Real Estate Institute of Australia

REAL ESTATE INSTITUTE OF AUSTRALIA SUBMISSION TO SENATE INQUIRY INTO TAXATION SYSTEM - PROPERTY TAXES

PROPOSAL

1. The Real Estate Institute of Australia (REIA) proposes that the Commonwealth Government ensure that the States review their commitment to Commonwealth/State funding arrangements to abolish stamp duty on non-residential property in accordance with the Intergovernment Agreement, and reduce stamp duty on residential property; in order to reduce the impost of taxes on business and reduce impediments to home ownership.

BACKGROUND

2. The present Commonwealth/State financial arrangements result in an inequitable impost on the property market throughout Australia with significant potentially adverse consequences for the Commonwealth Government (particularly in an ageing population).

3. The Senate Economics References Committee Inquiry into the structure and distributive effects of the Australian Taxation System has requested submissions with specific reference to: the level, extent and distribution of the current tax burden on individuals and businesses; the impact on taxpayers families; the use and efficacy of various tax and expenditure incentives to influence social and economic conduct; and the intergenerational consequences of the tax structure.

COMMONWEALTH GOVERNMENT OBJECTIVES

4. Inter alia, the Commonwealth Government is broadly committed to the socio-economic development of Australia through a prosperous economy with policies that promote business development, and self-funded retirement in order to ultimately help reduce reliance on Government support and the taxpayer. Self-funded retirement assumes home ownership.

THE PROBLEMS

State Taxes and Inter-Government Agreement

5. On 2 December 1998, the Commonwealth Government introduced 16 new pieces of legislation into Parliament under the title *A New Tax System (ANTS)* paving the way for fundamental reform of the Australian Tax system and a new era in Commonwealth/State financial relations. Key elements of *ANTS* were *inter alia*:

a. A broad-based 10 per cent GST from 1 July 2000 to replace the Commonwealth's wholesale sales tax and a range of State indirect taxes including:

- Financial institutions duty
- Bank Accounts Debits tax
- Stamp duty on marketable securities
- Stamp duty on non-residential property (other than real property)
- Stamp duty on non-residential property (real property), and
- Stamp duty on other business transactions

b. The States would receive the entire revenue generated by the GST as compensation for the abolition of the State indirect taxes and the elimination of financial assistance grants to the States.

6. The original timetable for the abolition of the State taxes listed above was modified after Commonwealth/State consultations in respect to transition arrangements involving a Commonwealth guarantee that, following the introduction of the GST, the States' budgets would be no worse off than they would have been without the tax reforms. Accordingly, an amended timetable for the abolition of the State taxes was under the Inter-Government Agreement (IGA) of July 1999 agreed as follows:

Timing for Abolition of State Taxes

Tax	Original Timing	Amended Timing
Bed Taxes (NSW & NT only)	1 July 2000	1 July 2000
Financial Institutions Duty	1 January 2001	1 July 2001
Bank Accounts Debits Tax	1 January 2001	1 July 2005 (NSW 2001)
Stamp Duty on marketable securities	1 July 2000	1 July 2001
Stamp Duty on non-residential property (other than real property)	1 July 2000	To be reviewed after 2005
Stamp Duty on non-residential property (real property)	1 July 2000	To be reviewed after 2005
Stamp Duty on other business transactions	1 July 2000	To be reviewed after 2005

7. Some progress with the tax reforms has been achieved with the introduction of the GST, and the abolition of the Financial Institutions Duty, Bed Taxes in NSW and the Northern Territory, and stamp duty on marketable securities.

8. Of concern, however, is that the abolition of Bank Accounts Debits Tax has been deferred until 1 July 2005 (except in NSW) and the abolition of stamp duties on non-residential property (other than real property), non-residential property (real property) and other business transactions has been deferred for review after 2005.

9. In 2002, the ACT, Tasmanian, South Australian and Western Australian Governments announced an increase in stamp duty on their property conveyances at a time when receipts were rocketing with increased property sales. The Victorian Government announced a reduction in payroll taxes which effectively placed increased reliance on State property taxes. These Governments have decided to increase their already heavy reliance on inefficient property taxes when they should

be actively reducing them and working towards their abolition. These recent decisions are totally against the spirit of the tax reforms that all Governments agreed to and that is embodied in the Act. In addition, it is disturbing to note that when determining the per capita funding under the Horizontal Fiscal Equalisation arrangements, the Commonwealth Grants Commission assesses that New South Wales has a relatively stronger capacity to raise revenue from land tax and stamp duty on property transfers compared to other States (Commonwealth 2002-03 Budget Paper No.3, p22).

Intergenerational Change and Home Ownership

10. In the Commonwealth Government Report of May 2002, it was stated that: "While the population of labour force age is projected to grow by just 14%, the number of people aged 55 to 64 years old is projected to increase by more than 50% over the next two decades." The proportion of the population aged over 85 years is expected to treble by 2042. The report further states that "...personal income tax revenue does not fall as a percentage of GDP as the population ages, because labour force and wages growth trends affect income tax and GDP growth more or less equally. Furthermore, the Intergovernment Agreement allocates the GST revenue to the States and Territories". The Report indicates a decline in the coverage rate of the Age Pension, that the proportion of eligible age range will double by 2041/42, and a decline in the full Age Pension. Notwithstanding that income tax does not fall as a percentage of GDP, the Report does not appear to address the absolute cost projections for significant increases in Commonwealth Government social services for a population which is ageing significantly, taking account of the implications for self-funded retirement including the underlying assumption that self-funded retirement includes home ownership.

11. A report from the Committee for Economic Development of Australia (CEDA) in March 2002 entitled "Future Directions in Australian Social Policy" has indicated ..."concerns about the widening divisions and inequalities in Australian society, an increasing burden on individuals to cope with new uncertainties and risks, and a questioning of the balance between reliance on the market as a distributive mechanism and a role for government in risk prevention and mitigation, social investment and social protection." Indicatively, the report stipulated that the home purchase rate among the generation cohort of 25 to 34 year olds has dropped by 10% in the period 1981 to 1996. Similarly, the 2001 Census shows that overall home ownership rate amongst all Australians has dropped from 69% in 1986 to 67% in 2001. Additionally, the Council of Australian Postgraduate Associations stated that "there had been little research on the social or economic impact of student debt so far". The report also cited "...a higher median age for first home buyers – up from 30.2 in 1998 to 31.8 in 1996/7".

12. The CEDA report concluded that "...in the face of a contracting ownership sector and expanding private rental market, the policy issues for a new social settlement revolve around how to extend many of the benefits of ownership to those who are not now, or may never be, owners." "In a new social settlement it is worthwhile to remember the philosophy embedded in the old housing policy is about much more than bricks and mortar. Housing markets shape urban and regional forum and the liveability of cities and regions." In essence, home ownership is an integral

part of cultural development, social stability, economic welfare and community development. However, the current nature and scope of State property taxes, including stamp duty and land tax, is significantly discriminating against home ownership and undermining social settlement.

State Dependency and Inefficiencies of Property Taxes

13. By international comparisons, Australia ranks the fifth highest nation in OECD countries in respect of its reliance on property taxes. Governments in Australia now collect nearly as much from property taxes as they collect from motor vehicles, general payroll taxes, and gambling taxes combined. ABS figures (Taxation Revenue Report, Cat. No. 5506.0, released Friday, 12 April 2002) indicate that:

MAJOR COMPONENTS OF TOTAL TAXATION 2000-01	$m	%
Employers payroll taxes		
General taxes (payroll tax)	9 322	4.4
Other employers labour force taxes	3 537	1.7
Taxes on the use of goods and performance of activities		
Motor vehicle taxes	4 030	1.9
Taxes on provision of goods and services		
Taxes on gambling	3 553	1.7
Taxes on property		
Taxes on immovable property	9 062	4.2
Taxes on financial and capital transactions	9 766	4.6
Total motor vehicles, general payroll and gambling	***20 442***	***9.7***
Total taxes on property	***18 828***	***8.8***

14. In 2000, the REIA received a commissioned report from Access Economics entitled 'The Economic Case for Cutting State Taxes on Real Estate'. The report shows State property taxes have increased as a share of State and local government taxation revenue for each of the States, except Victoria, from 1989/90 to 1997/98. In 2002, Access Economics provided another report for the Business Coalition of Tax Reform which essentially concluded that: "A theme emerging from this Report is that the initial promise of scope for further State business tax reform has been progressively disappointed:

a. First, the problems in the Senate reduced the scope and delayed the timing of the original State tax reform package envisaged under ANTS Mk 1.
b. Second, the net revenue dividend from GST is clearly not a good indicator of individual States' capacity responsibility to further cut State business taxes.
c. Third, even States enjoying revenue 'windfalls' (eg due to the property boom) have partly spent those on other measures".

A further report from Access Economics in 2002 ranks the inefficiency of State taxes in order of priority in three groups; firstly, as stamp duties on non-residential conveyancing; secondly, stamp duty on residential conveyancing and land tax; and thirdly, payroll tax.

15. The significance of the reliance of the States on property taxes as a component of revenue from total State taxes and as a component of total State revenue is shown in the following table derived from the 2002-2003 State Budgets.

State Reliance on Property Taxes

State/Territory	NSW %	VIC %	QLD %	S.A. %	W.A. %	ACT %	TAS %	N.T. %
Land Tax + Real Property Stamp Duties as:								
% Total State Taxes	29.3	27.4	23.9	23.4	28.8	27.3	15.2	15.0
% Total State Revenue	11.1	9.5	6.4	6.4	8.2	6.7	3.3	1.5

Property Taxes Are Inequitable

16. The cyclical nature of the property market and implications of government adjustments to the State budget in a downturn can be avoided. Property taxes are fundamentally narrow-based wealth taxes which discriminate against property owners. Property taxes are aimed only at the property market (commercial and residential) which affect small business, tenants, home owners, investors and self-funded retirees. Payroll tax is the most broad-based, stable, and robust State tax as shown in the report by Access Economics in 2002.

17. The following points illustrate the pervasiveness of stamp duties associated with property transactions. In total, they have no parallel in any other form of investment:

a. Stamp duty, or conveyance duty, on the transfer of property is usually calculated on the purchase price. Because stamp duty usually involves payment of several thousand dollars, it will tend to be capitalised into the next sale price of the property having the effect of increasing the second round property sale price and stamp duty. For example, the NSW stamp duty on the sale of a commercial premises worth $800,000 is $31,490, and the stamp duty on transaction of a lease worth $200,000 per year and attracting GST would be $2,310 per year.

b. Stamp duty on property mortgages (except in the ACT and the NT) are based on the amount financed: that tends to increase as property prices rise.

c. In the case of new residential property, GST is payable on the costs of construction. The vendor will seek to recover the GST from the purchaser when the property is sold. When this occurs, stamp duty paid on the total purchase price will involve a component of a tax on a tax. In other words, States charge stamp duty on GST inclusive supply prices. In contrast to such conduct by the States, the ACCC would be expected to prosecute any private sector firm that took advantage of, and profited by, the GST. Payment of a tax on a tax also occurs when stamp duty is paid on the GST component of a vendor's agent commission.

18. The benefits to individual home buyers of reducing or eliminating State stamp duties on residential conveyances and home mortgages are clear from the information contained in the following table. For each capital city, the Stamp duty payable on median house prices that were current for the December quarter 2002 has been calculated and is also shown as a percentage of the median house price. In addition, the mortgage stamp duty applicable to the average home loan recorded for each State in the December quarter 2002 has been calculated and is also shown as a percentage of the average loan.

Duties Payable on Median House Prices and Average Home Loans - December Quarter 2002

City	Median House Price[1] $	Stamp Duty Payable $	Stamp Duty as Percent Of Median House Price %	Average Home Loan[2] $	Mortgage Stamp Duty Payable $	Mortgage Stamp Duty as Percent of Average Loan %
Sydney	450,000	15,740	3.50	214,602	799	0.37
Melbourne	335,000	15,760	4.70	184,656	702	0.38
Brisbane	256,000	7,435	2.90	156,207	625	0.40
Adelaide	190,500	6,450	3.39	130,135	445	0.34
Perth	194,400	6,218	3.20	146,444	533	0.36
Canberra	246,000	7,340	2.98	177,055	Nil	Nil
Hobart	147,300	3,844	2.60	94,918	347	0.36
Darwin	208,000	7,180	3.45	135,300	Nil	Nil

1. Market Facts, December quarter 2002 edition, Real Estate Institute of Australia.
2. Home Loan Affordability Report, December quarter 2002, AMP Banking/ Real Estate Institute of Australia

19. Investment incentive has decreased significantly with the introduction of State land taxes - these vary from State to State. For example, in the ACT, land tax can represent an annual average impost on the landlord of 15 – 20% of rent return after tax on a median residential property price in addition to mortgage repayments, normal rates, and maintenance etc. This additional impost can be considerably higher in some cases, eg inner suburbs can attract an impost of 40%. Investors without a significant cash flow in additional to rental return are denied the opportunity to invest in property. Moreover, there is no stamp duty or on-going taxes on other investment opportunities such as property trusts and shares. This does not augur well for potential income opportunities in the property market to encourage self-funded retirement as part of a developing socio-economic environment, and therefore less dependence on governments.

No Balance for Investment by Self- Funded Retirees

20. Sound financial planning by self-funded retirees must include investment of superannuation funds in a balanced portfolio. However, the current regulations do not allow superannuation funds to be negatively geared for investment. Since most funds would be less than $500,000, there is no scope for investment in a balanced portfolio of shares and property. The superannuation fund is forced into the share market and can only achieve a narrow basis for balance by investing in companies with diverse business eg banks, utilities, telecommunications, construction, etc and property trusts. This approach has proven to be spurious because the share market is not providing income or growth for most investors. As the share market falls, so too does the standard of living of the self funded retiree with Government welfare as the safety net.

However, property prices in the last 5 years have increased 55.6% on average across all capital cities, ranging from 15.5% in Darwin to 83.72% in Sydney.

21. The self-funded retiree has no option but to use their salary to offset the imbalance of their superannuation fund by investment in commercial and residential property. However, such investment using salary is taxed at the marginal rate and is impeded by significant stamp duties on transactions.

IMPLICATIONS FOR THE COMMONWEALTH GOVERNMENT

Forgone Revenue

22. State stamp duties and land taxes are more than simply State taxes. State stamp duties are an impost on the Commonwealth Government. The Commonwealth Government forgoes revenue to the States as follows:

a. The States receive the stamp duties and land tax on property transactions.
b. The States receive the GST on property transactions.
c. The States also receive stamp duty on the total cost of property transactions for a new property plus GST on top of the sale price. This is an unintended consequence of the introduction of GST and stamp duty should be reduced at least enough to offset the effect of the tax on a tax.
d. The Commonwealth reimburses up to about 50% of the States property taxes which are claimed by investors as an income tax deduction through the ATO.

23. The States tax base is volatile because the property market is cyclical. The buoyant property market over recent years has encouraged inefficiencies in other revenue areas and unsustainable government commitments to State projects and/or programs. Past experience shows that cyclical increases in revenue tend to be matched by increases in spending. Inevitably, the property market subsides and it can drop significantly. State governments can respond in such circumstances with abrupt adjustments to the State budget with potentially adverse effects on the economy, GDP investment, and welfare. The Access Economics report concluded that "in what is shaping up as a repeat of the late 1980s, most States are being lulled into a false sense of security by a cyclical peak in stamp duties and other revenue." Essentially, such reliance on property taxes is an unstable source of revenue for the States. Reductions in State expenditure during property downturns invariably affect welfare programs such as affordable housing and infrastructure development. The States and individuals seek Commonwealth Government assistance from the Commonwealth budget when there is very little capacity within the budget.

Self –Funded Retirement Falling

24. Home ownership is falling as a result of home affordability shown in the following table.

Home Ownership - Australia

Tenure	Census Year Households Per Cent						
	1971	1976	1981	1986	1991	1996	2001
Owned	na	31.6	33.2	38.2	40.3	41.4	40.2
Being Purchased	na	34.7	33.0	30.9	27.0	25.5	26.5
Total Owners	**67.3**	**66.3**	**66.2**	**69.1**	**67.3**	**66.9**	**66.7**
Renters: State Housing	5.5	4.9	4.9	5.4	5.7	5.1	4.5
Renters: Private Landlord	21.8	20.3	20.0	20.4	20.9	23.6	23.1
Total Renters	**27.3**	**25.2**	**24.9**	**25.8**	**26.6**	**28.7**	**27.6**
Other Tenure	5.4	8.5	8.8	5.1	6.1	4.4	5.8
Total Occupied Dwellings ('000)	**3,670**	**4,140**	**4,669**	**5,187**	**5,765**	**6,496**	**7,072**
Total Unoccupied Dwellings ('000)	339	431	469	543	597	679	718
Total Dwellings ('000)	**4,009**	**4,571**	**5,138**	**5,730**	**6,362**	**7,175**	**7,790**

Source: ABS Census data, various years.
Percentages calculated as percent of total occupied dwellings

A Tax on Mobility

25. Home ownership is the cornerstone of self-funded retirement, therefore without home ownership, retirees cannot be self-funded. Superannuation funds for those people without their own homes is used for rental or living expenses. However, people going into retirement are often asset rich and cash poor. They choose to continue to live in large family homes rather than sell in order to buy a smaller residence because of the heavy taxes burden including stamp duties.

THE WAY AHEAD

Property Taxes Vs Payroll Tax

26. Notwithstanding that States are dependent on property taxes for revenue, there are economic benefits from a reduction of these taxes. The Access Economics report compared the net economic benefits estimated to be derived from a reduction of $100 million in each of a range of different State taxes benchmarked against the net economic benefits from a $100 million reduction in State payroll taxes. The key findings of the report were that:

a. Reducing stamp duties on conveyances of non-residential property would result in gains to economic welfare, economic activity and investment many times greater than the gains from reducing payroll taxes by the same amount.
b. Reducing any of the State taxes on property individually would provide economic benefits greater than the benefits that would be achieved by reducing payroll taxes by the same amount.

27. The net economic benefits measured by the change in economic welfare resulting from a reduction in a State tax depend on whether the tax impacts mainly on capital, labour, and the overall cost of production or on a specific item of consumption. For example, the economic benefits of reducing taxes on capital such as stamp duties on non-residential conveyancing are likely to be large because capital supply responds elastically to changes in its price. On the other hand, the economic benefits from reducing taxes like payroll tax that acts alone on the price of labour will

be comparatively unresponsive to changes in the real wage rate. Payroll tax is borne by large businesses and the majority of employers are small/medium businesses. Therefore, a decrease in payroll tax would not affect the majority of employers because they are below the threshold. Overall, the higher the economic benefits estimated for a $100 million reduction in individual State taxes in the Access Economics analytical models, the stronger the case for reducing the specified State taxes.

28. The important detailed results of the analysis measure the effects of a $100 million reduction in specific State taxes in terms of the net national benefits to economic welfare, economic activity (measured in terms of GDP) and investment. In summary, the key findings of the report were:

a. Reducing stamp duties on *non-residential* conveyances by $100 million would result in net benefits to economic welfare, GDP and investment respectively 4 times, 12 times and 10 times the gains from a $100 million reduction in payroll taxes. In dollar terms, the benefits from a $100 million reduction in *non-residential* conveyances would be $50 million to economic welfare, $74 million to GDP and $22 million to investment.
b. Reducing stamp duties on *residential* conveyances by $100 million would result in net benefits to economic welfare, GDP and investment respectively 2 times, 6 times and 6 times the gains from a $100 million reduction in payroll taxes. In dollar terms, the benefits from a $100 million reduction in *residential* conveyances would be $22 million to economic welfare, $38 million to GDP and $13 million to investment.
c. Reducing land taxes, local government rates and insurance contributions to fire brigades by $100 million would result in net benefits to economic welfare, GDP and investment respectively 2 times, 6 times and 4 times the gains from a $100 million reduction in payroll taxes.

In 2000-01, the total revenue collected by all States and Territories from payroll tax was approximately $10.6 billion.

Benefit to the Nation

29. Applying the Access Economics ratios of benefits of reducing State Stamp duties compared with reducing State payroll taxes, elimination of *non-residential* conveyances would benefit the nation by an estimated $15.5 billion and elimination of *residential* conveyances would benefit the nation by an additional estimated $7.7 billion.

30. From Commonwealth budget papers GST grants to the States in 2000-01 totalled $24.4 billion. Projections over the next four years were made in 2001-02 and 2002-03 and are compared below:

Projected GST payments to the States

	2001-02 Projections	2002-03 Projections
• 2001-02	$27.5 billion	$27.6 billion
• 2002-03	$29.2 billion	$29.7 billion
• 2003-04	$30.8 billion	$31.3 billion
• 2004-05	$32.6 billion	$33.1 billion

GST revenue to the States is clearly increasing.

31. Under the ANTS *(Commonwealth-State Financial Arrangements) Act 1999*, the Commonwealth guaranteed that in each of the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms to Commonwealth-State financial relations not been implemented.

32. The amount of funding each State would have had available to it under the previous system of financial relations is the Guaranteed Minimum Amount (GMA) and is calculated for each transitional year, commencing in 2000-01. To meet its guarantee, the Commonwealth pays the States transitional assistance known as Budget Balancing Assistance (BBA) to cover any shortfall of GST revenue below the GMA. The estimated BBA payments to the States in the first three transitional years are shown below:

	2000-01	**2001-2002**	**2002-2003**
Total Guaranteed Minimum Amount ($ billion)	27.1	30.5	31.4
GST Revenue Provision ($ billion)	24.2	27.6	29.7
Budget Balancing Provision ($ billion)	2.9	3.9	1.7

33. From the budget papers, the GST transitional period is expected to continue at least until 2005 although there is some prospect that the period is shorter than this, eg in Queensland. From the agreements negotiated between the Commonwealth and State Governments, in respect to the deferred dates when the abolition of the State property taxes specified under the terms of the Act is to be reconsidered, there is no specified time when those State taxes will be abolished or reduced.

34. Based on the analysis in the Access Economics Report, the States ought to abolish the State Stamp Duties on all types of non-residential property and other business transactions as soon as GST payments to the States reach the level of the Guaranteed Minimum Amount. By doing so, the States will not only benefit from a more secure and less volatile source of revenue through GST allocations than the taxes and grants being replaced, but also from the gains to economic welfare, economic activity and investment that will build over time after the stamp duties have been abolished.

35. The rate at which GST payments to the States are being made to achieve their respective Guaranteed Minimum Amounts is either equivalent to, or exceeding expectations. There is a very strong case for individuals and Commonwealth and State Governments to reap significant benefits by reducing and abolishing State property taxes. But if this goal is to be achieved within the next three to five years, a way to compensate the States for the loss of revenue that they receive through property taxes must be addressed. The growth in GST revenue beyond the levels needed to satisfy the total Guaranteed Minimum Amounts will provide a viable solution and an increase in payroll tax will provide immediate offset.

SUMMARY

36. The inefficiencies of stamp duties on non-residential property transactions will impede economic development and stamp duties on residential property will exacerbate the societal effects of intergenerational change, particularly an ageing population. Home ownership is falling which means that there is inadequate preparation for self-funded retirement. Additionally, State budget commitments are based on the cyclical nature of the property market and in a downturn, the consequences will ultimately be borne by the Commonwealth Government budget.

37. The ANTS heralded the first major change of the tax system in Australia since 1942 when the Commonwealth Government assumed total responsibility for taxation income. ANTS is a fair system. But, the old approach of State property taxes remains:

a. Property taxes are inefficient taxes that distort the property market and impede investment in property.
b. Property taxes are narrowly focused wealth taxes that discriminate against property owners. Property taxes are aimed only at the property market (residential and commercial) which affect small business, tenants, home owners and investors. Property taxes are a mobility tax, particularly for an ageing population.
c. The States dependence on property taxes significantly discriminates against home ownership, and will ultimately have an adverse effect on socio-economic development in Australia
d. Payroll tax is the States most broad-based, stable and robust growth tax
e. Investment incentive has decreased significantly with the introduction of State land taxes that vary from State to State.
f. State governments get a far greater return on reduction of taxes from property tax than payroll tax. The effects of a $100m reduction in property taxes compared to the same reduction in payroll tax will result in huge net benefits to economic welfare, GDP and investment.

38. States have increased their dependence on inefficient and inequitable taxes. Home ownership in Australia has fallen, particularly amongst the age group of 25 to 34 year olds. If this trend continues, there will potentially be a decrease in the social settlement of Australian society with an increase in the burden on the Commonwealth Government in the provision of housing and welfare, which is directly at odds with the Government's direction of self funded retirees and lasting socio-economic development.

39. The property market will doubtless subside. Therefore, there will be less revenue from State taxation and consequently abrupt adjustments to State Government budget commitments with concomitant implications for the national economy, employment and social well-being.

40. An Access Economics report has clearly concluded that the most broad-based, stable, and robust growth tax is payroll tax. In a subsequent report, Access Economics concluded that payroll tax was a more efficient tax than stamp property taxes. Importantly, the effects of a $100m reduction in property taxes compared to the same reduction in payroll tax will result in huge net benefits to economic welfare, GDP and investment.

41. The REIA advocates the immediate reduction of State property taxes with the State revenue being offset by the GST and Budget Balancing Assistance. Moreover, the Commonwealth Government should consider initiatives such as tax incentives for older people to downsize their homes in order to assist with provision for self-funded retirement and improve their quality of life.

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11 April 2003