

Barton Deakin Brief: NSW Government Housing Reforms

1 June 2017

Today, the Premier of New South Wales, the Hon Gladys Berejiklian MP together with the Treasurer, the Hon Dominic Perrottet MP and the Minister for Planning and Minister for Housing, the Hon Anthony Roberts MP announced a package of reforms to support first homebuyers.

This Barton Deakin Brief outlines the NSW Government’s housing reforms.

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Reforms to improve housing affordability across NSW

The NSW Government's new package aims to assist home buyers by increasing grants and concessions available to first homebuyers, increasing housing supply at reasonable prices and accelerating the delivery of infrastructure to support growing communities.

Comprehensive package to support first homebuyers

The package will:

For first home buyers:

- abolish stamp duty on all homes up to \$650,000;
- give stamp duty relief for homes up to \$800,000;
- provide a \$10,000 grant for builders of new homes up to \$750,000 and purchasers of new homes up to \$600,000; and
- abolish insurance duty on lenders' mortgage insurance;

For foreign investors:

- ensure foreign investors pay higher duties and land taxes –
 - Stamp duty: **4 per cent to 8 per cent**
 - Land tax: **0.75 per cent to 2 per cent**
- no longer allow foreign investors to defer paying stamp duty for 12 months on off-the-plan purchases.

Stamp duty relief

The NSW Government will abolish this duty on new and existing homes worth up to \$650,000. For properties valued at between \$650,000 and \$800,000, the duty concession will be gradually reduced.

Concessions on vacant land will remain unchanged.

Potential savings

First home purchase price	Ordinary stamp duty	Savings for first home buyers of new dwellings*	Savings for first home buyers of existing dwellings*	Total stamp duty charges for foreign investors (surcharge plus stamp duty)**
\$500,000	\$17,990	\$28,768	\$18,768	\$57,990
\$550,000	\$20,240	\$31,451	\$21,451	\$64,240
\$600,000	\$22,490	\$34,361	\$24,361	\$70,490
\$650,000	\$24,740	\$26,857	\$26,857	\$76,740
\$700,000	\$26,990	\$18,786	\$18,786	\$82,990
\$710,000	\$27,440	\$17,172	\$17,172	\$84,240
\$750,000	\$29,240	\$10,950	\$10,950	\$89,240
\$775,000	\$30,365	\$6,922	\$6,922	\$92,365
\$800,000	\$31,490	\$2,896	\$2,896	\$95,490

*Total of stamp duty exemptions plus first home owners grant plus savings from LMI duty abolition (Genworth LMI Premium Estimator based on a first home buyer with a \$50,000 deposit). **Does not include additional land tax surcharge.

Source: <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers/>



The stamp duty savings and changes will take effect from 1 July 2017.

Contracts dated prior to the commencement of these reforms will continue to be eligible for the same grants, concessions, and conditions for which they would have been eligible had these changes not occurred.

First home owners grant

First home buyers building a new property will be entitled to a \$10,000 grant on homes worth up to \$750,000. First home buyers purchasing a new property worth up to \$600,000 will be entitled to a \$10,000 grant.

The \$5,000 New Home Grant Scheme, which was available to other buyers including investors, will be closed.

Insurance duty on lenders' mortgage insurance abolished

Insurance duty on lenders' mortgage insurance is imposed at a rate of 9 per cent of the premium. The removal of this duty will save all home buyers (first home buyers or not) money if they need lenders' mortgage insurance.

This policy will take effect from 1 July 2017.

Foreign investors to pay higher duties

Foreign investors will pay higher surcharges when they purchase residential real estate.

	Before reforms	After reforms
Surcharge on stamp duty paid on new purchases by foreign investors	4 per cent	8 per cent
surcharge on land tax	0.75 per cent	2 per cent

Source: <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers/>

No more stamp duty deferral for investors

The NSW Government is abolishing the 12-month deferral of duty for residential off-the-plan purchases by investors.

Buyers who are purchasing a home they plan to live in off-the-plan (regardless of whether they are first home buyers or not) will still be entitled to a 12-month delay in the payment of stamp duty, deferring payment from 3 to 15 months after settlement. However, this concession will be closed to investors.

This policy will take effect from 1 July 2017.

Increasing supply of housing in NSW

The NSW Government has asked the [Greater Sydney Commission](#) to provide housing targets for each local council as part of its final District Plans.

Further, to assist councils, the NSW Government will make up to \$2.5 million available to 10 priority councils to help them to update their Local Environment Plans (LEPs) with appropriate housing targets



New measures for approvals

The NSW Government will introduce a range of measures which aim to help councils speed up approvals. This could include independent panels for some councils to ensure Development Applications (DAs) are done efficiently and to ensure the integrity of the planning process. Under this measure, independent panels will determine DAs. Smaller DAs will be delegated to council staff.

More infrastructure

The NSW Government will boost infrastructure funding to accelerate the delivery of housing, ensuring that works which support housing are prioritised and in locations in alignment with government planning and housing demand.

\$3 billion to accelerate delivery of housing

The NSW Government will provide access to around \$3 billion in infrastructure funding to accelerate the delivery of housing. This funding will include more direct infrastructure funding, support for councils to borrow funds so they can bring forward capital works and reforms to infrastructure contributions to ensure that developers make a fair contribution towards the costs of establishing communities.

\$1.6 billion toward the Housing Acceleration Fund

The NSW Government will contribute \$1.6 billion, including new funding of \$600 million made available through [Restart NSW](#) for the [Housing Acceleration Fund](#). An additional \$1 billion from the state capital program will be redirected towards priority projects to support housing.

\$500 million in additional borrowing to councils for local infrastructure

The NSW Government will support up to \$500 million in additional borrowing by councils by halving the cost of council borrowing for eligible projects.

\$369 million allocation to councils for local infrastructure

An allocation of \$369 million will be made to councils for local infrastructure under the phase-out of the [Local Infrastructure Growth Scheme](#).

Infrastructure funding reform

Special Infrastructure Contributions (SIC) help fund the regional infrastructure that supports different communities across NSW. SICs will be expanded to 10 additional areas across Sydney to help fund infrastructure in communities with significant housing growth.

The [Local Infrastructure Growth Scheme \(LIGS\)](#) has in the past been used to fund the gap between the maximum contribution that councils can charge developers and what it actually costs councils to deliver the infrastructure.

The NSW Government will continue to provide LIGS subsidies to certain areas for the next three years before ending the scheme. The subsidies will be gradually reduced and the cap on developer contributions gradually increased. The cap will be increased by \$5,000 on 1 January 2018,



1 July 2018 and 1 July 2019. At the end of 2019/2020, the cap will be removed entirely and LIGS funding will cease. The phase-out of LIGS aims to help developers adjust to the change.

The LIGS will be closed to any other new areas. In these areas, the cap on developer contributions will be removed immediately. By removing the cap on contributions, the NSW Government will assist councils in these other areas to fund local infrastructure directly through their developer contributions. In these areas, if contribution rates exceed the current cap levels (\$20,000 for infill and \$30,000 for greenfield), contributions plans will be subject to review by IPART in accordance with the Essential Works List prior to allowing development to be charged the full apportioned contribution rate. This will help to put downward pressure on local infrastructure costs and ensure that only appropriate, efficient infrastructure is funded through developer contributions.

Further Information

Ministers' media release on the Government's comprehensive package to support first home buyers, [here](#).

Department of Family and Community Services media release on social and affordable housing, [here](#).

NSW Government's overview for first home buyers, [here](#).

NSW Government's fact sheet for first home buyers, [here](#).

NSW Government's website [here](#).

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