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Secretary:

DEPUTY PREMIER

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Our ref : 30289

Hon R Lightfoot KSJ JP
Chairman
Joint Standing Committee on the
National Capital and External Territories
Parliament House
CANBERRA ACT 2600

Dear Mr  Lightfoot

FIRST HOME OWNER GRANT ACT

Thank you for your letter dated 5 June 2003, requesting clarification of the first home owner grant (FHOG) scheme as it applies to Christmas Island, following the matter being raised with your Committee at a public hearing on the Island, on 11 March 2003.

The above Act came into operation on 1 July 2000. The amount payable for the grant is to a maximum of \$7,000 and is designed to assist people purchasing or building their first home.

The intention of the grant is to offset higher housing costs associated with the introduction of the goods and services tax (GST). I understand that no GST is charged in the Indian Ocean Territories (IOT) which comprise Christmas Island and the Cocos (Keeling) Islands.

Eligibility for the first home owner grant relies on the provisions of section 14(1)(a) of the Act which defines an "eligible transaction" as a contract made on or after 1 July 2000 for the purchase of a home in the "State". The term "State" is defined by the *Interpretation Act 1984* as the "State of Western Australia". Therefore, as has been the practice in the past, FHOG is not payable on the purchase or building of a home in the IOT, as it is not property in the "State".

These rules have been dictated to the State by the Commonwealth Government as part of the *Intergovernmental Agreement on Commonwealth-State Financial Relations* and are not able to be changed unilaterally by the Government of Western Australia.

Although there is a Western Australian statute for FHOG, there is not a corresponding Commonwealth law in relation to the IOT. The administration of the FHOG scheme in Western Australia is governed solely by the First Home Owner Grant Act.

Section 12 of the Act provides that an applicant must not have:

- owned residential property prior to 1 July 2000 in the State or in another State or Territory **under a corresponding law**; and
- owned and occupied residential property after 1 July 2000 in the State or in another State or Territory **under a corresponding law**.

Given the above points, ownership in the IOT will not affect the eligibility for the grant in the State of Western Australia.

All States and Territories in Australia have corresponding first home owner grant schemes and it was a requirement of the scheme's introduction that all jurisdictions require that applicants meet the same eligibility criteria. As a consequence, there is little opportunity to change this fundamental eligibility criteria.

I am advised that only two grants have been incorrectly paid to Christmas Island residents and this situation arose because the FHOG on-line computer system does not have a validation function with respect to suburbs and postcodes. The Commissioner of State Revenue has confirmed that an enhancement is currently being developed for the FHOG on-line computer system which will identify and reject all applications with postcodes from Christmas Island or Home Island, in the Cocos (Keeling) Islands.

With respect to Senator Crossin's comments at your hearing, I understand that there may have been other grant schemes in the past, however, it appears Senator Crossin may have been incorrect in her belief that the FHOG \$7,000 was on top of another first home owner grant of \$7,000 in place at that time. I should point out that since the commencement of the FHOG, the grant was increased temporarily by an additional amount of \$7,000 (ie. to a total grant of \$14,000) for new houses for the period 9 March 2001 to 31 December 2001. The additional grant reduced to \$3,000 (ie. total grant of \$10,000 for new houses) for the period 1 January 2002 to 30 June 2002, and from 1 July 2002, only the base \$7,000 has remained payable.

I trust the above information clarifies the position for you.

Yours sincerely



**ERIC RIPPER MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR ENERGY**

22 JUL 2003