



## MINORITY REPORT

Legislative Council Economy and Infrastructure Committee

### ***Inquiry into land transfer duty fees***

August 22, 2023

It is clear from submissions to the inquiry that there is widespread agreement that stamp duty causes economic harm. Some of these harms come in the form of:

#### *Misallocation of housing stock*

Due to the prohibitive cost of stamp duty, many people live in accommodation that may not be optimal for their needs. For example, a young couple may choose to purchase a larger house than they otherwise would as they know once they have children, they will have to pay stamp duty again. Similarly, older people may be unwilling to downsize for similar reasons. Cumulatively, this has the effect of allocating housing stock inefficiently, contributing to shortages.

#### *Hindering of labour mobility*

Stamp duty poses a large barrier to people taking jobs far away from where they currently live. They are faced with the choice of either not taking up a job opportunity due to the cost, commuting long distances or paying a large tax in order to live closer to their work.

#### *Increasing housing cost*

The overall cost of housing is increased by stamp duty. This makes it harder for people to afford a home and puts them in greater debt than they would otherwise be, increasing their cost of living. One of the most pernicious harms identified by the inquiry is how stamp duty effectively acts as a divorce tax.

It is also clear that stamp duty has become a large component of state revenue because the rate has not been indexed in line with the rise in housing prices. Regardless of any other action, the Government should immediately commit to indexation to prevent stamp duty becoming an even larger component of state revenue.

Many of the submissions focussed on ways to replace this revenue with other mechanisms such as a broad-based property tax or replacing via Federal co-operation on GST changes. However, although these options may result in greater tax efficiency, they will ultimately shift the harms to other people and cause other negative effects.

**Recommendation:** Gradually reduce stamp duty over 10 years, at which time it would be abolished and replaced with nothing. There should be a project over the same time period to reduce Government waste, increase efficiency and scale back the operations of the state.

This would eliminate all of the harms caused by this tax, greatly increase economic activity and make Victoria a highly attractive place to live, work and invest.

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PARTY