

MEDIA RELEASE



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Victorian State Budget: Housing tax hikes will not help housing affordability

"Higher property taxes confirmed in today's State Budget will reduce housing affordability and hurt Victorian home buyers," stated HIA Executive Director Fiona Nield.

"The Government has confirmed that it will be increasing land tax and stamp duty rates on certain property transactions, along with introducing a new 'windfall gain' tax on some land where rezoning has provided an uplift in property values.

"The housing industry is recovering from COVID-19 and it is unhelpful to be adding a greater tax burden when property taxes already contribute up to half of the State's revenue.

"The activity generated from residential development supports jobs and economic activity across the whole Victorian economy. Home building has been a rare bright spot for the state during the pandemic and a financial lifeline to countless households.

"Stamp duty punishes people for moving house, which prolongs imbalances between regions, costing the economy subject to those taxes dearly in lost wealth and productivity.

"Stamp duty also reduces 'churn' in the housing market, discouraging people from selling properties to allow for new homes to be built or to right size for individual household needs. Stamp duty has a direct negative impact on housing affordability."

HIA's latest housing affordability data shows that Victorian affordability deteriorated in late 2020 and early 2021 – especially in the regions. This was driven by a surge in dwelling prices over these six months while average weekly earnings stagnated.

"These new taxes will dampen demand for housing at the wrong time for Victoria. With HomeBuilder ending and immigration unlikely to return for some time, making this type of decision now will put further pressure on an already declining demand in 2022 and 2023.

"The windfall gain tax is particularly concerning and will take a disproportionate share of property value from landowners that are in fact helping to support the growth in housing supply for the state, in turn helping to keep affordability in check across Victoria.

"Taxes applied without notice as part of rezoning are not passed back – they must be passed forward. They impose direct costs on the housing supply process cascading the costs, via additional finance charges, GST and purchaser stamp duties applying to a higher starting price.

"Housing will never be more affordable by increasing or introducing property taxes. Increasing supply is the way to improve affordability and today's announcements will not deliver this outcome," concluded Ms Nield.