

Legislative Council Hansard – 22 June 2017 – Proof

APPROPRIATION BILL 2017
APPROPRIATION (PARLIAMENT) BILL 2017
STATE REVENUE AND OTHER LEGISLATION AMENDMENT (BUDGET MEASURES)
BILL 2017
EMERGENCY SERVICES LEVY BILL 2017

First Reading

Bills received from the Legislative Assembly, and read a first time and ordered to be printed on motion by the Hon. Don Harwin.

The Hon. DON HARWIN: According to sessional order, I declare the bills to be urgent bills.

The PRESIDENT: The question is that the bills be declared urgent bills.

Declaration of urgency agreed to.

Second Reading

The Hon. DON HARWIN (Minister for Resources, Minister for Energy and Utilities, and Minister for the Arts) (16:47): I move:

That these bills be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

Leave granted.

State Revenue And Other Legislation Amendment (Budget Measures) Bill implements a number of measures that the Premier announced on 1 June 2017, as part of the Government's comprehensive package to tackle the challenge of housing affordability and confirm that it is a key ongoing priority of the Government.

Addressing the challenge of housing affordability is a key concern for the New South Wales Government. From 1991 to 2016, the number of people living in the state increased by 31 per cent—growing from 5.9 million to 7.7 million.

However, housing supply did not keep pace with population growth. Between 2000 and 2010, dwelling completions across New South Wales declined substantially—in Sydney, less than half as many homes were completed in 2010 as were completed in 2000. It is estimated that an extra 725,000 dwellings will be required in the Greater Sydney area over the next 20 years.

The Coalition Government has been rising to this challenge. More homes were built in 2016 than at any other time in New South Wales' history, with more than twice as many as finished than in 2010. At the end of 2016, a record 83,000 homes were under construction. Approvals for housing also reached record highs.

The \$4 billion Housing Affordability package is designed to make it easier for people to own their own home in New South Wales, and to help first homebuyers in particular get into the market.

For new contracts from 1 July, first homebuyers will not have to pay any transfer duty on properties worth up to \$650,000, and will receive discounts for properties worth up to \$800,000. This will apply for both new and existing homes. It will save a first home buyer up to \$24,740 in tax. Total savings for first homebuyers will be around \$1.1 billion over the next four years.

Additionally from 1 July, the Government will continue to offer a \$10,000 First Home Owners Grant for the purchase of new properties worth up to \$600,000, and a \$10,000 First Home Builders Grant for people buying vacant land and building their first home on the land up to a total value of \$750,000. This will mean first home buyers can receive up to \$32,490 in benefits. As part of this better targeting of homebuyer benefits, the New Home Grant scheme will be abolished.

First home buyers who purchase under shared equity arrangements through Community Housing providers will also now be eligible for these benefits. The Chief Commissioner will be able to approve eligibility for other shared equity schemes in accordance with Guidelines issued by the Treasurer.

From 1 July 2017, the Government will also abolish the duty on lenders mortgage insurance which buyers who have only limited savings for a deposit have to pay. This tax increases the cost of insuring an ordinary home mortgage by two to three thousand dollars. By abolishing this tax, the Government will improve the ability of homebuyers to afford the insurance they need to enter the housing market without a six figure deposit. This will cut taxes for mortgagees by around \$122 million over the next four years.

To make sure that foreign investors make a fair contribution to the infrastructure and services we need in New South Wales, the Government is increasing the foreign investor surcharges on transfer duty and land tax that we introduced in the 2016-17 budget.

From 1 July 2017, the foreign investor surcharge on transfer duty will be increased from 4 per cent to 8 per cent. The surcharge for land tax will be increased from 0.75 per cent to 2 per cent on a foreign investors property holdings on 31 December, for the 2018 land tax year onwards.

To avoid any adverse impact on the supply of new dwellings, Australian-based foreign-owned developers will be able to get a refund of surcharges paid, as long as they sell developed properties within five years. For transfer duty, that is five years from their acquisition of the land for development. For the land tax surcharge on land already held, within five years of the introduction of the surcharges last year. The new arrangements cover all surcharges at both the old and new rates, and will be backdated to apply from the commencement of the surcharges. The Chief Commissioner will determine the payment of refunds in accordance with an order made by the Treasurer for this purpose. In total, these changes are expected to raise an additional \$859 million over the next four years.

This refund approach will discourage land banking as it creates a strong incentive for developers to start building on the land that they hold. If they do not build new dwellings and sell them within five years, they will forfeit eligibility for a refund.

The foreign investor surcharges were not intended to cover non-dwellings such as hotels and short term self-catering accommodation. Under current legislation, some foreign owned tourist residences and purpose built student accommodation are liable. Purpose built student accommodation is a fast growing and very valuable sector in New South Wales.

The current foreign investor surcharge exemption for hostel-style accommodation is therefore being extended to include all purpose-built student accommodation and dwelling-type self-catering tourist accommodation, providing more consistency. Any surcharges that have been paid for the types of property that are exempted will be refunded on application. The Chief Commissioner will have the power to determine which types of commercial residential accommodation will be exempt, subject to the Treasurer's approval.

Holders of permanent resident visas and New Zealanders who have not been resident for 200 days in the year prior to the acquisition of a property are currently liable for foreign investor surcharges. This requirement is being relaxed from 1 July for new and returning permanent residents, who will be exempt from surcharge duty provided they reside in the property as their place of residence for at least 200 days continuously in the 12 months following acquisition. To be exempt from the land tax surcharge, the owner must reside in the dwelling for at least 200 days continuously in the 12 months following 31st December, which is the date on which land tax liabilities arise.

The 12 month stamp duty deferral for off-the-plan purchases of residential property will be targeted at owner occupiers from 1 July. Investors will no longer qualify. This will reduce competition for families in purchasing their first home off the plan who will still be able to defer payment. This will bring forward around \$530 million in revenue over the next four years.

The Housing Affordability package announced on June 1 also includes measures to accelerate the delivery of housing infrastructure, speed up housing approvals and reduce planning impediments. This package builds on the Government's ongoing efforts to increase the supply of housing to improve affordability. Since coming to government in 2011, we have achieved unprecedented levels of housing approvals in New South Wales. There were over 72,000 residential building approvals last year—more than double the annual average rate under the previous government.

This bill also includes a number of measures aimed at assisting the more than 600,000 small businesses in New South Wales by reducing their insurance costs.

Effective from 1 January 2018, small businesses with an aggregate turnover less than \$2 million will be exempt from insurance duty on their premiums for commercial vehicle insurance (including aviation insurance), professional indemnity insurance, and product and public liability insurance.

These tax cuts are expected to save small businesses in New South Wales \$318 million over the four years to 2020-21. They will encourage small businesses to take up more appropriate levels of insurance by removing the disincentive caused by higher insurance premiums.

They will complement other Government measures designed to support the small business sector, which plays a key role in the growth of the New South Wales economy, and job creation.

Also from 1 January 2018, insurance duty on crop and livestock insurance will be abolished. This measure will help farmers with everyday expenses by reducing their insurance costs. This is forecast to save producers \$12.0 million over the four years to 2020-21.

The bill also implements other measures in the Housing Affordability Strategy. The Greater Sydney Commission Act 2015 is being amended to reinforce the delineation between the Greater Sydney Commission's role in strategic direction setting and the assessment of development applications and rezoning approvals. The amendments will remove District Commissioners as the Chair of the Sydney Planning Panels for their district. This will allow them to focus on the important strategic planning work needed to drive the housing targets in their districts. The Minister for Planning will determine who will replace the Commissioners

The bill also includes legislative amendments to split UrbanGrowth New South Wales into two entities—Urban Growth Development Corporation (focusing on complex urban renewal projects) and Landcom (focusing on Greenfield development). The amendments will ensure both entities have the powers, assets and expertise to deliver on their responsibilities. For UrbanGrowth, the major urban renewal projects include creating two additional Growth Centres (the Bays Growth Centre and the Parramatta North Growth Centre). The amendments include similar provisions for the transfer of staff, assets, rights and liabilities to Hunter Development Corporation (HDC) to ensure it has the assets and resources to deliver the Newcastle Urban Transformation and Transport Program.

Landcom has a history of delivering a range of diverse market housing solutions and embracing innovation to tackle housing affordability. Landcom has made a substantial contribution to housing supply and affordability since its inception as a state owned corporation in the early 2000s.

The final component of the bill is amendments to the Education Act 1990 to enable the Minister for Education to recover funding where there has been a relevant breach of a law, condition or agreement.

This amendment is now required as a priority, because the Federal Minister for Education intends to pursue a multi-million dollar claim of up to \$76 million against the Malek Fahd Islamic School for non-compliance with the not-for-profit requirements of the Commonwealth Act. Court proceedings in relation to this matter are underway.

Without the changes, the Commonwealth can only recover the funding it has provided to a private school that is in breach, by reducing the funds it provides to the New South Wales Government. This is because the funding to a private school the Commonwealth may be seeking to recover is not provided to the school directly, but must be provided through State governments. The amendments will ensure that if an amount becomes due from the current court proceedings, it will be taken to be a debt due by the school to the New South Wales Government. The amendments will also allow the state to assign to the Commonwealth the right to recover the debt directly from the school. The amendments will implement the Commonwealth's preferred approach, and will align New South Wales with similar arrangements in other jurisdictions.

The Emergency Services Levy bill

The Emergency Services Levy bill will allow the continuation of the existing method of funding needed by our fire and emergency services—Fire and Rescue New South Wales (FRNSW), the New South Wales Rural Fire Service (RFS) and the New South Wales State Emergency Service (SES).

This bill will defer the Fire and Emergency Services Levy (FESL) and reintroduce the insurance-based Emergency Services Levy (ESL).

Why are we making the change?

Under the FESL, the cost of our fire and emergency services would be more fairly distributed amongst all property owners. However, under this system, an unfair burden was in some instances falling upon individual households and businesses.

To ensure that the reform can deliver a fairer system without the occurrence of unreasonable charges, the New South Wales Government has decided to indefinitely defer the FESL. This has been taken in consideration of the feedback received from throughout New South Wales which highlighted individual cases that were worse off by much more than was ever intended.

Funding of emergency services remains unchanged

Importantly, this bill maintains and secures the funding for the fire and emergency services. The Government appreciates the vital work of our fire and emergency services, the staff and the volunteers, and will continue to ensure they receive the funding they need. To be clear, funding levels for fire and emergency services will not be adversely affected in any way. The funding generated by the ESL will simply replace the amount that was to be raised by the FESL.

Background to the Deferral

This bill is the outcome of a long and carefully considered reform process. For many years, we have heard the strong arguments for moving away from the insurance-based ESL to address the high rate of under insurance in New South Wales.

But before we change the current arrangements, we need to ensure that the replacement source of revenue can deliver a system that is demonstrably fairer.

In pursuit of a fairer system, we entered into a process of consultation with Local Government NSW (LGNSW) and council representatives. I would like to thank LGNSW and the council representatives for their participation in these discussions.

We also consulted with a wide range of peak bodies such as the emergency service agencies, the Rural Fire Services Association, the SES Volunteers Association, Local Government Professionals Australia, the Insurance Council of Australia, the National Insurance Brokers Association, the Shopping Centre Council of Australia, the Australian Retail Association, the Retail Council, the New South Wales Business Chamber, the Sydney Business Chamber, the New South Wales Farmers Association, the New South Wales Property Council and the Combined Pensioners and Superannuants Association, as well as many others. I would like to thank everyone who was involved for their valuable input.

Despite these important contributions, community feedback clearly demonstrates that the design of the new system has not always resulted in fairer outcomes. Some properties, particularly those in the commercial and industrial sector, were expected to pay much higher amounts than was originally intended.

The reinstatement of the ESL

As was previously the case, in 2017-18 the ESL will generate revenue equal to 81 per cent of the estimated costs of the fire and emergency services. The State and Local Governments will continue to be responsible for funding the remaining 19 per cent of fire and emergency services' costs.

Insurance Monitor

To oversee the continuation of the existing system, we have in place mechanisms to ensure that insurers do not overcharge. The Insurance Monitor legislation was passed by the New South Wales Parliament in June 2016, providing for penalties of up to \$10 million for insurers that engage in price exploitation or misleading or deceptive conduct. This bill will further empower the Insurance Monitor by extending its role by two years until 30 June 2020.

Professors Allan Fels AO and David Cousins AM, the Insurance Monitor and Deputy Monitor, are closely watching the prices of insurance premiums and is available to anybody who is concerned that an insurer is overcharging on insurance premiums.

The Fire and Emergency Services Levy is a highly complex reform that requires additional efforts to ensure fairer outcomes for New South Wales residents. The deferral and review of the FESL and continuation of the insurance-based ESL will ensure ongoing funding for emergency services until new, fairer arrangements can be assured.

I commend the bills to the House.