

Odd bedfellows on land tax reform

by David Collyer



Something is up when the NSW Business Chamber allies with the NSW Council of Social Services and the Australian Manufacturing Workers Union. Stern champions of enterprise have jumped into bed with hand-wringing defenders of the down-trodden and cloth-cap unionists— and taken their relationship public.

Is this post-modernism gone mad? A complete breakdown of morality?

Not at all. This is Capital taking common cause with

Labour against the lazy rent-seeking that hollowed out the Australian economy and mired us all in debt and empty fantasy.

Commerce is confronted by white-hot competition wherever it looks. Australian costs are so high only the strongest enterprises have survived. Giant swathes of our industrial base – built with decades of blood, sweat and tears – have simply gone off-shore, never to return.

But don't blame Labour. When the median house price in Mt Druitt is \$626,000, wage earners must vigorously demand the highest wages or live on the street. They have no choice.

Without reform, we face revolution or economic collapse. It is now that stark.

NSWBC and NCOSS jointly funded a study by KPMG Taking on Tax: Reforming NSW Property Taxes. It models exchanging conveyancing Stamp Duty for State Land Tax and finds every NSW household would be \$1400 a year better off.

The change is revenue-neutral for government. The benefits come from removing the deadweight costs of a very bad tax – and accrue to households.

Michael Pascoe launched the report with a thoughtful piece in the Sydney Morning Herald.

“As politicians fail the nation on tax reform, civil society increasingly has been stepping forward to do the work. Like every other report, inquiry, study, modelling and investigation of tax reform, (the KPMG modelling) demonstrates overwhelming gains from scrapping economically damaging conveyancing stamp duty and replacing it with extremely efficient and equitable land tax.”

Yes. And Pascoe considers the political cost of ‘taxing the family home’ in some detail. He knows the scare campaign and bell-ringing even the suggestion of reform will provoke.

But we cannot allow good public policy to be derailed by what the dowagers of Point Piper may choose to regard as their best interests.

Let me make this perfectly clear: we already tax the family home.

Government uses Stamp Duty – a brutal barrier to personal mobility that locks people in and out of housing. It is one of the worst taxes on the books that imposes great costs on everyone.

There is one key fact the tiny minds protecting their ‘property investment’ need to understand: Stamp Duty is paid by sellers, not buyers.

While the legal incidence of Stamp Duty falls upon buyers at settlement, the economic incidence is on sellers. Before dismissing this as fiction, consider what the sale price would be if Stamp Duty did not exist.

Transition arrangements need to be considered carefully. The best suggestion to hand is:

1. To overcome concerns around “double taxation”, provide a credit to anyone that has purchased a home in the past 10 years, equal to the amount of stamp duty paid, and then subtract the hypothetical land tax that would have been paid since the home was purchased.

2. Allow retirees to accumulate their land tax liability, with the bill payable upon death (via the estate) or once the house is eventually sold (whichever comes first), with interest charged on any outstandings.

This is a reform Australia desperately needs: stop taxing property transactions and start taxing land holding. Labour is trapped on the wrong side of town for work; families are caught a bedroom short; granny is stuck in a house she cannot maintain – all due to Stamp Duty.