

Media Release

Tuesday 3 November 2015

15% GST Would Hit New Home Buyers

The Urban Development Institute of Australia (UDIA) has warned that increasing the GST to 15% would hit new home buyers and new housing supply at a time when housing affordability is already at crisis levels, and new home construction is driving the economy.

UDIA National President Cameron Shephard said that taxes and charges were already a huge burden on new home buyers.

“New housing is already one of the most highly taxed sectors in the Australian economy, with taxes and charges making up more than 40% of the cost of a new house in some instances,” said Mr. Shephard.

“Whilst we welcome the Government’s decision to have a full and open discussion on tax reform, raising the GST to 15% would increase the cost of a new house by tens of thousands of dollars, and would push home ownership out of reach for even more families.”

“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.”

Rather than increasing the rate of the GST, UDIA is advocating for a number of other tax reform solutions, such as broadening the GST, and broader based, lower rates of land tax.

“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,” said Mr Shephard.

“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,” 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

For further information or comment, please contact:

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