

Australian

WA property market needs land tax for all

David Alrey



In 2007, as WA's extraordinary property boom reached its peak, then treasurer Eric Ripper lifted the stamp duty threshold for first-homebuyers to \$500,000. Before this move, the median house price had jumped, housing affordability became more difficult and the entry costs to first-homebuyers in particular became a real impediment. Chief among those costs was several thousand dollars in stamp duty, given that first-time buyers were then typically buying dwellings at about \$300,000.

That policy move by the Carpenter government seven years ago to effectively abolish stamp duty for the majority of first-homebuyers has proved to be a tremendous success.

They have flourished in WA, helped along by low interest rates, the first-homebuyers grant, plenty of jobs and a robust State economy. In recent years first-time buyers often reached more than 30 per cent of the overall market, dwarfing the experience on the east coast.

However, with pressure on the current Barnett Government to cut costs and raise revenue in the Budget next month, I'm concerned that new Treasurer Mike Nahan will be pushed to axe the stamp duty concession for first-homebuyers or perhaps raise stamp duty levels for all buyers.

I cannot stress strongly enough how damaging I believe such a change would be to the overall recovery of the property market which is finally starting to look stable.

First-homebuyer activity in particular has been very strong but is now trending downwards at a worrying rate. Changing policy settings at this time would be very

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unhelpful and a false economy.

Governments tend to underestimate the importance of first-homebuyers to the property market and economy in general.

Not only do first-homebuyers take stock out of the market, they also facilitate the property seller to trade up, generating additional revenue from stamp duty as well as other business activity.

The new-home building markets also benefit as economic activity is increased through growth in supply chain business.

WA ought not to make the same mistake as NSW, which axed the first-homebuyer duty concession, or Victoria where first-homebuyer grants were greatly reduced.

The clear evidence from these States is that first-homebuyer activity subsequently collapsed and has not recovered.

While the Real Estate Institute of WA understands the need for government to fund services and supply infrastructure, my concern is for the overall health and sustainability of the WA housing market at a precarious time.

Current REIWA data supported by Landgate figures indicates a market downturn is likely for the second half of this year.

Evidence from the March quarter shows a drop in sales numbers of

about 6 per cent compared with the same quarter last year.

Listings for sale have risen to the highest level since December 2012 and rental listings are at a seven-year high, with the vacancy rate now more than 4 per cent for the first time since 2010. Investors are scarce and first-homebuyers are dropping away.

It's time to recognise that stamp duty on property as a means to raise revenue is clumsy, inefficient and outdated. Typical stamp duty on a median-priced home in Perth is now \$20,000. Bracket creep alone has pushed this up \$4280 over the past five years.

REIWA calls on the Government to have a serious look at broadening the land tax base to all property owners with the view to abolishing stamp duty altogether.

The benefit to government is steady, predictable revenue income based on land ownership, rather than unpredictable and volatile revenue income based on sales activity.

The benefit to property owners is the simplicity of a modest, annual land tax as opposed to "bill shock", when hit with a huge stamp duty tax in the tens of thousands when they transact.

In some cases stamp duty is so prohibitive to potential buyers that they stay put, jamming the market and not allowing established homes to flow into the first-homebuyer pool.

A broad-based land tax was proposed by the Henry tax review in 2010 and has merit. It has since been adopted by the ACT Government, which will phase it in over 20 years so it does not disrupt the market and will effectively be revenue-neutral.

It's time for a mature discussion around this proposal with the aim of creating a long-term plan for a better system of property taxes — one that's not at the mercy of an anxious treasurer every financial year.

David Alrey is president of the Real Estate Institute of WA