

Should Australia have a vacancy tax?

by Leith van Onselen

With organisations like Prosper Australia and UNSW’s City Futures Research Centre showing that a large number of homes are being left vacant across Australia’s major cities, charity provider of homelessness services, Launch Housing, is calling for governments to implement a tax on homes left vacant for more than 12 months. From Michael Bleby at the Australian Financial Review:

“The planning processes and approvals were done for solving the problem of providing housing,” Launch Housing chief executive Tony Keenan said. “If it’s not being used, we think the government is quite justified in intervening. It’s [a tax] only levied on owners who make the decision to leave a property vacant. They need to contribute to solving the original problem.”

The tax, based on council tax valuations, median dwelling prices or rents, could raise up to \$78 million annually through measures such as boosting the council tax, the submission said...

While I agree with the intent of Launch Housing’s proposal, it is likely to suffer from significant implementation issues, the biggest of which is how to measure whether a home has been left vacant?

One option is to base it on water consumption, as Prosper Australia did in its Speculative Vacancies report. However, what’s to stop absentee home owners from setting sprinklers to run in a bid to mask that the home is vacant and avoid paying the tax?

The same applies for using electricity usage as the measuring stick. Again, the absentee home owner could set timers to turn on lights at night, again masking that the home is vacant.

A better solution that could not be avoided is to implement a broad-based (no exemptions) land tax in exchange for the reduction in other less efficient taxes.

Not only would this confer significant efficiency benefits on the economy, since land taxes are one of the most efficient sources of tax available and create positive welfare gains to the domestic population of \$0.10 for each dollar raised (since non-resident home owners are also taxed):

But it would also encourage holders of vacant land to put their properties to “work”, either by developing them or renting them out in order to cover the cost of the tax, thus boosting the effective supply of housing.

Chart 2.9 Long-run modelling estimates of the marginal excess burden of some of Australia’s taxes

