

Media Release

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Impact of Higher GST on Housing Cannot Be Ignored

The peak body representing Australia's development industry has welcomed recent debate around tax reform in the lead up to this week's Leaders' retreat, and is calling on state and federal governments to engage in cooperative and productive discussions.

In particular, the Urban Development Institute of Australia has welcomed proposals to reform the GST, but has cautioned against increasing its rate, which would drastically increase the cost of new housing.

UDIA National President Cameron Shephard said that a broader based GST, and a broad, low rate land tax could form part of a package to improve the efficiency of the tax system.

"The GST is an efficient way to raise revenue, but it is levied on less than half of all goods and services produced," he said.

"Broadening the GST base would improve its efficiency, and raise additional revenue that could be used to both provide relief to low income earners, as well as assist in the phase out of economically damaging taxes such as stamp duty".

"Land taxes are another efficient revenue source, and lower rate, broader based land taxes could help provide a stable source of revenue to replace stamp duty, and reduce the reliance of state governments on up front housing charges.

"However because the GST is levied on new housing but not existing housing, increasing the rate of the GST from its current level would have major implications for housing affordability, and the supply of new housing."

"At the current 10% GST rate, a new house sold at Australia's median house price of \$658,608 already includes a GST component of \$59,873.

"Were the rate increased to 15%, that amount would rise to \$89,810, an increase of almost \$30,000. The impact would be even greater for cities like Sydney and Melbourne which have higher house prices."

"Given the affordability pressures that already exist in our major capital cities, new home buyers simply cannot afford to pay a higher rate of GST," concluded Mr. Shephard.

Potential Increase in New House Prices from a Higher GST:

Location	Median House Price	GST Component at 10%	GST Component at 15%	Dollar value of increase
Australia	\$658,608	\$59,873	\$89,810	\$29,937
Sydney	\$929,842	\$84,531	\$126,797	\$42,266
Melbourne	\$688,000	\$62,545	\$93,818	\$31,273
Darwin	\$625,000	\$56,818	\$85,227	\$28,409
Canberra	\$560,000	\$50,909	\$76,364	\$25,455
Perth	\$535,000	\$48,636	\$72,955	\$24,318
Brisbane	\$475,000	\$43,182	\$64,773	\$21,591
Adelaide	\$425,250	\$38,659	\$57,989	\$19,330
Hobart	\$382,500	\$34,773	\$52,159	\$17,386

Median House price source – Bendigo Bank-REIA Real Estate Market Facts, March Quarter 2015

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