

Media Release

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PEFO Highlights Need for Tax Reform

The recently released Pre-election Economic and Fiscal Outlook has highlighted the considerable challenges facing the Australian Economy in the coming years, particularly rising unemployment, larger budget deficits and below trend growth in wages and Gross Domestic Product.

The Urban Development institute of Australia (UDIA) is stressing the need for the next Federal Government to address inefficient and inequitable taxes in order to boost investment and jobs growth, reduce the burden of taxation on the economy and provide budget stability.

UDIA National President Julie Katz said that wasteful and inequitable taxes such as stamp duty on property purchases needed to be replaced by more efficient and broad based taxes such as the GST.

“Stamp duties reduce housing affordability and hinder labour mobility, which puts more pressure on city transport systems,” said Ms Katz.

“They are also highly inequitable, as they burden a small number of people – home buyers, with a tremendous amount of tax, which is used to provide services for the benefit of the broader community.”

The average stamp duty impost on a \$500,000 house is \$18,400, which is equal to more than 20 weeks of after tax income for the average Australian Household, whilst the total tax burden imposed on housing can be as much as 44% of the cost of a new home.

The 2010 Henry Tax Review found that “there is no place for stamp duty in a modern Australian Tax system”, and recommended the Commonwealth Government facilitate the transition to less costly and more equitable taxes.

Revenue from stamp duty is also dependent on the level of property transactions, making it a highly unreliable source of revenue for State Governments. The Commonwealth Government could broaden the base of the GST, a far more efficient tax, and use the additional revenue to assist State Governments in phasing out stamp duty.

“Whilst both the ALP and the Coalition have explicitly stated that broadening the base of the GST will not be addressed during the current election campaign, it is important that it remains on the reform agenda in the future,” concluded Ms Katz.

For further information please contact:

Julie Katz, UDIA National President – 03 8866 0288, 0413 307 030