

The **NSW BUDGET** *2020* *2021*

**BUYING IN NSW,
BUILDING A FUTURE**



**CREATING JOBS *and*
SECURING OUR FUTURE**



CREATING JOBS *and* SECURING OUR FUTURE

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CREATING A MODERN TAX SYSTEM

Stamp duty was introduced to NSW in 1865 and has continued for more than 150 years. While duty rates have been largely unchanged in recent decades, in practice the amount of duty homebuyers pay has grown dramatically faster than home prices or incomes.

Stamp duty served its purpose when house prices were lower relative to income and moving around regularly was rare. However, the way we live, work and move has changed. In the last 40 years alone, Australia has transitioned from an industrial workforce to a professional one¹. Today, young Australians are likely to navigate 17 job changes across five different careers over their working lives².

Australia has changed and stamp duty is a big tax that is no longer serving the people or economy of NSW. As the next generation of home buyers enter the market, we need a modern system that reflects the world we live in now.

The NSW Government is embarking on a public consultation process on proposed changes to the state's property tax system. We want to hear from the people of NSW about how changes to the system can help them.

1 McCrindle Research (2014), 'Australia Then and Now: 30 Years of Change', at <https://mccrindle.com.au/insights/blogarchive/australia-then-and-now-30-years-of-change>

2 McCrindle Research (2014), 'Job Mobility in Australia', at <http://mccrindle.com.au/the-mccrindle-blog/job-mobility-in-australia>

Making home ownership more achievable in NSW

The NSW Government is consulting on a property tax model that could make home ownership more achievable in NSW by giving home buyers the choice to pay either stamp duty and land tax (where applicable) or a new annual property tax.

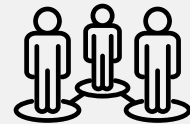
Owning your own home is a quintessential part of the great Australian dream, but in recent decades an increasing number of people in NSW have felt locked out of that dream.

The Government's vision for NSW is for more people to be able to own their own home, with more freedom to choose the right home for themselves and their family at every stage of life. That vision extends to all – from first home buyers looking to get a foot on the property ladder, to frontline workers moving to service our regional communities, to retirees who are ready to downsize.



Home ownership rates in NSW over the last 24 years have fallen by

↓ **6%**



Home ownership amongst people aged 35-44 decreased by

↓ **14%**



Since 1990, NSW average earnings have trebled, average house prices have increased around five times, and average stamp duty on dwellings has increased more than seven times. Almost inevitably, homeownership has declined, from around 70% in the 1990s to around 64% today.

Similarly, stamp duty has a direct impact on the ability for people to live where they want, when they want. Many people often stay in homes that don't suit their family or their lifestyle because of the large upfront transaction costs of buying a property, including stamp duty.

Removing the upfront cost of stamp duty could remove tens of thousands of dollars from the home purchase process and make it easier for first home buyers, families looking to upgrade and others looking to change their property to save what is needed to purchase their next home.

The proposed changes could also place downward pressure on home prices over the longer term, making housing more affordable for all.



9.5x

average sales price compared to average annual earnings



\$34,000

stamp duty adds to the upfront cost of buying the average NSW home



12.6 years now compared to 8 years in 1990

average time it takes to save for a deposit*



2.5 years now compared to 1 year in 1990

average time it takes to save for stamp duty*

* the time required to save a deposit of 20% or stamp duty for the average NSW property for a full-time worker who earns the NSW average annual earnings and saves 15% of their income.

Possible reform framework

The Government is seeking feedback from the public on the following possible policy framework.



THE PROPERTY TAX WILL BE AN ANNUAL TAX ON LAND VALUE

The property tax would consist of a fixed amount plus a rate applied to the unimproved land value of an individual property, and not aggregate landholdings. This is broadly in line with the approach to council rates.



BUYERS WILL BE GIVEN THE CHOICE OF WHICH TAX TO PAY

Buyers could choose to pay the property tax at the time of purchase. It would replace stamp duty and (where applicable) land tax. Once a property is subject to the property tax, subsequent owners must pay the property tax.



IF YOU ARE NOT BUYING A PROPERTY, THERE IS NO CHANGE

There will be no double taxation. If you have already paid stamp duty on that property then you will not have to pay the property tax.



BALANCED RATES

Residential owner occupied and primary production properties would pay lower rates than investment properties, which in turn would pay lower rates than commercial properties.



PRICE THRESHOLDS WILL HELP MAINTAIN FISCAL RESPONSIBILITY

Price thresholds would limit the number of properties initially eligible for transition to keep revenue and debt impacts within reasonable levels, while ensuring over 80 per cent of residential properties are eligible to opt-in from day one.



PROTECTIONS

Protections would apply so that the property tax does not result in rent increases without a tenant's agreement. A hardship scheme would recognise that taxpayers' financial situations can change over time and ensure that no one facing hardship needs to sell their home to meet property tax liabilities.



REVENUE NEUTRALITY

In the short term, the proposed model will reduce the NSW Government's revenue. Over the longer term, the property tax would be revenue neutral, collecting the same amount of revenue as stamp duty and land tax.



FIRST HOME BUYERS

Existing stamp duty concessions for first home buyers could be replaced with a grant of up to \$25,000.



Delivering a strong economy for NSW

The proposed changes could provide a critical economic boost at the time we need it the most.

The proposed changes could inject \$11 billion over four years into the economy providing much needed stimulus in the current downturn.

It could also deliver the most significant economic reform available right now to strengthen our state's economy and increase our prosperity over the long term.



The proposed changes could inject

\$11 BILLION

over the first four years into the NSW economy



**IN THE LONG RUN,
PROPERTY TAX REFORM
IS EXPECTED TO**



Lift GSP by

1.7%



Increase employment by

1.4%

or

75,000

additional jobs



Increase the size of the economy by an extra

\$3,300

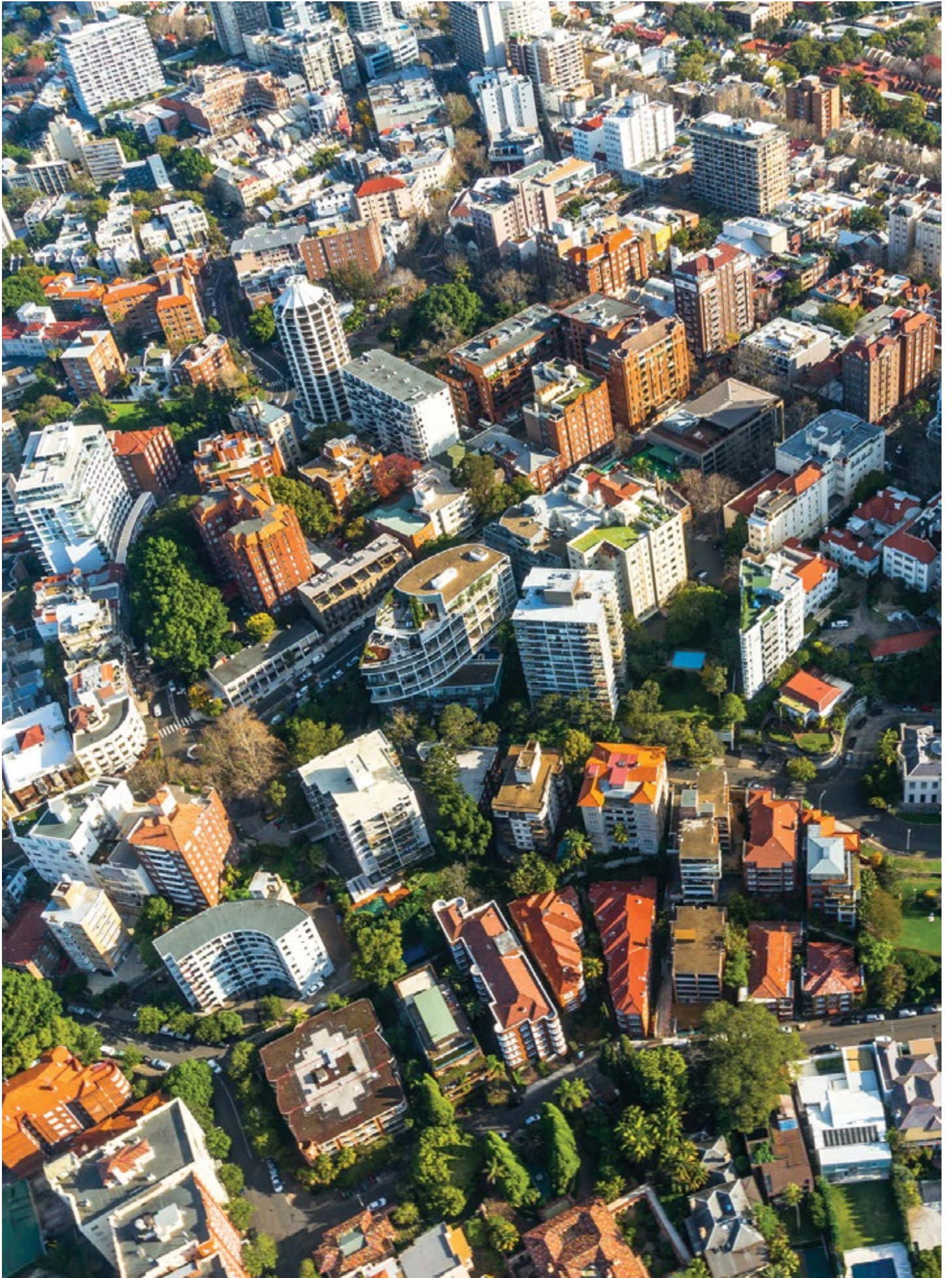
per household

The NSW Government wants to work with the people of NSW to shape the model so that it delivers the maximum benefit to our state and its people, now and into the future.

For more information about the proposed changes, please visit www.treasury.nsw.gov.au/property-tax-proposal.

To have your say go to: www.haveyoursay.nsw.gov.au/nsw-property-tax-proposal.







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