

STATE BUILDING BONUS & HOUSING STIMULUS PACKAGE

QUESTIONS AND SCENARIOS

STATE TREASURY (REVENUEWA) COMMENTS

Information provided by RevenueWA relates to the general administration of WA's Building Bonus grant and the Australian Government's HomeBuilder grant. For detailed information regarding the eligibility criteria and how they apply please visit the RevenueWA website, at <https://wa.gov.au>.

1. With regards to the Federal Government Grant, MBA believe there has been an extension. Please confirm what the extension is and when does the extension end?

Policy questions about the HomeBuilder scheme should be referred to the Australian Government. RevenueWA will administer the grant in accordance with their policy parameters. The Australian Government's fact sheet and FAQ are available <https://treasury.gov.au/coronavirus/homebuilder>.

In relation to the Australian Government's FAQ (updated on 18 June 2020) which states:

"Construction pursuant to the contract must commence within three months of the contract date. States may exercise discretion where commencement is delayed beyond three months from the contract date due to unforeseen factors outside the control of the parties to the contract (e.g. delays in building approvals)."

The Australian Government is providing guidance to all State Revenue offices on circumstances where the discretion will and will not apply. RevenueWA will administer the scheme in accordance with the policy parameters set by the Australian Government.

2. Regarding the commencement of construction, is this referring to:

- a. The earth movers on site?**
- b. Slab down? or**
- c. First progress claim issued?**

Commencement of construction refers to foundations complete; meaning the slab, stumps or other foundations on which the home will be situated.

3. Do we need a disclaimer in our contracts should we not go to site in time (6 months) and the client loses their grant of \$20,000.00? And an annexure to contract?

This is a contractual matter between the builder and the customer.

4. Regarding the valuation of \$750,000.00 house and land value. a. Is the land valued at today's price or time of purchase? b. And if so, do we need to obtain a valuation of this to back it up?

For new builds, the property value will be taken to be the purchase price in the house and land contract if it is purchased on or after 4 June 2020. If the land is purchased prior to 4 June 2020, the land value will be the value in the sales contract if the property is purchased less than 12 months before the application date. If purchased more than 12 months before the application date, then a valuation needs to be undertaken by a bank or other licensed independent valuer.

5. Should latent conditions/variations occur ultimately effecting the overall cost of house and land package therefore exceeding the threshold, does this effect the grant? a. Is there strict red tape around this sort of situation?

The threshold applies to the total contract price including any variations.

6. Do any of the grants form part of the funds to complete one's deposit towards finance, and if so, which Banks are offering this service?

Is it likely the building bonus payment criteria may be altered and able to be used upfront as a "deposit" and not in the strictest sense a rebate? (given current detailing is the application is made when the foundations are down). Eg, a homeowner seeks to enter a \$200,000 build contract for a new home. Can the \$20,000 bonus be used as full/part deposit? This would likely assist in issues with valuations in addition to securing finance and potentially for some purchasers eliminate the need for LMI?

In Western Australia, the HomeBuilder and Building Bonus grants will be paid once the foundations are laid for a new build, or when an off-the-plan purchaser is registered on the title.

For substantial renovations, the HomeBuilder grant will be made once at least \$150,000 of the contract price has been paid.

There are no conditions on what the grant can be used for and whether it forms part of a deposit is a matter for the lender and borrower to negotiate as part of the financing arrangement.

Scenario 1

A builder is in the process of building a retirement village. They have an overarching contract with the developer locking in all builds, however the builds are sales driven. All lots in this development are strata titled (not your typical lease for life type retirement village). Under this arrangement, the developer enters into a Development Management Agreement with the purchaser, once this is signed up, the Developer instructs the builder to proceed with the build. The developer believes that for their purchasers to qualify for the housing stimulus package, each purchaser will now have to enter a Build Contract with the builder. The builder's preference would be to leave the contractual arrangements as they currently sit, i.e. Developer signs up the purchaser, builder constructs and purchaser receives their entitlements.

The arrangement as described seems to be similar to an off-the-plan arrangement. However, RevenueWA cannot give general advice without seeing the contractual arrangements, including information about the nature of the developer's and purchaser's interest in the land.

Scenario 2

A builder who constructs and installs modular transportable homes MBA's interpretation of the eligibility criteria for the Building Bonus Package is that modular transportable homes qualify as long the building is installed on land owned by the person making application for the grant. There are a couple of things that we would like clarified based on the fact that the modular home is constructed in the manufacturing yard before being transported to and installed on the land. 1. It is often the case when the purchaser of the home is funding the project through a finance institution that the finance institution will not make any payments until the building has been installed on site and connected to services. The builder does not receive any progress payments during yard construction. The only payment received is the 6.5% deposit. In the HomeBuilder fact sheet on page 3 there is a Case Study Example called Owner-occupiers

Carla and Andrew. In that case study it states, in the third paragraph, that they must make the first progress payment. Is the deposit payment classified as a progress payment? **2.** In the WA Government fact sheet for the Building Bonus it states that one of the criteria when applying for the grant is that you must provide evidence that construction has commenced (when the foundations have been laid). In this scenario can the builders' client apply for the grant once construction of the building gets underway in their yard? Evidence could be provided to confirm that construction work is underway.

Scenario 2.1: The case study referred to in the question does not relate to transportable homes. The HomeBuilder grant will be paid once construction has commenced which is when the foundations have been laid (or other works on the site to allow the relocatable home to be attached to the land). The deposit payment does not effect when the HomeBuilder grant will be paid.

Scenario 2.2: The grant is paid once the foundations have been laid (or other works on the site to allow the relocatable home to be attached to the land) and not when construction of the relocatable home has commenced.

Scenario 3

A builder is contracted to have a client's new home built on their property on which they currently reside in a 'shed home '. The shed home is literally just a shed with a one room situation inside. It has approval for the existing structure and situation with the local authority. Is the property owner eligible for the building bonus?

Having a standalone structure such as a shed, storage facility or ancillary home does not make the construction of a home ineligible for the grant and the structure does not need to be demolished for the grant to be paid. Supporting evidence will be required as part of the application process.

Scenario 4

A builder is contracted to construct 3 townhouses on a development site, survey strata. All townhouses will be under single ownership. Can the owner apply for 3 building bonuses, albeit individually?

If the owner is building detached homes and will own the completed homes (rather than selling them off-the-plan), they can apply for three grants. The grant will not be paid until evidence is provided that conditional approval for the subdivision has been received from the WA Planning Commission.