

State Budget good for homebuyers

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The McGowan Government's State Budget, which was handed down on May 10, will help the housing industry and homebuyers.

As always, there are some big numbers in the State Budget, like \$29.6 billion in revenue and \$30.5 billion in recurrent expenditure forecast in 2018-19.

The good thing from a building industry perspective is that there are no new taxes and existing taxes paid by businesses won't increase. The good news for new homebuyers is that the \$10,000 First Home Owner Grant (FHOG) will continue. This grant is likely to help about 7500 West Australian homebuyers build their first home over the next 12 months. This equates to about 38 per cent of all new homebuyers, which is the highest proportion of first homebuyers in the country. A \$5000 boost in the FHOG for regional WA would have been nice, but you can't always get what you want.

Coupled with stamp duty exemptions for all house and land purchases up to \$430,000 and the continuation of Keystart's low deposit criteria, new homebuyers have a great opportunity to enter the housing market.

The State Government has allocated \$184 million to complement \$210 million from the private sector to build 1390 new homes in the vicinity of Metronet rail projects; 320 of these are likely to be social housing dwellings while 400 are likely to be affordable homes.

As a result of Federal Government funding support, the McGowan Government is investing \$3.6 billion to make its commitment to Metronet a reality. Metronet rail projects proposed for Forrestfield, Thornlie, Yanchep, Eglinton, Alkimos, Ellenbrook, Morley and Midland will stimulate medium and higher density housing developments in these areas in the years ahead. Traffic congestion is also likely to improve as a result of this long overdue investment in public transport.

Dedicating \$425 million over five years to destination marketing and event tourism, including a two-year action plan to attract more visitors to WA, are likely to boost our modest population via increased immigration. This will also increase the demand and supply of housing.

More than \$2 billion is budgeted for the improvement of WA's regional roads over the next four years, which will help regional development.

The decision to extend the 0.2 per cent Construction Training Fund levy to engineering construction projects in the mining industry is welcomed, as this will boost the number of apprentices being trained to build future housing and construction projects.



Increasing the foreign buyers surcharge on residential property from 4 per cent to 7 per cent from January 2019 might be sensible in Sydney or Melbourne to slow down overseas investment but is misguided in the context of WA's depressed economy. We need more investment from overseas to boost our housing supply, not less.

Owners of vacant land which is not earning assessable income will not be eligible to claim tax deductions for expenses associated with this land from July 1, 2019. Costs such as interest or council rates will, however, be able to be added to the cost base of the land for the purposes of calculating capital gains tax.

The benefits of home ownership were reinforced in the Federal Budget in the form of a Pension Loan Scheme. Couples on a pension will be able to borrow up to \$17,800 per annum at an interest rate of 5.25 per cent against the value of their home to supplement their pension. Single pensioners can supplement their pension

by \$11,800 per annum under the same conditions.

Interest rates are expected to remain at historically low levels for the foreseeable future, which is another positive for prospective homebuyers. One of the outcomes from the banking royal commission could, however, tighten residential lending criteria and moderate the growth of investor lending. Although negative gearing is likely to be a federal election issue, both major political parties are supporting negative gearing for new dwellings.

Our state's finances have once again prevented a more adventurous approach being taken by the McGowan Government to easing the burden of doing business and boosting employment opportunities in WA. However, a steady hand controlling the state's finances is what is needed most at the moment to restore confidence in our economy.

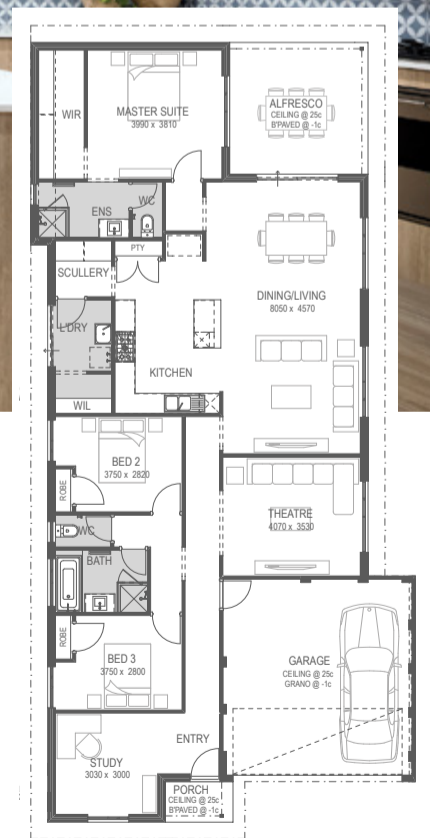


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