

Hon. Dr Mike Nahan  
Treasurer; Minister for Energy; Citizenship and Multicultural Interests  
Department of Treasury  
13th Floor, Dumas House  
2 Havelock Street,  
WEST PERTH WA 6005

Dear Treasurer,

### **Strategic state tax reforms**

The Property Council of Australia would like to present you with two strategic state tax reforms that are necessary for a proper functioning property market in WA and also to support the state's growth plans for metropolitan Perth.

The Property Council of Australia is calling on the State Government to:

- Only apply stamp duty to the land value component in off-the-plan dwelling purchases prior to construction
- Introduce a grant of \$8500 for persons over 60 years of age selling their existing residence and purchasing a newly built principle place of residence up to \$550,000

The Property Council is the most broad-based industry group representing the WA property development and investment sectors. Our members are businesses that are actively planning and undertaking major projects affected by restrictive taxation policies on off-the plan property sales and seniors' housing.

The Property Council is also an active participant in the national tax reform process seeking a better taxation mix that removes economic hand-brakes on growth. Our national objectives include the replacement of stamp duty with a more economically efficient tax, including GST reform. In the interim we present you with these strategic reforms to deal with immediate public policy concerns.

### **Stamp duty reform for Off-The-Plan dwelling purchases**

The property market in WA is affected by an unbalanced stamp duty system, which penalizes purchasers in the off-the-plan housing market. In WA, stamp duty must be paid on the full purchase price of an off-the plan dwelling prior to construction. In stark contrast, stamp duty in residential land subdivisions prior to building a home, only applies to the land value.

This unbalanced application of stamp duty is a factor that is contributing to Perth struggling to achieve the infill development targets in key state policies like Perth & Peel @ 3.5 million, which requires 47% infill housing development by 2050. However Perth is currently only achieving an infill rate of around 30%. To further compound the challenge facing infill development in Perth, the effective rate of infill in the future will need to be in excess of 47%, and closer to 60%, for the 2050 policy targets to be achieved.

Other states have recognized this imbalance and have achieved success in promoting infill development by reforming the application of stamp duty on off-the-plan housing purchases.

A successful programme of off-the-plan stamp duty concessions has bolstered Sydney and Melbourne's inner-city and has facilitated a dramatic increase in high-density living. Concessions applied to stamp duties for off-the-plan apartment development (where contracts are signed before the commencement of construction occurs) are structured so buyers only pay transfer duties on the land portion of the strata title transferred. This brings stamp duty arrangements in-line with practice on the urban periphery.

A sliding scale for the application of stamp duty during construction increases transfer duties until the building is complete and the full rate of stamp duty applies. Again, this brings the application of stamp duty for high-density housing in-line with practice in single-detached dwellings where stamp duty is paid on the full transfer value of a property (house and land) on the urban periphery.

#### *Recommendations*

- Provide a full stamp duty exemption relating to the land component of off the plan residential dwelling purchases where building has not commenced.
- Provide a partial concession of 25 per cent of duty payable on new homes or off the plan purchases where construction has commenced.
- Provide a full stamp duty exemption for eligible seniors purchasing a new home for use as the principle place of residence.

#### **Stamp duty reform to assist senior's housing needs**

Australia is facing a growing and serious problem with access to diverse housing options for seniors. Most other states are addressing the problem with a raft of policies, including financial assistance for seniors choosing to downsize into more suitable housing, with the exception of WA.

Housing availability and affordability are two key barriers to downsizing for seniors. Research by Bankwest Curtin Economic Centre found between 2001 and 2010 older downsizing home owners paid between 8 and 10 per cent of the money they obtained after selling their home in stamp duty on their new dwelling. This is a major constraint in the orderly functioning of the property market.

The Property Council would like to present one policy solution to the real challenge of how to effectively support and house people as they age by easing the tax burden on seniors wanting to downsize. The policy solution would have the added benefit of freeing up supplies of larger existing homes that would be vacated by seniors downsizing.

The Property Council is calling on the WA Government to introduce a grant of \$8,500 for persons over 60 years of age selling their existing residence and purchasing a newly built place of residence under \$550,000.

A grant is an effective price signal to motivate housing decisions and the nomination of \$8,500 is based on a similar scheme operating in South Australia. Other states that have seniors' housing incentives have found that 60 years of age is the most effective point for qualifying for assistance. The recommended purchase price threshold of \$550,000 and below is in line with the current median house price in Perth recorded by the Australian Bureau of Statistics.

The benefits of such a move would be significant with evidence showing that seniors' struggle to meet the large transaction costs involved with downsizing. By limiting the scheme to newly built residences, the Government will be promoting construction, creating jobs and fostering growth. Furthermore, the scheme could be introduced as a 2 year trial. This would allow the Government to measure the success and feasibility of the scheme.

Such a scheme would promote housing mobility and free up much needed housing stock for families or redevelopment for greater housing diversity. This will also assist with achieving the infill housing development targets set out in Perth and Peel @ 3.5 million. According to Perth and Peel @ 3.5 million, the central region of Perth, which includes most established suburbs, will need to hit a housing supply infill target of 215,000 homes. Policy initiatives like assistance for seniors' downsizing will greatly assist in meeting Perth's infill targets.

#### *Recommendation*

- Introduce a grant of \$8500 for persons over 60 years of age selling their existing residence and purchasing a newly built principle place of residence up to \$550,000

#### **Conclusion**

A fairer, more efficient tax system is required as the economy continues the transition to a more broad-base. The property industry is ideally placed to play a key role in the economic transition and keep WA growing.

Strategic tax reform like the initiatives outlined in this submission, are very important for the industry to be effective in the economic transition process for WA.

The Property Council, as the peak body for the property industry, would therefore like to offer our submission for consideration for the 2015/2016 State budget.

We look forward to future discussions about tax reform in WA.

Yours truly,



Joe Lenzo  
**Executive Director**

