

Media Release

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Increased GST would be a Negative Shock to Housing Affordability and the Economy

The peak body representing Australia's urban development industry has renewed calls for a major shakeup of Australia's tax system

The Urban Development Institute of Australia (UDIA) is urging recently appointed Prime Minister Malcolm Turnbull and his new ministry to revitalise tax reform discussions with businesses and the broader community, so that a well-considered package of reforms can be taken to next year's election.

UDIA National President Cameron Shephard said that given the challenges facing the economy government budgets, and housing affordability, Australia could not afford inaction on tax.

"A great deal of Australia's economic potential is being held back and squandered by a tax system that has failed to keep up with the times" he said.

"Inefficient taxes and charges are dragging on economic growth and productivity, holding back jobs, and worsening Australia's housing affordability crisis."

"For example, stamp duties are well known to be among the least efficient and most economically damaging taxes available to governments, and there is a strong and growing consensus across the community about the need for governments to replace them with something better," said Mr Shephard.

"They reduce labour mobility and productivity by locking people into a certain location, and along with other high up front taxes and charges, reduce housing affordability and the supply of new housing.

"In contrast, the GST and taxes on the value of land are widely recognised as being much more efficient from an economic perspective, particularly when applied across a broad base."

However UDIA has strongly warned against raising the rate of the GST, which could raise the cost of new housing substantially at a time when housing affordability is a major concern.

“Increasing the GST by just a few percent could result in tens of thousands of dollars in additional tax on new homes, which would push up prices further and reduce the supply of new dwellings”

“Now, more than ever before, Governments need to get serious about tax reform, and having a productive discussion with business and the broader community over the options for change is the first part of that process,” 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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