



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 2/02/2015

Proposal No: A177
Date Published: 23/03/2015

Proposal Title: **HELP FOR HOMES FIRST HOME BUYERS CONCESSIONAL LOANS SCHEME**

Cluster: Treasury

General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)		18,982	57,729	70,613	147,324
Depreciation					-
Less: Offsets					-
Revenue		5,433	32,484	50,239	88,156
Net Operating Result:	-	(13,549)	(25,245)	(20,374)	(59,168)

Capital Expenditure					-
Capital Offsets					-
Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing)	-	(13,549)	(25,245)	(20,374)	(59,168)
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Net Financial Liabilities:	-	13,549	38,794	59,168	
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Total State Sector Impacts

Net Financial Liabilities:	-	13,549	38,794	59,168	
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Notes and costing assumptions

The policy proposes to allow first homebuyers to pay their stamp duty in instalments as part of a concessional loans scheme. From 1 January 2016, all first homebuyers purchasing a home in NSW to live in valued at up to \$750,000 will be able to pay their stamp duty in instalments over a maximum of five years.

Homebuyers will be required to pay off their loan in fortnightly or monthly instalments consistent with arrangements that apply for typical private sector home loans. Outstanding balances will be indexed to movements in CPI with no further interest charged.

The stamp duty outstanding will be guaranteed against the property in the same way as unpaid land tax. In the event of an early sale, the balance of stamp duty still owing will be immediately repayable.

The costing is based on stamp duty information held by the Office of State Revenue and Treasury stamp duty estimates as at the 2014-15 Half Year Review and assumes:

- The deferred duty option is available for both new and established homes and that existing duty concessions under the First Home - New Home scheme continue to apply.
- All eligible homebuyers take up the option to defer duty and that the repayments occur monthly. Although the policy indicates fortnightly repayments will also be an option, the impact is immaterial.
- An increase in the number of first homebuyers purchasing established properties in line with past trends.
- 92 per cent of all first homebuyers will be eligible, or 15,567 in 2015-16 (part year), 37,885 in 2016-17 and 38,736 in 2017-18.

Costing assumptions continued:

The costing treats the deferral of stamp duty as a concessional loan. Consistent with NSW Treasury's accounting treatment for concessional loans, an expense arises from the initial recognition of the difference between the fair value of the loan and the transaction price (the loan proceeds). The fair value of a concessional loan is estimated as the present value of all future cash receipts, discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. In this instance, the market rate of interest is represented by the NSW TCorp Government 10 year bond rate of 3.5 per cent.

The estimates reflect a part year impact in 2015-16 given the 1 January 2016 start date.