

30th July 2021

Mr Michael Pratt AM
Secretary
NSW Treasury

Via email: TaxReformTaskforce@treasury.nsw.gov.au

Dear Mr Pratt

NSW Property Tax Proposal Buying in NSW, Building a Future - Progress Paper

I write regarding the NSW Treasury Progress Paper – *Buying in NSW, Building a Future* (the Progress Paper). On behalf of the members of the Urban Taskforce, I thank you for the opportunity to provide feedback on the Government's update on this important reform initiative

As stated in our earlier submissions to the tax reform proposal, the Urban Taskforce **supports** the proposal to give property purchasers the option of paying an annual property tax as an alternative to stamp duty.

Facilitating the transition to a property tax is seen by the Urban Taskforce as a positive so as to shift the public finance burden from new home purchasers towards a broader base of all property owners. This recognises the contribution made by the new housing sector and our growing population towards the growth of the economy and the associated benefits that are derived for the broader community.

Every report on tax reform published in the last two decades has called for the abolition of stamp duty. The most recent report from the Commonwealth Government's National Housing and Finance and Investment Corporation (NHFC) found that "*mobility will increase if transfer duty is reduced or removed ... including more efficient use of housing stock and improved labour productivity*".

Stamp Duty is highly inefficient and fosters intergenerational inequity as it:

1. Effectively acts to suppress housing market transactions and limits the supply of existing homes for sale by deterring people from changing homes when they otherwise would, to downsize for example;
2. simultaneously punishes first home buyers who perceive it as one of the biggest hurdles to home ownership.

Previous research from CoreLogic confirms first home buyers perceive one of the biggest hurdles to home ownership is stamp duty, together with saving for a deposit.

Further, Stamp Duty is an unreliable source of revenue for governments. Stamp Duty revenue is dependent on property transactions and is vulnerable to market variations. By contrast, a property tax is less volatile and more predictable.

Urban Taskforce notes the Progress Paper includes an updated rate structure that would result in a reduction to the residential - owner occupied annual fixed fee but an increase to the residential – investor owned annual ad valorem rate and the new surcharge on property aggregate land holds above \$1.5 million. Urban Taskforce acknowledges the change is “designed to assist in increasing home ownership” and this objective is supported. However, any increases in the tax on land are ultimately passed onto the new homeowner or renter, either due to the costs incurred by a developer if owning the land or the cost to the landlord – many of whom are mum and dad investors.

In the interests of investment certainty and housing affordability, **Urban Taskforce recommends** that in implementing the tax reforms strong legislative protections are put in place that only allow for an increase to the proposed tax rates and indexation methodology when there is an associated increase to average income growth.

The Urban Taskforce commends the NSW Treasury on its continued progression of the proposed change, and we urge the Treasury to maintain rigour and alacrity in the reform's implementation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a stylized flourish extending from the end.

Tom Forrest
Chief Executive Officer