

...ed, by leave,
Mr Tudehope
Clerk of the Parliaments
8/11/22

PROPERTY TAX (FIRST HOME BUYER CHOICE) BILL 2022 STATEMENT OF PUBLIC INTEREST

Need: Why is the policy needed based on factual evidence and stakeholder input?

Overall rates of homeownership have declined in New South Wales, especially among younger households. The average age of first home buyers is increasing. The policy removes the upfront barrier of stamp duty, should a first home buyer choose, to assist this cohort and improve these ownership rates. This will be open to home purchases up to \$1.5 million and the purchase of vacant land up to \$800,000 with the intent to build a home.

Objectives: What is the policy's objective couched in terms of the public interest?

The policy objective is to lower barriers for prospective first home buyers to enter the property market. First home buyers who opt-in under the policy will be able to purchase a property earlier than they otherwise would without the policy. Achieving home ownership is aligned with the broad public sentiment for the stability, security and the personalisation of a property that comes with owning a home.

Options: What alternative policies and mechanisms were considered in advance of the bill?

The Government undertook an extensive period of public consultation and released a Consultation Paper in November 2020, and a Progress Paper in June 2021. The options considered included maintaining the status quo and a broader property tax.

Analysis: What were the pros/cons and benefits/costs of each option considered?

The policy targets first home buyers as they are the cohort that face greater barriers to home ownership. Alongside the Government's existing first home buyer assistance measures, it is expected to extend support to up to 55,000 first home buyers per year with a net lending impact of \$728.6 million over the next four years. Together with existing first home buyer support, these measures will offer support to about 97 per cent of all first home buyers or about 55,000 people per year.

Maintaining the status quo does not change homeownership outcomes. There would be no impact on the Budget.

A broader property tax, including a choice to permanently switch a property away from stamp duty for all residential, commercial and farmland property, would have broader long run economic benefits of a 1.7 per cent increase in Gross State Product and a 6.6 per cent increase in home ownership. The cost of a broader property tax, depending on what cohorts are allowed to opt-in initially, could be more than \$10 billion in net lending terms over four years.

Pathway: What are the timetable and steps for the policy's rollout and who will administer it?

The intended commencement date of the policy is 16 January 2023. From this date, eligible first home buyers who purchase a property and chooses to opt into property tax will not be required to pay stamp duty when completing their transaction.

A period of retrospective property tax applications will also be available for dwelling purchases that are contracted in the period between the date of assent and 15 January 2023. An eligible first home buyer who purchases during the retrospective period would need to pay stamp duty to complete their transaction but will be able to opt into property tax from 16 January 2023 and receive a refund of any stamp duty paid. The Scheme will be administered by Revenue NSW.

Consultation: Were the views of affected stakeholders sought and considered in making the policy?

In 2020 and 2021, extensive public stakeholder consultation was undertaken on a Property Tax Proposal with industry and the wider community. Stakeholders broadly supported the property tax and first home buyers were particularly in favour of the proposal.