

Media Release

For Immediate Release

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TAXES HAVING A MAJOR IMPACT ON HOUSING AFFORDABILITY

The Urban Development Institute of Australia (UDIA) has expressed concern at the increasing reliance of state governments on property taxes and charges, and the subsequent impact on housing affordability.

In recent years there has been an increasing series of taxes, charges and levies that have been added to the cost of land. This has arisen, in part, by a philosophy within state governments that infrastructure for new homes should be paid up front by the private sector, rather than over time through on-going charges such as property rates.

These charges are generally passed directly onto home buyers through increased prices.

According to Stephen Holmes, the National President of UDIA, "UDIA recognises the need for a level of taxes and charges to be imposed by state government on new developments, but the industry believes that these fees have now reached excessive levels and are contributing to a loss of affordability."

UDIA's 2007 *An Industry Report into Affordable Home Ownership in Australia* found that there has been a fundamental shift in housing affordability in recent years, with only 39% of homes being classified as affordable in 2006, a fall from 96% in 2001.

"The states need to be looking at ways to broaden their tax bases in order to reduce their reliance on the property market as a source of revenue" said Mr Holmes.

"In 2006-07, NSW received \$4,166,000,000 from stamp duty, approximately 20% of the state's total revenue, and in 2007-08 the Queensland Government

received \$2,970,000,000 in revenue from stamp duty, and \$622,000,000 from land tax."

UDIA welcomes the Federal Government's recent initiatives to address housing affordability, notably the Housing Affordability Fund which will target planning and infrastructure costs that are incurred in the building of new housing developments.

However UDIA notes that federal taxes, such as some applications of the GST on property, also have an adverse impact on housing affordability.

"The imposition of GST on stamp duty is clearly a tax on a tax and should be abolished", said Mr Holmes.

"Also, legislation currently before Parliament to introduce the Budget measure to change the calculation of GST on the margin scheme for real property, is estimated to net the Federal Government \$523,000,000 in revenue over the next four years. It is expected that most of this additional tax burden will be borne by homebuyers", Mr Holmes concluded.

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