

DELIVER REAL STAMP DUTY REFORM

REINSW STATE ELECTION POLICY
3 DECEMBER 2018

CALLING FOR CHANGES TO THE PROPERTY TRANSFER DUTY (STAMP DUTY)

REINSW believes transfer duty requires urgent reform to support more affordable housing by both reducing the up-front costs of buying a home and encouraging more sellers to enter the market.

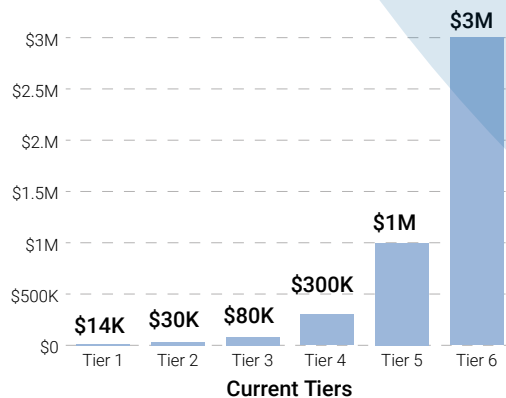
Residential property transfer duties alone – previously known as stamp duty - contributed \$8.4 billion to the NSW economy across the 12 months to October 2018.¹ The stamp duty payable on a house sold at the Sydney median sales price of \$985,000 attracts duties of \$40,093 which is 4 per cent of the purchase price.

However, the real cost of stamp duty is significantly higher for most Sydney-siders as the majority of suburbs have a median house sales price above \$1 million.²

There is also an additional insult in the stamp duty regime for new property owners where GST must be paid on top of the final purchase price, then transfer duty is payable, so this creates a tax on a tax.

The NSW Government's own figures show that revenue from property transfer taxes are currently on the decline due to lowering volumes of transactions.³ Evidence shows that reducing transfer duty rates increases transactions which maintains, if not **increases** Property Transfer Duty revenue. It has consistently ignored its own data, such as the IPART report, that have identified transfer duty as an inefficient and unfair tax.

Figure 1: Current NSW Stamp Duty Tiers



While the NSW Government announced in November that they would make changes to stamp duty, their intention is to index the current tiers. REINSW supports indexation, however to correct the injustice of the current stamp duty rates, these tiers must be indexed from 1986 when they were first introduced.

Figure 2: Stamp duty on median sales prices in Sydney⁴

SYDNEY November 2018	House	Unit
Median Price	\$970,000	\$720,000
Stamp Duty	\$39,140	\$28,173
SD% of Median Price	4%	4%

Inappropriate levels of duty create a significant up-front barrier and takes home ownership out of reach for many NSW residents. Research also shows it plays an important role in deterring many home owners from moving.

On this basis, properties that achieve a median price, fit under tier 4 of the current stamp duty regime while 50% fit into categories 5 and 6.

1. www.statetax.com.au
 2. CoreLogic Market Trends August 2018
 3. www.statetax.com.au
 4. CoreLogic Market Trends November 2018

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i. RETIREES STAMP DUTY REFORM

Many retirees (“empty nesters”) live in large family homes with three or more bedrooms and a big backyard. The upkeep on these properties can become difficult for them as they become older and the extra bedrooms are rendered unused and unnecessary. Extensive research reveals that stamp duty is a significant disincentive for retirees making the decision to sell their property and downsize into something that better responds to their needs^{5,6,7} and that this has an additional cost of failing to free up equity for their needs as they age.

REINSW calls on the NSW Government to provide transfer duty relief for people aged over 65 when they downsize into accommodation more suitable to their changing needs, such as a townhouse, apartment or retirement village.

Such a move will recycle housing stock into the market for younger families and remove a serious impediment to older Australians accessing the equity in their homes to finance their retirement.

REINSW calls for the political parties to commit to stamp duty reform including:

- A review of property transfer duties in NSW with a view to reducing stamp duty, freeing up the market and increasing transactions, which will drive up transfer duty revenue for the Government
- Seriously addressing stamp duty bracket creep and aligning stamp duty tiers to pricing that is more in line with current property prices in NSW

5. Perceptions of Housing Affordability 2017, CoreLogic
6. LJ Hooker 2016
7. Menzies Research Centre, 2007



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