

BACKGROUND

Whilst taxes are essential to fund the government services our communities depend on, inefficient and inequitable taxes unnecessarily damage economic activity and disadvantage certain parts of the community. The housing and development industries are some of the most highly taxed sectors in the Australian economy, accounting for over 40% of state and local government revenue, and 12% across all tiers of government. The high level of taxation on new housing damages housing supply and job creation by rendering some projects unviable, and flows through to the cost of new housing, damaging affordability for the community.

UDIA POSITION

UDIA believes that governments must make a genuine commitment to tax reform and replace outdated and damaging taxes with more reliable and efficient alternatives in order to provide the revenue that will be needed in the coming decades. At the top of the priority list for reform is stamp duty on property, which is one of Australia's most highly inefficient and economically distorting taxes as it limits labour mobility, housing turnover, and penalises households for moving to properties that best suit their needs. It is also a highly unreliable source of revenue for state governments, as it relies on the volume of property transactions which vary substantially over the property cycle.

Among more efficient and reliable alternatives to stamp duty are a broadened and lower rate GST and broad based land taxes stand out. Both are much less distortive and much more economically efficient than stamp duty. They also have the ability to provide governments with the stable and predictable source of revenue they require. Additionally, removing exemptions to GST and land tax regimes would not only raise additional revenue but also make them both more efficient and simpler to administer.

UDIA recognises the role of taxation in funding infrastructure and providing services to communities. However, UDIA believes that reform is required in the taxation framework for property. UDIA strongly believes that Federal intervention is required to reform the taxation system and drive an agenda for deregulation and microeconomic reform for the property and development sectors.

ACTION FOR GOVERNMENT

- State governments should reduce their reliance on inefficient, narrow based taxes such as stamp duty, in favour of broad based efficient taxes such as consumption and land taxes.
- The Federal Government should assist state governments with phasing out stamp duty and broadening the base of the GST.
- Retain the current 10% rate of GST so as not to further increase the tax burden on new housing.
- Include state and local government levies in GST cost base calculations to improve the integrity of the tax system and reduce the incidence of double taxation.
- The UDIA recognises the importance of GST from residential property, however compliance measures introduced in the Federal Governments Tax Integrity Package for GST should not unfairly disrupt cashflow for the vast majority of developers that seek to comply with legislation.
- Broaden the base and lower the rate of land tax regimes over a number of years and ensure that land taxes apply per land holding, not on an aggregate basis, in order to promote large scale land development.
- Reduce the use of inequitable and excessive up-front charges and 'developer levies' to raise revenue.
- Retain the existing capital gains tax discount continue to use negative gearing to stimulate the residential market and the supply of rental housing.

WANT MORE INFORMATION?

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