



REINSW

for members
since 1910

The Hon. Gladys Berejiklian MP
NSW Treasurer
127 Phillip Street
Sydney, NSW 2000
NSW 2001

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Email: contact@treasury.nsw.gov.au

Dear Madam Treasurer

NSW Budget 2015-16 Stamp Duty Bracket Creep

The REINSW congratulates you on your appointment as NSW Treasurer and takes this opportunity to present this submission, in the hope that under fresh leadership, NSW Treasury might favourably consider finally treating the NSW issue of Stamp Duty bracket creep, in the forthcoming NSW Budget 2015-16.

For many years, the REINSW and others have made concerted efforts to try to persuade NSW Government (and Opposition) of the necessity to address the inequity and detrimental effects of Stamp Duty bracket creep. However, to date, no Governmental corrective action has been taken on the issue in NSW and the consequences continue to worsen.

The current NSW Transfer Duty brackets (other than the top bracket for residential land over \$3 million) have been in place for 29 years.

The Second Reading to the 1986 Bill which on enactment, increased NSW Transfer Duty rates and introduced the current base thresholds included the following (emphasis added):

“The increased rates for conveyances only affect properties worth more than \$300,000 and thus will not affect the average home purchaser”.

NSW average home buyers were never meant to be paying 4.5% or 5.5% rates of Transfer Duty. Yet, with the median price of NSW homes having increased exponentially over the past 3 decades since the original base thresholds were introduced, they are.

The median price of homes in Sydney is now at \$915,000.

Last financial year, NSW was almost \$1Billion (\$938 million) above Budget in Transfer Duty “due to strong growth in residential property transfers”. The latest NSW 2014-15 Half-Yearly Review states that residential Transfer Duty is expected to increase again above the original Budget, by 12 per cent in 2014-15, principally due to higher house prices.

Not only is it unfair that Stamp Duty bracket creep has remained unaddressed in NSW for 3 decades but it has had the added adverse consequence of inflating NSW property prices, through buyers seeking to recover the cost of Transfer Duty when they become vendors selling the property that they have purchased.

It is the submission of the REINSW that NSW addressing Stamp Duty bracket creep does not need to mean loss of Stamp Duty revenue to NSW.

High rates of Transfer Duty are an impediment to turnover.

Attached is a link to a paper by Dr Andrew Leigh (now MP - Shadow Assistant Treasurer) and Ian Davidoff dated September 2013, entitled "*How Do Stamp Duties Affect the Housing Market?*" <http://andrewleigh.org/pdf/StampDuty.pdf> The paper analyses the effect of increases in Transfer Duty on housing turnover and considers housing sales data in Australia over a 13 year period from 1993 to 2006 (p397). It concludes (at p406) that a 10% increase in Stamp Duty lowers turnover by 3% in the first year and that over a 3 year period, a 10% Stamp Duty increase lowers housing turnover by 6%. It should follow that the inverse is also the case, namely, that where Transfer Duty is decreased, turnover increases.

There is in fact empirical evidence that with Transfer Duty being a transaction tax, a reduction in the rates incentivises turnover which produces Transfer Duty revenue to the State. A most recent experience of this is in the ACT where Transfer (Conveyance) Duty rates were decreased* at the commencement of 2013-14 and yet, the ACT still recorded an increase in its Transfer Duty revenue collected in that financial year **compared to the financial year before***.

* See table on p 96: http://apps.treasury.act.gov.au/_data/assets/pdf_file/0005/455981/3.3-Taxation-Reform.pdf

** In 2013-14, the ACT Transfer (Conveyance) Duty revenue was \$226,520 million - see p63 http://apps.treasury.act.gov.au/_data/assets/pdf_file/0007/684529/2014-15-Budget-Review-Web-Version.pdf

*** In 2012-13, the ACT Transfer (Conveyance) Duty revenue was \$225,653 million - see p 64 http://apps.treasury.act.gov.au/_data/assets/pdf_file/0012/455979/3.1-Revenue-and-Forward-Estimates.pdf

The next ACT Budget is scheduled for 2 June 2015 and the effect of further reductions in the lower brackets of the ACT Transfer Duty rates in 2014-15 can then also be considered*.

In years gone by, another two jurisdictions namely, WA and NT reduced their respective maximum rates of Transfer Duty and yet, their overall Transfer Duty revenue collections in the year of that reduction respectively increased. Attached is a schedule of the data.

It is not to be forgotten that in the full financial year that NSW imposed vendor duty (i.e. 2004-2005), NSW lost over \$1 billion Transfer Duty revenue and in the full financial year that vendor duty was abolished in NSW (i.e. 2006-2007), Transfer Duty revenue increased by over \$1 billion. The attached schedule also includes data on that.

NSW taxpayers have been patient for almost 30 years. Stamp Duty bracket creep should finally be addressed in the next NSW Budget on 23 June 2015. In doing so, the NSW Government would not only win the favour of average homebuyers in this State but also do itself a favour, by incentivising turnover and increasing its Stamp Duty revenue collections.

The 3.5% rate of Transfer Duty should apply up to at least \$1 million.



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REINSW would be grateful for the opportunity to meet with you for the purpose of discussing the proposal in this submission further.

Yours sincerely,

Tim McKibbin
Chief Executive Officer

cc: The Hon. Mike Baird MP, NSW Premier

**SCHEDULE****WA**

In WA:

- in 2003-04 the maximum rate of Conveyancing or Transfer duty was **6.3%**
- in 2004-05 the maximum rate of Conveyancing or Transfer duty was **reduced to 6%** (from 1 July to 28 October 2004) and **5.4%** (from 29 October 2004)
- in 2005-06 the maximum rate of Conveyancing or Transfer duty was remained **reduced at 5.4%**

Notwithstanding that the maximum rate of Conveyancing or Transfer duty was **lower** in 2004-05 the WA State revenue collected from Stamp Duty on Conveyancing and Transfers in 2004-05 was **greater** than in 2003-04 when the maximum rate of Conveyancing or Transfer duty was higher. Similarly, notwithstanding that the maximum rate of Conveyancing or Transfer duty was **lower** for the whole of 2005-06 the WA State revenue collected from Stamp Duty on Conveyancing and Transfers in 2005-06 was **greater** than in 2004-05 when the maximum rate of Conveyancing or Transfer duty was higher for part of that year:

- WA Stamp Duty Conveyancing & Transfers 2003-04 - **\$1,207,271,000**
See p 86 WA Department of Treasury Annual Report 2004-05
- WA Stamp Duty Conveyancing & Transfers 2004-05 - **\$1,218,330,000**
See p 86 WA Department of Treasury Annual Report 2004-05
- WA Stamp Duty Conveyancing & Transfers **2005- 06 - \$1,916,434,000**
See p 45 WA Department of Treasury Annual Report 2005-06

NT

In the NT:

- in 2006-07 the maximum rate of Conveyancing or Transfer duty was **5.4%**;
- in 2007-08 the maximum rate of Conveyancing or Transfer duty was **reduced to 4.95%** (from 6 May 2008)
- in 2008-09 the maximum rate of Conveyancing or Transfer duty **remained reduced at 4.95%**

Notwithstanding that the maximum rate of Conveyancing or Transfer duty was **lower** for part of 2007-08 the NT revenue collected from Taxes on Property (NB: NT does not have land tax) in 2007-08 was **greater** than in 2006-07 when the maximum rate of Conveyancing or Transfer duty was higher. Similarly, notwithstanding that the maximum rate of Conveyancing or Transfer duty was **lower** for the whole of 2008-09 the NT revenue collected from Taxes on Property in 2008-09 was **greater** than in 2007-08 when the maximum rate of Conveyancing or Transfer duty was higher for most of that year:

- NT Taxes on Property 2006-07 - **\$86,500,000**
See 2006-07 Budget Paper No 2 - Fiscal & Economic Outlook Item 6. Territory Own-Source Revenue p62 - \$86.5M - Taxes on Property
- NT Taxes on Property 2007-08 - **\$97,100,000**
See 2007-08 Budget Paper No 2 - Fiscal & Economic Outlook Item 8. Territory Own-Source Revenue p 85 - \$97.1M - Taxes on Property
- NT Taxes on Property 2007-08 - **\$108,500,000**
See 2008-09 Budget Paper No 2 - Fiscal & Economic Outlook Item 6. Territory Own-Source Revenue p 61 - \$108.5M - Taxes on Property

**NSW***Information from NSW Treasury Annual Reports**http://www.treasury.nsw.gov.au/Publications_Page/Annual_Reports*

Year	Transfer Duty Maximum Rate	Vendor Duty Rate	Revenue Transfer Duty	Revenue Transfer Duty Change	Revenue Vendor Duty	Total	Total Revenue Change
2003/04	5.5% or 7% (1 month)	2.25% (1 month)	\$3,916M	-	\$2M	\$3,918M	-
2004/05	5.5% or 7%	2.25%	\$2,911M	-\$1,005M	\$371M	\$3,282M	-\$636M
2005/06	5.5% or 7%	2.25% (only for 1 month)	\$3,144M	+\$233	\$92M	\$3,236M	-\$46M
2006/07	5.5% or 7%	Nil	\$4,163M	+\$1,019	\$3M	\$4,166M	+\$930M