

# Media Release

Monday, September 2, 2013

## Why is Government Making New Housing So Expensive?

Australia is suffering from a housing shortage and an affordability crisis, so why is Government making new housing so expensive? Federal, State and Local Governments are slugging new home buyers with massive tax bills worth hundreds of thousands of dollars, saddling them with crushing mortgage debt and higher loan repayments.

In the last week of the federal election campaign, the Urban Development Institute of Australia (UDIA) is calling on the next Commonwealth Government to take action to address the inequitable and inefficient taxes and charges intensifying the housing crisis, and burdening the development and construction industry.

“In some cities, Government taxes and charges make up 44% of the cost of the average new home, or a massive \$268,000,<sup>1</sup>” said UDIA National President Julie Katz.

“Even at today’s record low interest rates, that equates to an additional \$1,614 per month in mortgage repayments, just to pay off the tax bill on an average new home”<sup>2</sup>.

Taxes and charges applied to new homes are extremely inequitable, forcing a small proportion of households, new home buyers, to pay taxes to provide services that benefit the wider community. Even with grants and stamp duty exemptions available to first home buyers, new home buyers are paying as much as ten times more tax than buyers of homes in established areas.

“New home buyers are being taken for a ride,” said Ms Katz.

But it’s not just new home buyers that are being hit, high taxes and charges levied on new homes are also constraining activity in the construction and related industries, putting growth, businesses and jobs at risk.

“The property development industry is the fourth largest sector of the Australian economy, and is directly responsible for close to a million jobs. If Governments are serious about ensuring both a strong economy and affordable housing, then the massive tax burden facing new housing needs to be addressed,” concluded Ms Katz.

For further information please contact:

Liam Foley, UDIA National, 02 6230 0255

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

<sup>1</sup> The Centre for International Economics – Taxation of the Housing Sector

<sup>2</sup> Assuming loan length of 25 years and 5.3% interest rate