



# HIA Stamp Duty Watch

TYPICAL  
STAMP DUTY  
BILLS

ALL STATES  
AND  
TERRITORIES

EFFECTS  
OF STAMP  
DUTY ON  
HOUSEHOLD  
WEALTH

THE BURDEN  
OF STAMP  
DUTY

The latest developments in stamp duty on home purchases

Summer 2015

# TYPICAL STAMP DUTY BILL SURGES TO OVER \$19,000

Stamp Duty Watch examines latest developments in stamp duty on home purchase in each of the states and territories. The report compares the typical stamp duty bill across the states and territories, the burden of stamp duty and the effects of stamp duty on household wealth across each of the jurisdictions.

## HIGHLIGHTS:

- During November 2015, the stamp duty bill on the median price home nationally increased to \$19,050 from \$17,653 in June. This increase was driven by higher dwelling prices in larger markets, as well as the effect of bracket creep.
- During November 2015, stamp duty on the median price home was highest in the Northern Territory (\$25,600), followed by Victoria (\$24,700) and New South Wales (\$23,600). The lowest stamp duty charges were in Queensland (\$6,300) and Tasmania (\$9,300).
- As a proportion of a typical dwelling price, the stamp duty burden is heaviest in the NT (4.9 per cent), followed by Victoria (4.5 per cent) and South Australia (4.0 per cent). By some margin, the lightest stamp duty burden is in Queensland (1.5 per cent).
- Bills for stamp duty - Australia's most inefficient tax - force homebuyers to borrow more money. The additional mortgage repayments that result are highest in the NT (\$46,900), Victoria (\$45,300) and NSW (\$43,300). In Queensland, where the lowest stamp duty bills apply, the tax still adds about \$11,600 to total mortgage repayments.
- Stamp duty bills erode home purchase deposits and result in higher LVRs for homebuyers. This means that Lenders Mortgage Insurance (LMI) premiums increase significantly as a result of stamp duty payments. On the typically priced home, stamp duty results in additional LMI payments of almost \$8,000 in some instances. This is the most striking example of stamp duty's 'domino' effects, whereby the payment of stamp duty leads to additional costs for households.

## Background

The Summer 2015 edition of the HIA Stamp Duty Watch reviews the latest developments in stamp duty policy in each of Australia's eight jurisdictions. Since June 2015, there has been a significant increase in the typical stamp duty bill nationally. For the non-First Home Buyer (FHB) owner occupier, the stamp duty bill increased by 7.9 per cent between June and November, from \$17,650 to \$19,045 – based on the national median price dwelling. The bulk of the price increase nationally was driven by strong dwelling price growth in key markets like Sydney and Melbourne, despite fairly subdued price growth in other cities. The design of stamp duty is such that dwelling price increases result in disproportionately large rises in stamp duty bills. Nationally, stamp duty typically adds another 3.6 per cent to the cost of buying a home.

During November 2015, the NT remained the jurisdiction with the highest stamp duty bill (\$25,600) on the median price home, followed by Victoria (\$24,700) and NSW (23,600). By some

margin, Queensland continues to charge the lowest stamp duty bills (\$6,300), followed by Tasmania (\$9,300). Falling house prices meant that WA was the only state to see a reduction in the typical stamp duty bill since June.

As a proportion of the median dwelling price, the stamp duty burden is heaviest in the NT (4.9 per cent), followed by Victoria (4.5 per cent) and South Australia (4.0 per cent). The lightest burden of stamp duty is in Queensland (1.5 per cent) followed by the ACT (3.2 per cent).

The fact that stamp duty must be paid to the state government upfront on purchase means that homebuyers' deposits are eaten into and larger mortgage debt has to be taken on by homebuyers. The effects of compound interest mean that the additional repayments on a 30-year mortgage are considerable, such as \$46,900 in the NT, \$45,300 in Victoria and \$43,300 in NSW.

For many homebuyers, stamp duty represents just