



Improving Home Ownership for Defence Personnel and Veterans

Party: Australian Labor Party

Summary of proposal:

The proposal would expand access to the Defence Home Ownership Assistance Scheme (DHOAS).

It would reduce the minimum service thresholds for each DHOAS subsidy tier, according to the following schedule:

Tier	Current arrangements		Proposal	
	Minimum Permanent service	Minimum Reserve service	Minimum Permanent service	Minimum Reserve service
1	4 years	8 years	2 years	4 years
2	8 years	12 years	4 years	8 years
3	12 years	16 years	8 years	12 years

The proposal would also remove the requirement for someone who has left the Australian Defence Force (ADF) to apply for a Subsidy Certificate within 5 years of discharging.

The costs of implementing this proposal would be offset from within the Department of Defence's global budget.

The proposal would commence from 1 January 2023 and would be ongoing.

Costing overview

The proposal would be expected to have nil impact on the fiscal and underlying cash balances over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period.

A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are uncertain and highly sensitive to assumptions around the overall number of ADF personnel expected to access DHOAS, the number of ADF personnel formerly unable to access DHOAS who would do so as a result of this proposal, and assumptions around broader economic conditions. In particular, growth in average house prices and home loan interest rates are highly unpredictable, and even small movements would be expected to have significant implications for the cost of this proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-	-	-	-	-
Underlying cash balance	-	-	-	-	-

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- All necessary legislation would be able to be passed in order to implement the proposal from 1 January 2023.
- Per-person payments and commission earned as a result of movements between tiers under this proposal would remain similar to those observed across the scheme under current policy settings.
- All new DHOAS members as a result of extension to the post-separation application time limit would receive the maximum subsidy provided within each tier.
- Under existing policy settings, DHOAS membership would grow in line with ADF workforce targets as outlined in the 2020 Force Structure Plan and the Australian Government's 10 March 2022 announcement titled *Defence Workforce to Grow Above 100,000*¹.
- Average house prices would continue to grow steadily over the medium term.
- Median interest rates used to calculate subsidy amounts would move in line with forecast changes to the Reserve Bank of Australia cash rate.
- The number of people accessing tier-1 subsidies under this proposal, as a result of lowering the minimum service period, would be the similar to the number of people accessing tier-1 subsidies under current policy settings.
- The number of new beneficiaries would be similar to the number of new beneficiaries that applied under the previous extension of the post-separation application time limit from 2 to 5 years.
- Any additional departmental spending would be able to be covered from within the Department of Defence's existing resources.

Methodology

The impact on subsidy payments was calculated by estimating the number of additional DHOAS members within each subsidy tier and applying the relevant subsidy amount to each of those members.

Commission received from financial institutions on loans was calculated based on the total value of loans taken out, using a commission rate of 0.25% (the predominant commission rate under existing agreements).

¹ <https://www.pm.gov.au/media/defence-workforce-grow-above-100000>

Under existing arrangements, the Department of Defence is liable to pay the Department of Veterans' Affairs an amount to cover administration costs for each loan managed. These impacts have not been included in this costing as they are transfers between Non-corporate Commonwealth Entities.

Likewise, fringe benefits tax impacts have not been factored into this costing. Under Section 84 of the *Defence Home Ownership Assistance Act 2008*², the consolidated revenue fund is appropriated to cover the cost of tax implications arising from the payment of subsidies, as well as the subsidies themselves. As it is expected that these funds would be returned to the consolidated revenue fund in full, this would have no net impact on the budget balances.

Fringe benefits tax can affect the personal taxation obligations of individuals receiving the benefit, in respect to child support payments and other government means tested benefits. These are second-round effects and have not been considered in this costing.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.³

Data sources

The Department of Defence provided historical data on members, loans and subsidies paid under the Defence Home Ownership Assistance Scheme, and general policy information, as at March 2022.

The Department of Defence provided a breakdown of the Government's announcement Defence Workforce to Grow Above 100,000, as at November 2021.

The Treasury provided forecasts of average house price growth and RBA cash rate targets as at the Pre-election Economic and Fiscal Outlook 2022.

Department of Defence (2022), [Portfolio Budget Statements 2022-23](#), Australian Government.

Department of Defence (2022), [Portfolio Additional Estimates Statements 2021-22](#), Australian Government.

Department of Defence (2021), [Portfolio Budget Statements 2021-22](#), Australian Government.

Department of Defence (2021), [Annual Report 2020-21](#), Australian Government.

Department of Defence (2020), [Annual Report 2019-20](#), Australian Government.

² <https://www.legislation.gov.au/Series/C2008A00027>

³ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Improving Home Ownership for Defence Personnel and Veterans – financial implications

Table A1: Improving Home Ownership for Defence Personnel and Veterans – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Commission on loans</i>	1.4	2.7	2.8	2.9	3.2	3.4	3.6	3.9	4.2	4.5	4.9	9.8	37.5
Total – revenue	1.4	2.7	2.8	2.9	3.2	3.4	3.6	3.9	4.2	4.5	4.9	9.8	37.5
Expenses													
Administered													
<i>Subsidy payments</i>	-9.3	-19.4	-20.2	-21.0	-22.6	-24.0	-25.9	-27.9	-29.9	-32.3	-34.8	-69.9	-267.3
Total – administered	-9.3	-19.4	-20.2	-21.0	-22.6	-24.0	-25.9	-27.9	-29.9	-32.3	-34.8	-69.9	-267.3
Departmental													
<i>Department of Defence</i>	7.9	16.7	17.4	18.1	19.4	20.6	22.3	24.0	25.7	27.8	29.9	60.1	229.8
Total – departmental	7.9	16.7	17.4	18.1	19.4	20.6	22.3	24.0	25.7	27.8	29.9	60.1	229.8
Total – expenses	-1.4	-2.7	-2.8	-2.9	-3.2	-3.4	-3.6	-3.9	-4.2	-4.5	-4.9	-9.8	-37.5
Total (excluding PDI)	-	-	-	-	-	-	-	-	-	-	-	-	-

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Improving Home Ownership for Defence Personnel and Veterans – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Underlying cash balance</i>	-	-	-	-	-	-	-	-	-	-	-	-	-

- (a) As this table is presented as a memorandum item, these figures are not reflected in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary⁴.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

⁴ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)