



2023 Property Council of Australia Tasmanian Budget Submission

Promoting productivity and investment
through an equitable tax system.



**PROPERTY
COUNCIL**
of Australia

Problem

Tasmania faces significant economic challenges and future-defining economic opportunities.

Key to meeting these challenges and realising these opportunities is ensuring that Tasmania is an attractive place to live and to do business. In an increasingly competitive national and international environment, Tasmania must be prepared to pursue meaningful, sensible property taxation reform if the state is to realise its full economic potential.

The Tasmanian Government is highly reliant on the taxation of property as a primary source of revenue, and therefore reliant on high volumes of property transactions and increasing land values to ensure increasing revenue.

Through the current tax system and the most recent Budget Papers, taxation collected from the property sector is growing by more than 22% over the forward estimates.

Many property taxes are among the most inefficient for individuals and businesses while also being volatile sources of revenue. Property taxes, including transaction taxes like stamp duty, annual taxes like land tax and various other taxes paid by property companies, account for the majority of the state's own source revenue and they have been the revenue source of choice for successive Tasmanian Governments.

Economists and homebuyers alike agree that stamp duty is a bad, harmful, and distortionary tax. It discourages economic activity and prevents many people from buying the house that best suits their needs. Hobart's \$960,000 median house price will cost a homebuyer an additional \$38,000 in stamp duty, up front, typically paid for through their mortgage, attracting interest over decades and is one of the largest barriers to mobility and home ownership.

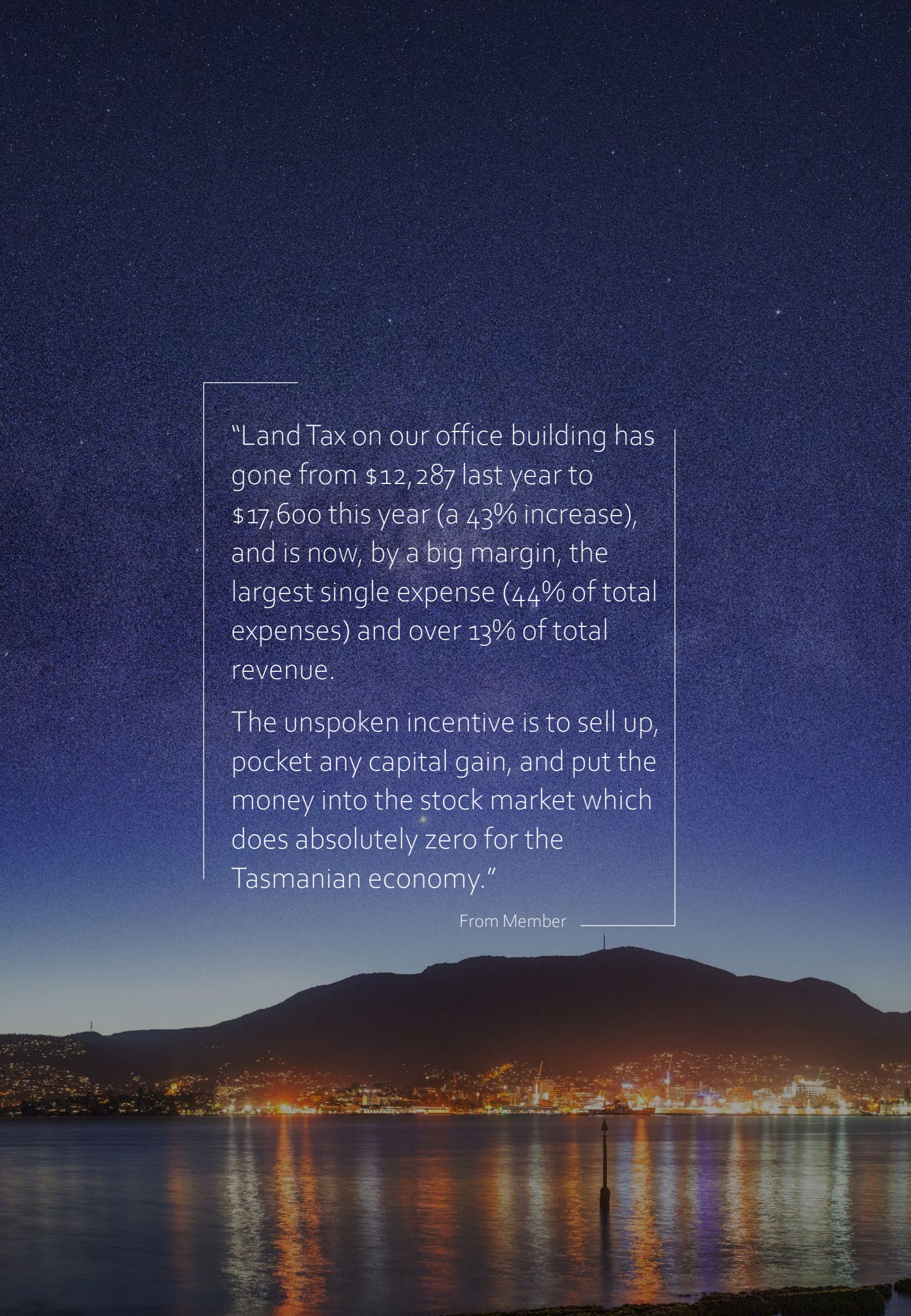
In 2015, Deloitte Access Economics estimated that nationally, around 340,000 property transactions are foregone every year due to the impact of stamp duties.

On the other hand, stamp duty is also one of the primary sources of revenue for the Tasmanian Government, which generated a \$60 million windfall in the 2021-22 state budget.

According to Commonwealth Treasury, every dollar of stamp duty does 72 cents worth of damage to the economy.¹ It has been decades since the state's property taxes were wholistically reviewed and there are clear opportunities to reverse this damage, and instead use the tax system to incentivise and increase economic activity and valuable social outcomes.

¹ Understanding the Economy-Wide Efficiency and Incidence of Major Australian Taxes, Commonwealth Treasury, April 2015





"Land Tax on our office building has gone from \$12,287 last year to \$17,600 this year (a 43% increase), and is now, by a big margin, the largest single expense (44% of total expenses) and over 13% of total revenue.

The unspoken incentive is to sell up, pocket any capital gain, and put the money into the stock market which does absolutely zero for the Tasmanian economy."

From Member

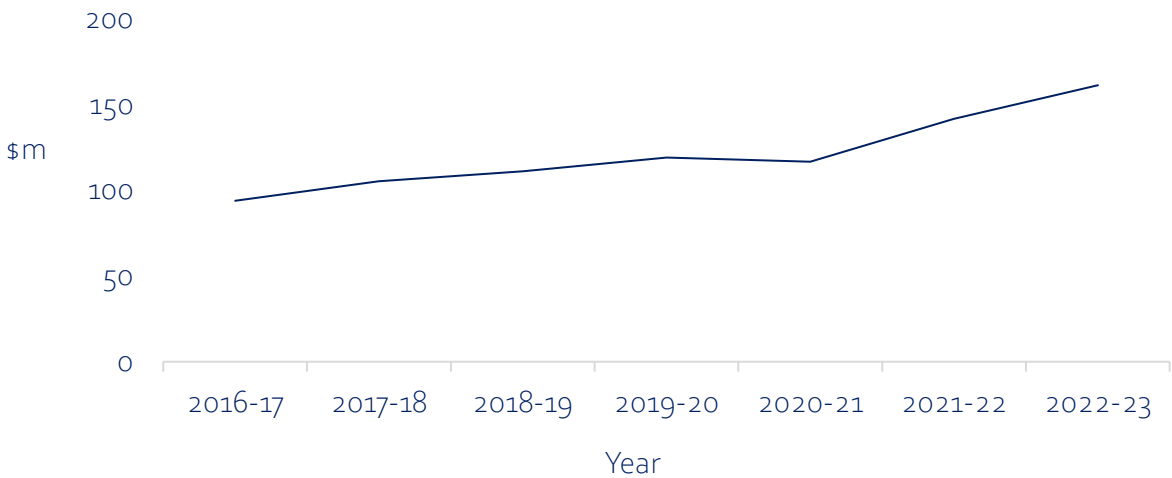
Taxes on Tasmanians

An example of 10 residential properties in and around Hobart CBD

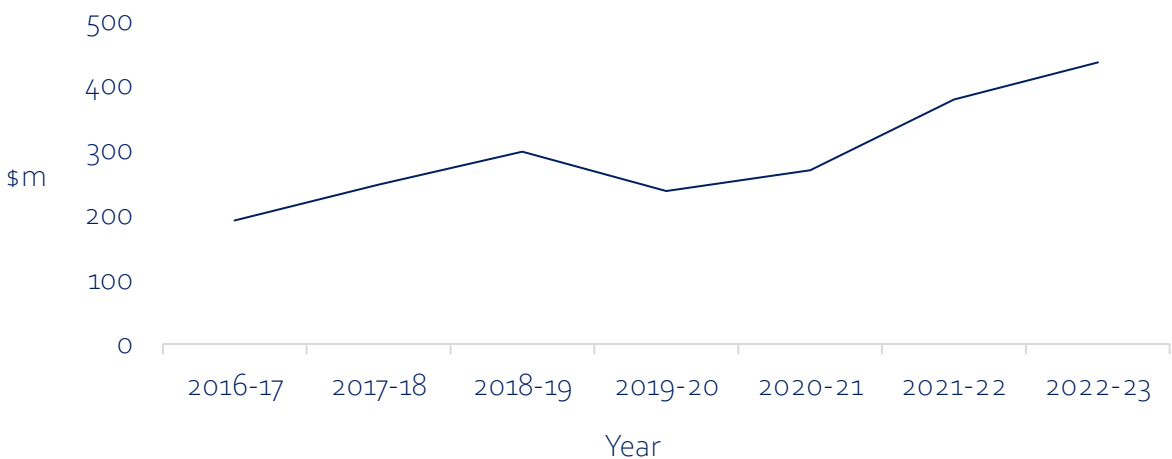
Estimated Land Tax Increase

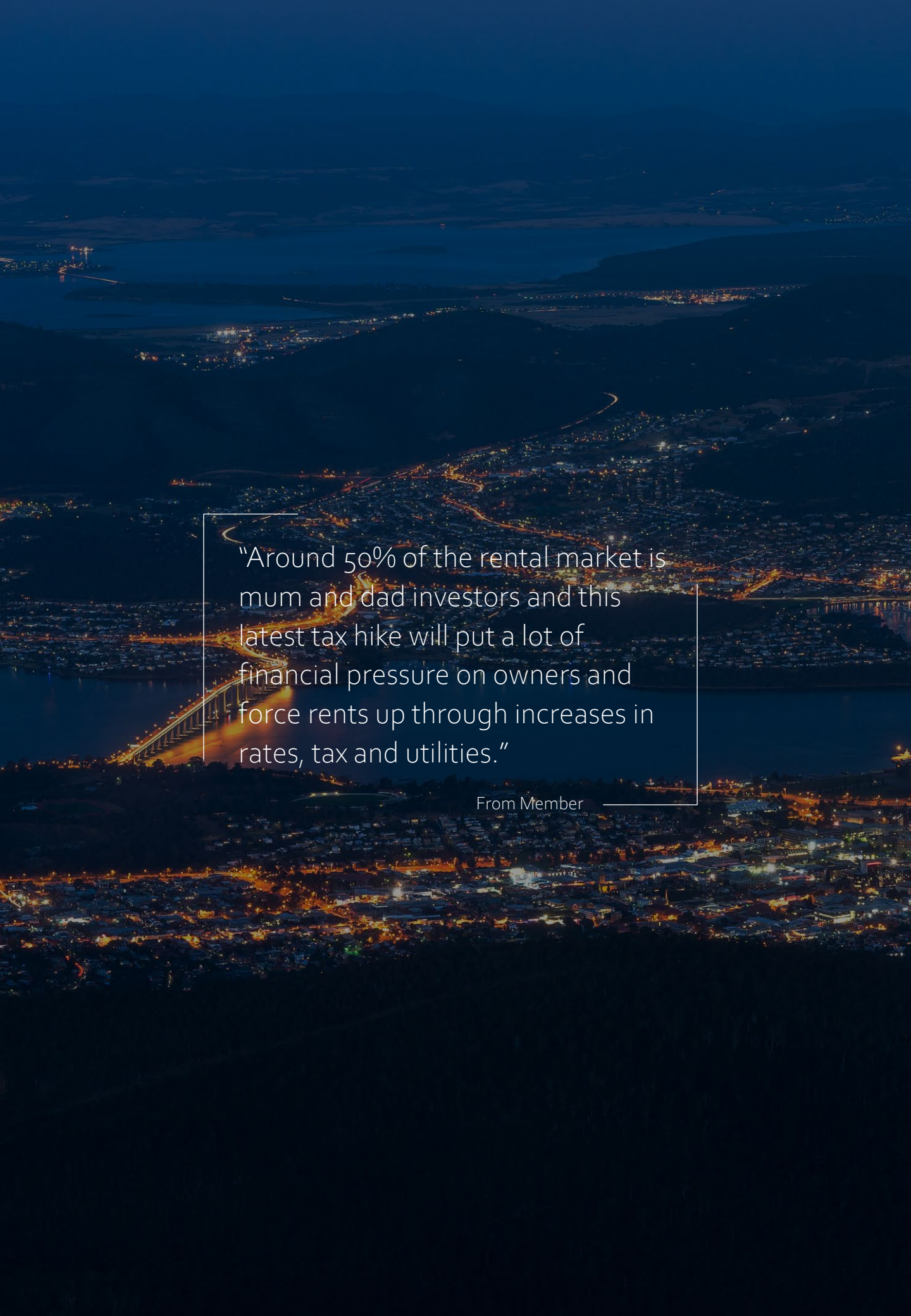
Land Value	Increase from 2021-2022 %	Est Increase. based on new Land Value
325,000	21%	4,145
925,000	73%	12,718
462,500	33%	5,596
225,000	18%	2,665
140,000	44%	670
550,000	61%	6,610
175,000	21%	1,771
115,000	20%	934
28,800	22%	158
27,500	22%	151
112,500	136%	619
112,500	136%	619

Increases in property taxes over the last 5 years



Increases in conveyance duty over the last 5 years



An aerial night photograph of a city, likely San Francisco, showing a large bridge (Golden Gate Bridge) illuminated with lights, crossing a body of water. The city lights are visible in the background and foreground, creating a vibrant blue and yellow color palette. The text is overlaid on the image in a white, sans-serif font, enclosed in a thin white rectangular border.

“Around 50% of the rental market is mum and dad investors and this latest tax hike will put a lot of financial pressure on owners and force rents up through increases in rates, tax and utilities.”

From Member

Solution

Work in close partnership with the property industry to structure a review of Tasmania's property taxes over this term of government.

The Tasmanian Government needs to consider the impact of the state's current reliance on property taxes, especially transaction-based taxes which suppress and discourage activity. Rather than simply adding new imposts to existing tax bases, the focus should be to create a sustainable state tax system which ensures that Tasmania is Australia's most liveable and economically competitive state.

The objectives of a thorough review must include an examination of:

- The over reliance of the Tasmanian state budget on property taxes and possible alternatives that would provide a more balanced spread of taxation across the economy;
- The efficiency or otherwise of the current property tax system including but not limited to stamp duty, land tax, foreign duty surcharges and other transaction taxes;
- Review of aggregation;
- The many ways that property taxation and levies impact housing affordability, investment confidence and economic output;
- Alternative property tax models that include a transition away from stamp duty, toward more efficient taxes; and
- The integration of infrastructure contributions, open space levies and voluntary agreements to provide social and affordable housing, with property levies and charges will have a substantive and cumulative impact on housing affordability.



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