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FIRST HOME OWNERS AMENDMENT BILL 1985

Date Introduced: 16 April 1985
House: House of Representatives
Presented by: Hon. Stewart West, M.P., Minister for Housing and Construction

Short Digest of Bill

Purpose

To amend the First Home Owners Act 1983 (the Principal Act) to provide for a fixed appropriation in the Budget, to make machinery amendments, and to remove the effect of recent Federal Court decisions.

Background

The First Home Owners Scheme (the Scheme) was introduced by the Principal Act on 1 October 1983. It continues the policy of all Governments in recent years to assist home ownership and follows on from schemes provided by the Home Savings Grant Acts of 1964 and 1976, and the Home Deposit Assistance Act 1982. The Scheme has superseded these older methods and aims to assist lower income earners into their first home.

In its initial form, the Scheme offered income-tested grants of up to $7,000 for successful applicants with two or more dependent children, $6,500 for those with one dependent child and $5,000 for those without dependent children.[1] Under the income-test provisions, joint applicants and sole applicants with dependent children with an annual income of up to $24,300 were eligible for the maximum grant. Assistance was reduced proportionately until ceasing at an annual income of $27,900.[2] Income levels applying to sole applicants are half that mentioned.

The income test levels were altered in the 1984/85 Budget. The annual income for those eligible to receive the maximum grant was reduced to $20,000 for dual applicants and sole applicants with dependent children. The level where assistance ceases, $27,900 p.a., was not altered. The income level for sole applicants to receive the maximum grant was reduced to $10,000 p.a.; the level where assistance ceases remains at $13,950 p.a.[3]
The Minister announced to Parliament on 16 April 1985 that there would be a reduction in the maximum grant available to successful applicants after that date.[4] For applicants with two or more dependent children, the maximum will be $6,000, for those with one dependent child, $5,500 and for applicants with no dependent children, $4,000.

Since its inception, the Scheme has exceeded the estimated cost and number of applicants that would be assisted. In its first nine months of operation during the 1983/84 financial year, assistance was provided to 55,250 first home buyers at a cost of $141m.[5] The Government had estimated that the Scheme would assist 37,500 first home buyers and cost $77.7m during this period.[6] In the current 1984/85 financial year, the Scheme was estimated to cost $265m and assist 80,000 new applicants.[7] In February 1985, it was announced that an extra $25m had been allocated to the Scheme, bringing funding to $290m for the year, and that the number of first home buyers assisted will increase to 87,000.[8]

To prevent expenditure exceeding that estimated in future years the Principal Act is to be amended to allow for a fixed, yearly appropriation rather than the current standing appropriation. Under a standing appropriation provision, monies will be appropriated to satisfy all successful applicants. If the number of successful applicants exceeds the estimate, as has occurred since the Scheme's introduction, expenditure will be correspondingly higher. The proposed fixed appropriation will restrict expenditure on the Scheme to a known amount and, therefore, allow greater Government control of fiscal policy. A further proposed amendment to the Principal Act will allow the Secretary of the Department of Housing and Construction to direct the timing of payments to successful applicants in relation to the funds available.

Further proposed amendments to the Principal Act are designed to alleviate the effect of two recent Federal Court decisions, Director-General of Social Security v Roger John Townsend and Wendy Townsend; and Secretary, Department of Housing and Construction v Robert Keith Wildman and Kim Susan Wildman, both decided in Tasmania on 23 November 1984. These decisions raised the probability that persons who purchased less than the full interest in a property would be eligible for benefits under the Principal Act. The Minister states in his Second Reading Speech that this was contrary to the Government's intentions when it introduced the Scheme.[9]
Main Provisions

Sections 3, 4, 5, 7, 8, 9 and 14 of the Act will operate from 17 April 1985. Other sections will operate from the day of Royal Assent (clause 2).

The definition of rural property in section 4 of the Principal Act is amended to remove the Secretary's power to declare land as rural property (clause 3).

Clause 4 amends section 9 of the Principal Act, as a result of the recent Federal Court decisions noted above, to ensure that persons who acquire their home through the purchase of shares in a corporation hold such shares to a value not less than the value of the property.

Section 14 of the Principal Act is amended by clause 5 to ensure that purchasers have an exclusive right of occupancy to be eligible for assistance. This amendment also results from the possible effects of the Federal Court decisions referred to above.

Clause 6 inserts a sub-section (2) in section 16 of the Principal Act to allow the Secretary of the Department of Housing and Construction to make payments when he thinks fit, having regard to the monies available. This amendment is a consequence of the change from standing to fixed appropriation. Also see clause 10.

Clause 8 amends section 22 of the Principal Act to remove inconsistencies that have arisen in the application of the various sub-sections of section 22.

Clause 10 amends section 34 of the Principal Act to remove the standing appropriation and insert a fixed appropriation. Under the amendment, total assistance for the 1984/85 Financial Year is fixed at $290m.

For further information, if required, contact:

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References

2. Press Release by the Minister for Housing and Construction, 30 September 1983, p.3.
5. 1984/85 Budget Paper No. 1, p.150.