



Speech by

Mr P. PURCELL

MEMBER FOR BULIMBA

Hansard 20 June 2000

GST AND RELATED MATTERS BILL

Mr PURCELL (Bulimba—ALP) (5.41 p.m.): I want to talk about the GST as it relates to housing. I can say a lot of things about the GST—the bad things that it is going to do and how it is going to affect people, particularly those on the lower rung of the economic ladder in our society. A lot of people on that lower rung of the economic ladder are house renters. Under the GST, residential rents will be input taxed, that is, renters cannot be charged the GST but the owner of the accommodation cannot claim any credits for GST paid on the cost of maintaining accommodation. That is crazy stuff, because it means that while rents cannot increase directly because of the GST, owners of rented accommodation may pass on any increased costs that they incur as a result of the GST.

Mr Deputy Speaker, as you would know, a lot of people in your electorate, and other inner-city electorates such as mine, live in rented accommodation, and a lot of that is not much more than a hole in the wall. Money has to be spent to improve that standard of accommodation, such as upgrading bathrooms and kitchens. When that happens, the owner cannot claim the GST on the inputs, or for the tools that he buys to make those improvements to those units, homes or whatever. Of course, the owner will sit down, sharpen his pencil and put up rents over a period of 12 months in line with whatever costs he has incurred in improving those houses or units. That really is a downside for those people who live in rented accommodation, and they are on the bottom of the social economic ladder.

The Department of Housing undertakes input-taxed activities, which means that the department is unable to claim credits for the GST that is paid on maintaining rented public accommodation. Being unable to claim credits will result in increased costs. The Department of Housing has assessed that in the first year of the GST, this cost will be of the order of \$30m. On top of the \$90m that the Howard Liberal Government has taken out of housing in Queensland this year, that is an enormous cost on public housing. If that cost is put on public housing, that means less public housing built for those in need. In my area there is a public housing waiting list of three years plus. That extra cost means less maintenance done on housing where there is a desperate need for it to be carried out.

As a result of successful negotiations last year by the Queensland Government, additional compensation of approximately \$20m per annum over the next three years will be provided to the Queensland Department of Housing through the Commonwealth/State Housing Agreement. That amounts to \$60m compensation for \$90m lost in GST costs. Thus, over the life of the current Commonwealth/State Housing Agreement, the State Government stands to lose \$30m because of the GST, that is, \$10m a year over three years. There is no commitment from the Federal Government for ongoing compensation for the years outside those three years.

Also, as part of the intergovernmental agreement signed last year, State housing authorities are prohibited from increasing rentals as a result of the Commonwealth's 4% increase in pensions applying from 1 July 2000 to compensate for the GST. This restriction applies where tenant rentals are set as a percentage of income. That cost will also come out of the Department of Housing's budget, which will mean fewer houses being built, less maintenance being done and fewer people who need houses being looked after.

Residential rents in the private sector are expected to rise as a result of the GST. The Commonwealth has increased rental assistance by 7%, which may offset this increase. It is still unclear as to whether the compensation, either through pension increases or personal income tax reductions,

will fully compensate each individual for the impact of the GST. Only last night on TV the figures that the Commonwealth has been citing as compensation for pensioners and renters were brought into question by officers of the Commonwealth departments that have been giving advice to the Treasurer.

If private sector rents increase by more than the Commonwealth's proposed compensation measures, this effect of the GST will force low income households in rental accommodation to seek relief. That will place increased pressure on Queensland's public housing waiting lists to the detriment of those members of the community who will be most burdened by the Commonwealth's new tax system. They are the people I am talking about—those who are on the bottom of the social and economic ladder and who can least afford increases in rent. Every cent that they get they spend, and they usually spend it on food and the other necessities of life.

After the next election, two caravan parks will become part of my electorate. Howard says that he has regard for people who are right at the bottom of the social economic ladder. People live in those caravan parks that will become part of my electorate because they have nowhere else to go. My electorate is not located down by the sea. Those people are not living a great lifestyle. In a lot of cases, people live in caravan parks out of necessity. They pay fairly exorbitant rents for those caravans. It is almost similar to the rents charged for units. Those people are getting no assistance at all from the Howard Government to compensate them for the GST. They will be forced further and further into poverty. The lifestyle of a lot of people in caravan parks—or what is left of their lifestyle—will suffer. Many of the people who live in caravan parks are elderly—there are some young ones, but a lot of them are elderly. Those people will have less money to spend on the necessities of life.
