

# THE CASE FOR CHANGE: **STAMP DUTY** PHASE OUT

*September 2022*

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## BACKGROUND

Stamp duty reform is back on the national agenda. The new Federal Treasurer and new Housing Minister have both said that national leadership must be taken when it comes to key economic and housing issues.

Stamp duty phase out was an undelivered promise to the Australian people with the introduction of the GST in the year 2000. There is no area of national reform that has the greater potential to drive productivity and unlock housing supply.

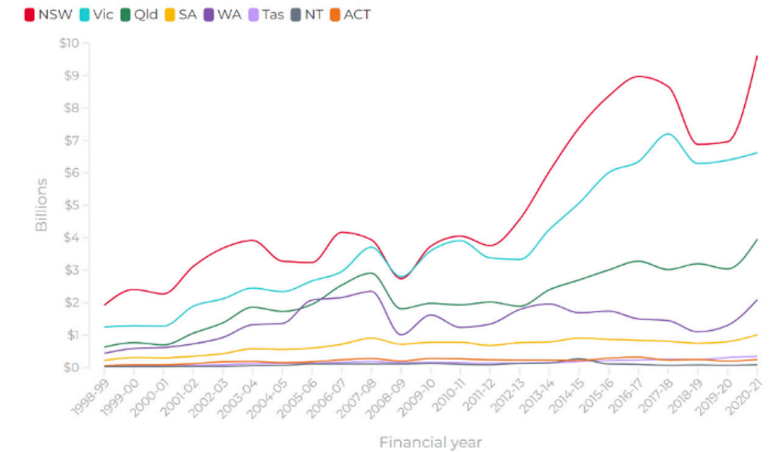


# THE ECONOMIC CASE FOR A CHANGE

## STAMP DUTY REFORM HAS A RANGE OF WELL DOCUMENTED ECONOMIC BENEFITS:

- **Increased housing supply:** The number of houses on the market will increase by up to 50pc based on experience. With increases in house prices and associated bracket creep of the amount of stamp duty payable market liquidity has nearly halved since 2008 when up to 4.5pc of all residential properties were available for sale at any one point. Today the percentage available has dropped below 2.5pc.
- **First homeowners:** Affordability for first home buyers will be improved simply by removing the large upfront cost of a property transaction or on average 4pc of the value of property.
- **Rightsizers and downsizers:** Stamp duty reform will assist empty nesters and downsizers move to more appropriate housing and better use of our existing housing stock.
- **Governments:** Stamp duty is an inefficient tax. Its removal and replacement with a more efficient source of revenue brings economic benefits, through GDP growth, and social benefits. It is also a highly variable source of revenue for states with revenue fluctuating by over 50pc depending on the housing market.
- **Mobility and jobs:** By making it easier for Australians to buy and sell their home and move to places for better employment opportunities, removing stamp duty will benefit labour mobility and improve productivity.

Total value of stamp duty revenue by state



**“Governments themselves are hugely susceptible to housing market downturns and find it difficult to plan for the provision of services.**

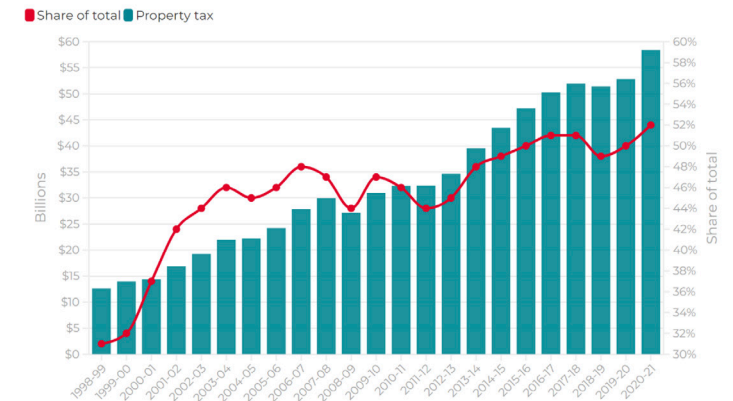
**Replacing stamp duty with a more predictable and equitable tax would provide State Governments with a more reliable source of revenue.”**

# PROPERTY TAXATION IS NOW THE MAJOR UNDERWRITER OF GOVERNMENT SERVICES

State governments have become increasingly dependent on property taxes.

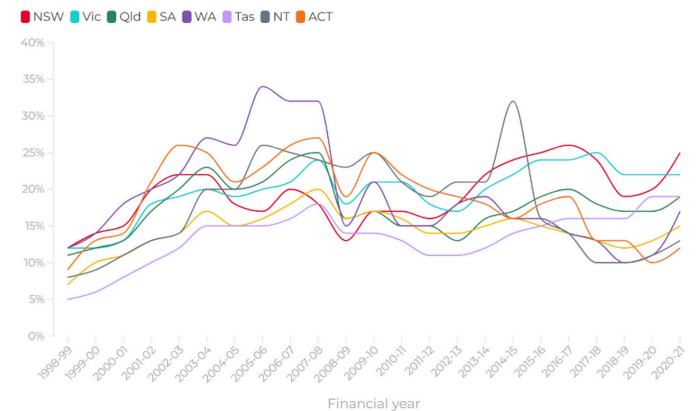
The latest statistics from the Australian Bureau of Statistics show that property taxes, including stamp duty, accounted for \$58.392 billion in taxation revenue for state and local governments in 2020/21 or 51.7pc of total tax revenue. Of this 21.2pc was from stamp duty.

**Property tax revenue over time and share of total state and local government tax revenue**



Victoria and New South Wales now have the highest dependency on stamp duty revenues with more than 20pc of state and local government tax revenue coming from stamp duty.

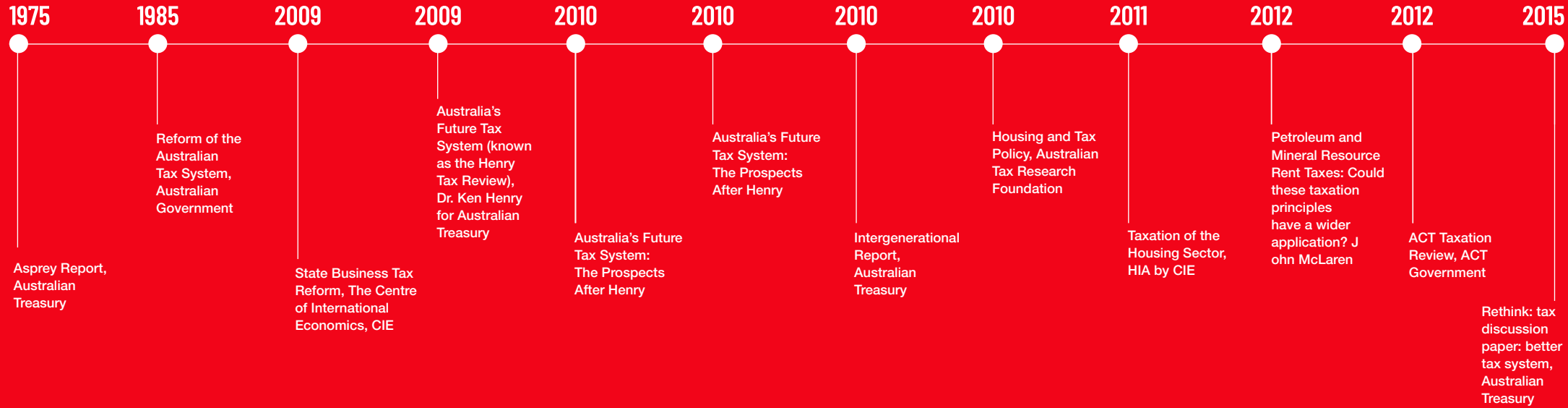
**Stamp duty share of total state and local government tax revenue**



# THE EVIDENCE BASE ALREADY EXISTS

25 research reports commissioned since 1975 outline the strong economic and social benefits of stamp duty reform.

## Stamp Duty Research through the ages 1975-2015



## Stamp Duty Research through the ages 2015-2021



# OPTIONS FOR REFORM

There are many options to consider for stamp duty reform which needs to be thoroughly explored with a national lens. Some examples include:

<i>Spectrum of reform options</i>	
<i>Big picture reform</i>	<i>Smaller scale reform</i>
Stamp duty is phased out as part of a broader holistic taxation review	Stamp duty is waived for all first homeowners and rightsizers Australia wide
Stamp duty is replaced with a broad-based tax as was promised with the phase out of the GST	Stamp duty is paid on a 'buy now pay later' or HECS style basis

## WHAT REIA WANTS

REIA has argued that stamp duty phase out needs to be led by State and Federal Treasuries for the benefit to be realised equally to Australia's economy and existing and aspiring home buyers.

REIA are calling for national leadership from the new Treasurer and all State and Territory Treasurers to work collectively and collaboratively on a long-term reform agenda for stamp duty on housing.

Ideally, this would include a national options paper for stamp duty reform with the support of all State and Territory Treasurers through the establishment of an inter-governmental Taskforce.



## GUIDING PRINCIPLES

**Stamp duty reform will require the will and collaboration of many and REIA's key stamp duty reform principles are that:**

- 1. Stamp duty be replaced with a much fairer tax base:** Currently State revenues are derived simply by those purchasing properties, not by all those enjoying the services; and these services must be funded.
- 2. Stamp duty reform be big picture and national:** True productivity and mobility reforms will only be realised if the playing field is level for all and everyone benefits from the reform.
- 3. We learn from past mistakes:** The lesson of the ACT has taught us what not to do.
- 4. We respect the evidence:** The Henry Report investigated several sensible recommendations including broadening the GST base and a universal land tax. These options remain worthy of consideration if done properly and nationally.
- 5. We fix broken promises:** Stamp duty phase out was an undelivered promise of the GST roll out 22 years ago.

# REFORM BENEFITS

STAMP DUTY REFORM WILL: ∨

**01.** Kickstart the economy

**02.** Open up Opportunity

**03.** Improve affordability & supply

STAMP DUTY REFORM IS CURRENTLY: ∨

**01.** The tax Australians can't afford

**02.** Outpacing Australians savings

**03.** Stopping Australians from getting new jobs and new houses

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<https://reia.com.au/stamp-duty/>

