** I will address the Chair. Why do you not ask him why he does not find some spine?

**Mr SPEAKER:** Order! The Chair does not ask questions.

**Mr JOHN BROGDEN:** The member for Blacktown went on to say:

Well Alan I'm not privy to whether the deal was done or not, but I believe, if somebody has got a cancer, if you've got a cancer then you've got to cut it out. You know because that's the only chance you have. I believe this is a cancer, I believe it can affect every one of our marginal seats and it's something that we've got to get rid of. And it's no good waiting until this time next year with an election pending early in 2007 and we have to address it now.

It is very clear from all the comments from the member for Blacktown that he understands what we understand

but Bob Carr does not: the vendor tax is hurting ordinary people. The member for Blacktown went on to say:

I just think it hurts ordinary people ...

I've always believed that the government admits its mistakes and I think Queensland is a great example. Governments make mistakes, we're not infallible. Let's be big enough when we make a mistake, say we were wrong and we'll change it.

Wisdom from the sage member for Blacktown! And he is right on this issue. We encourage the Government to listen to Paul Gibson, and we encourage his colleagues to stop attacking him. He should not be made a scapegoat for the truth—and that is what the Labor Party wants to do. What does the truth tell us? Real estate agents CB Richard Ellis have noticed increased interest in south-east Queensland properties by southern investors. They said that the New South Wales Government's failure to abolish the vendor duty in last month's budget meant that Queensland was now a more attractive investment option for Sydney investors. Robert Walker, the Executive Director of the Property Council of Queensland, agrees that Queensland will remain a more attractive investment option because New South Wales has retained its vendor tax and increased its land tax rate. He said:

Council research shows that the NSW vendor tax is a revenue failure that has cost the Carr Government in lost purchaser duty.

The message is very clear—once again, not from our side but from the Labor side. This time I will quote from the left of the Labor side. The State Secretary of the Construction, Forestry, Mining and Energy Union [CFMEU], Andrew Ferguson, said:

The vendor duty is the world's dumbest tax ...

Every investor that moves their money interstate or overseas because of this unfavourable tax, Government revenue, jobs and investment are lost.

The Assistant State Secretary of the CFMEU, Brian Parker, said:

We will actively campaign against the State Government until this vendor duty is reversed ...

We estimate that it could affect at least 50 per cent of the jobs in our industry because investors are investing in other States.

The CFMEU has now formed an unlikely but critical alliance with the Property Council of Australia, the Housing Industry Association, the Urban Development Institute of Australia, and the Real Estate Institute to campaign against what it calls—and rightly so—the world's dumbest tax. But we know that Paul Gibson is joined by some other leading lights in the Labor Party.

**Mr Andrew Fraser:** Tell us who.

**Mr JOHN BROGDEN:** Maybe we could guess. Are there any guesses on who would join Paul Gibson in criticising Labor?

**Mr Barry O'Farrell:** "Leading lights" is too difficult.

**Mr JOHN BROGDEN:** When I said leading lights, I thought it was a giveaway. Eddie Obeid likes the light because it comes from heat—

**Mr Andrew Tink:** That pyromaniac!

**Mr JOHN BROGDEN:** That is him. He is the one we need. Eddie Obeid gets value for money out of his fire levy, does he not? Recently the *Daily Telegraph* reported Eddie Obeid as saying that the vendor duty is killing investment and seriously hurting Labor voters. He said:

Vendor duty is not a rich person's tax, it is hurting people right across Sydney, with many investors living in traditional Labor seats, a high proportion coming from Sydney's Western Suburbs.

Particularly hardest hit small-time investors, working families and tradespeople who, over time, do not have sufficient superannuation accrued and rely on investment in small houses and units to finance their retirement.

It is now very clear, from all the evidence and the continued evidence, that a tax that has been described as the world's dumbest tax, a tax that has been campaigned against by the CFMEU—a left-wing union in New South Wales—by the property sector, and to date somewhat successfully by the Opposition, is hurting New South

Wales investors. This is a tax that is hurting the New South Wales economy. We are no longer the powerhouse economy of Australia, courtesy of 10 years of Labor. We are no longer the leading economy, because of the decisions of this Government.

It is as though, in an attempt to slow the property market, the Government took out a sledgehammer to crush a nut. But in doing so, rather than slow the property market the Government has destroyed the property market. It has killed it. Why is property important? Property is important because it is the investment of choice for the majority of this State's citizens so they can build their wealth. It is the investment of choice for the majority of working people so they can get ahead. This is not a rich person's tax; rather, it is a hardworking person's tax. It affects people who are simply trying to get ahead, and it is destroying the New South Wales economy.

The vendor duty is a tax that was created, with no consideration, by the former Treasurer before he left this place earlier this year. It is a tax that the Government had an opportunity to deal with. The Government had an opportunity in the budget to abolish the tax, but it failed to do so. Indeed, it went the other way: it increased taxes in other areas, such as insurance. The Government failed to avail itself of the opportunity to deal with the tax. I have a message for the people of this State. Should the Labor Party at any point between now and the next election come to its senses and abolish this tax, I say this to the people of New South Wales: The Government has done it to you once, and it will do it to you again. It cannot manage the State's economy. It does not want to provide opportunities for hardworking individuals, both young and old, to grow their wealth and invest in their retirement. Indeed, it wants to discourage them. The Government is actively forcing investment out of New South Wales—north, south, west, and east to New Zealand—because it does not understand how our economy works, and it really does not care any more.

What is clear is that this tired, old Government has run out of ideas. This tired, old Government has run out of what it takes to run the biggest economy in the country and, indeed, the second largest government in the country. It has run out of ideas, it has run out of capacity, and we see a tired, old Premier who is unwilling to recognise that people should be given encouragement to invest in their retirement. It is all right for him because he has invested in New Zealand. He does not care about people who want to invest in New South Wales. It is all right for the Treasurer because he does not have this tax. But the rest of the people of New South Wales deserve encouragement to invest in their retirement.

Let me conclude where I started. This bill provides an opportunity for every member of the Government to vote against the vendor duty and vote in favour of their constituents. It provides an opportunity for me to restate the policy of the Liberal-Nationals Coalition, and that is that we voted against the vendor duty when it was introduced in April last year and, upon election in 2007, we will abolish the dreaded vendor duty. It is a tax that will go and then we will see a growth in the economy that has been denied through the creation and maintenance of this stupid tax. It is time that the Labor Party members here came out from behind the Premier and stood up for their own electorates by supporting this legislation and voting against the vendor duty.