



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 2021

STAMP DUTY ABOLITION:

The end justifies the means

Stamp duty is an inefficient, inequitable and unreliable tax. Almost without exception, it can be replaced with another revenue measure that would be more efficient and equitable.

The inequity of stamp duty was highlighted with the COVID recession. The sudden restrictions on the economy forced households to move to find employment or education. If they did relocate, many are further penalised by the punitive application of stamp duty.

It is easy to agree that stamp duty should be replaced with a more efficient and equitable tax. A state of constant paralysis over the past few decades has resulted in a cascading of tax problems as state governments have become increasingly dependent on stamp duty for revenue.

The cost of stamp duty to homebuyers has doubled over the past two decades as tax brackets failed to keep pace with house prices. In 2020, revenue from stamp duty failed to supply state governments with a reliable supply of revenue. Penalising households for pursuing home ownership does not lead to a good economic outcome.

In replacing stamp duty with a more stable, efficient and equitable tax we should remain focused on the benefits of the reform, not the complexity of the transition.

The NSW Treasurer, Dominic Perrottet, has outlined a plan to replace the one-off stamp duty on property transactions with an annual land tax. This outcome, if realised, could produce the largest improvement in productivity of any other possible reform.

The efficiency benefits of the removal of stamp are extensive. A workforce able to relocate in the pursuit of education and employment opportunities, without incurring punitive taxes, supports a range of family and community goals. It also could reduce the reliance of some employers on FIFO's which can have adverse community impacts.

With Stamp Duty removed, households are not penalised for moving to a home that suits the size of the family and the location of their employment and studies. This in turn leads to a more efficient allocation of public investment in transport infrastructure.

It also allows an ageing population to shift closer to family and medical support. This allows for a more efficient allocation of health care resources.

A switch away from stamp duty also offers to ensure a better use of land as it penalises low value use of land in areas with high land values.

This isn't to ignore the challenges of the reform, as they are significant. Maintaining a revenue base for state government expenditure while ensuring that the cost of the transition is borne equitably across the economy. In addition, the NSW discussion paper highlights a concern with households that are asset rich and cash poor, such as retirees, who may not be able to afford the rising cost of the proposed land tax.

The ACT Approach

The ACT Government has sought to address these inequities by abolishing stamp duty over 20 years. To date, this plan is working exceedingly well. The shift from stamp duty to a land tax is legislatively easier in the ACT as the Territory government also undertakes the role of a local council.

The measure is intended to be revenue neutral through an incremental increase in land tax and incremental reduction in stamp duty. As house prices have increased rapidly over the past eight years, the anticipated reduction in the incidence of stamp duty on residential homes was not realised.

At the same time, the increase in land tax generated more revenue. As a consequence, the ACT Government has experienced a revenue windfall. This won't be sustained.

As the threshold for exemption from stamp duty is scheduled to increase over the next few years