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Ms Georgie Purcell MLC
Chair
Legislative Council Economy and Infrastructure Committee
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Dear Ms Purcell

Thank you for the opportunity to appear before the Committee on Friday 28 April 2023 to contribute to the Inquiry into Land Transfer Duty Fees.

Please find attached my response to the questions taken on notice at this time.

Yours sincerely

David Martine
Secretary

13 / 5 / 2023

**Legislative Council
Economy and Infrastructure Committee**

Inquiry: Inquiry into Land Transfer Duty Fees

Hearing Date: 28 April 2023

Questions taken on notice

Directed to: Department of Treasury and Finance

1. Evan MULHOLLAND

Question asked.

I note the government has admitted we are under target on new housing development in inner-city suburbs, which is I think putting pressure on growth areas. Do you think we are on track to meet that 1 million new homes target in our existing suburbs?

Response:

In October 2022, the Commonwealth Government announced the National Housing Accord, with an aspirational national target of delivering a total of one million new, well-located homes over 5 years from 2024. The target of one million new homes is across Australia, and not specific to Victoria. The Commonwealth Government is working with States and Territories including Victoria on delivering the Accord, and questions on the Accord and national housing targets should be directed to the Commonwealth Government.

2. David DAVIS (Deputy Chair)

Question asked.

Provide copies of documents listed in schedule circulated by the Deputy Chair. See separate attachment.

Response:

These documents are the same documents that were requested by the Deputy Chair under the *Freedom of Information Act 1982* on 16 May 2022. The Department's decision not to release those documents is now the subject of an ongoing proceeding in the Victorian Civil and Administrative Tribunal. The Department considers it would be inappropriate to release these documents pending the outcome of that proceeding.

3. David DAVIS (Deputy Chair)

Question asked.

What I am interested in is which jurisdictions perhaps internationally have actually moved from a stamp duty-based system to another system? That is what I am interested in. We get the academic and the theory over here but the jurisdictions that go from X to Y, from X being a stamp duty-based system to a new system, that is what I am interested in. Which jurisdictions can you point to which would be a model for Victoria?

Response:

Land transfer duties are a feature of many international jurisdictions' tax systems. According to the Organisation for Economic Co-operation and Development (OECD), approximately 80 per cent of member countries feature some form of taxation on the transfer of real estate. Examples of jurisdictions which do not have real estate transfer taxes include the Czech Republic, Estonia, Lithuania, New Zealand, and Slovakia (OECD Tax Policy Studies, 2022).

Of these countries, the Czech Republic, Slovakia and New Zealand offer examples of the abolition of real estate transaction taxes. New Zealand legislated the *Stamp Duty Abolition Act 1999*, removing duty on transactions from 20 May 1999 at an estimated cost of \$70 million NZD in 1999 (equivalent to approximately \$120 million AUD in 2023 prices) (New Zealand Parliamentary Debate, 1999). This followed a period of significant tax reform in New Zealand between 1984 and 1990, including the introduction of a broad-based Goods and Services Tax (GST) and reductions in personal income tax (Stephens, 1993).

Through a similar reform agenda, Slovakia abolished their real estate transfer tax in 2005 after introducing a flat rate of 19 per cent for personal income tax, corporate income tax and the value-added tax (VAT). Despite revenue of 2.4 billion SK (equivalent to approximately \$215 million AUD in 2023) from real estate transfer taxes in 2003, this reform was largely revenue neutral as a result of increased VAT and excise revenues (OECD Centre for Tax Policy and Administration, 2015).

In response to the COVID-19 pandemic, the Czech Republic passed the *Act on the Abolition of Real Estate Transfer Tax 2020*, removing the previous real estate transaction tax rate of 4 per cent of the value of the transaction. This was estimated to reduce revenues by 13.8 billion CZK per year (equivalent to approximately \$1 billion AUD in 2023), however no large replacement revenue source was introduced as part of the reform (Deloitte, 2023).

References

New Zealand Parliamentary Debate (1999, May 20), Honourable Bill English, Minister for Revenue

OECD Centre for Tax Policy and Administration (2015), *Moving Beyond the Flat Tax - Tax Policy Reform in the Slovak Republic*, Paris: OECD Publishing.

OECD Tax Policy Studies (2022), *Housing Taxation in OECD Countries*, Paris: OECD Publishing.

Stephens, R (1993), *Radical Tax Reform in New Zealand*, *Fiscal Studies*, 45-63.