



Australian Government

Department of Finance

The Treasury

PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

Name of proposal costed: Defence Home Ownership Assistance Scheme – extending access	
Costing Identifier:	COA017
Summary of costing:	Extension of the eligibility for the Defence Home Ownership Assistance Scheme (DHOAS) from the current two years post separation to five years post separation.
Ongoing or Terminating (including date)^(a)	Ongoing
Person making the request:	Prime Minister
Date costing request received:	9 May 2019
Date of public release of policy:	24 April 2019
Date costing completed:	15 May 2019
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program).

Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)^(b)

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Underlying Cash Balance (\$m)	0.0	0.0	0.2	0.4	0.6
Fiscal Balance (\$m)	0.0	0.0	0.2	0.4	0.6

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

This policy is demand driven and has not been costed to a specified amount.

Where relevant, include separate identification of revenue and expense components.

\$m	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Expense*	0.0	0.0	0.0	0.0	0.0	0.0
Non Taxation Revenue#	0.0	0.0	0.0	0.1	0.1	0.3
Taxation Revenue	0.0	0.0	0.2	0.3	0.5	1.0
Total Fiscal Balance *#	0.0	0.0	0.2	0.4	0.6	1.2

* Consistent with the costing request, the Department of Defence will absorb the cost of the policy, and there will be no Fiscal Balance impact for the expense components of this policy

Discrepancies between totals and sums are due to rounding

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

Not applicable.

Where relevant, explain effects of departmental expenses.

Consistent with the costing request, the costing assumes that all departmental and administered costs are to be absorbed by the Department of Defence (Defence).

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Included in this costing is taxation revenue implications from the payment of Fringe Benefit Tax (FBT) in relation to the DHOAS subsidy. Defence is liable to pay FBT on the DHOAS subsidy. The revenue implications from the payment of the FBT were not explicitly included in the original costing request.

Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).

Not applicable.

Where relevant, include an explanation of the medium term implications of the proposal^(c).

Not applicable.

Background information

Costing methodology used:

Assumptions:

The costing assumes:

- The only change to DHOAS will be the extension of eligibility, all other policy settings will remain consistent across the life of the scheme.
- An additional 50 applicants are expected in the first year under the extended eligibility. Beyond the first year, these applicants are expected to grow at one per cent per annum, consistent with the rate of growth for all DHOAS applications.
- The current conversion rate of application to loan (65 per cent) will remain steady over the life of the program.
- Every additional loan application and drawdown will incur an additional administration fee from the Department of Veterans' Affairs (DVA). All current payment rates under the Memorandum of Understanding between Defence and DVA will remain constant over the life of the scheme.
- All economic features of the DHOAS program will remain at current levels including median house prices, current interest rates, and current subsidy level.
- The behaviour of individuals seeking to access DHOAS towards borrowing and purchasing in the housing market will remain at a similar level to 2018-19.
- No individual will leave the DHOAS prior to their eligibility expiring.
- All members will have the maximum amount of service credits available for each tier of the loan from the date they begin the DHOAS scheme.
- All eligible members will access the full amount of loan subsidy for the applicable tier.
- Members will move across scheme levels when they are no longer eligible for the higher tier. When they move across tiers the eligible amount for the loan will continue to be the maximum amount for that tier. For example, if someone on tier three has a loan valued at the maximum, their loan amount will decrease to the maximum of tier two amount as they move between tiers; i.e. their loan will not remain at the higher amount.
- Any commission received by Defence for loans taken out through DHOAS will be paid to the Consolidated Revenue Fund (CRF).
- This commission rate will continue without adjustment over the life of the DHOAS program. The commission rate is 0.25 per cent based on the majority of loans being taken out with banks that have this rate of commission.
- The rate which has been used to calculate Fringe Benefit Tax will remain constant over the life of the scheme.
- The eligibility change will not be applied retrospectively. No DHOAS applications will be retrospectively assessed. Only those who have left the Australian Defence Force within the five previous years would be eligible to re-apply for DHOAS.

Behavioural assumptions used (as appropriate)

Not applicable.