

Government response to the Legislative Council's Economy and Infrastructure Committee's Inquiry into Land Transfer Duty Fees

Introduction

The Victorian Government thanks the Legislative Council Economy and Infrastructure Committee (Committee) for its work conducting the *Inquiry into Land Transfer Duty Fees* (Inquiry) and acknowledges the work of those who contributed submissions and who participated in hearings for the Inquiry. These contributions are valuable to ensure a broad and robust conversation on land transfer duty (stamp duty) and Victoria's taxation system.

Overview of current situation

Stamp duty helps to raise the revenue needed to finance the core services and infrastructure that Victorians rely on. These include providing essential public services such as health care, education, emergency response personnel such as police, paramedics, and firefighters, along with major public infrastructure.

Stamp duty is payable on most transactions that result in a change of ownership of land and its associated real estate assets. It is generally applied to the dutiable amount, which is broadly defined as the property price or the market value of a property, whichever is greater. Revenue from stamp duty is dependent on property prices and settlement volumes and is therefore influenced by changes in the property market.

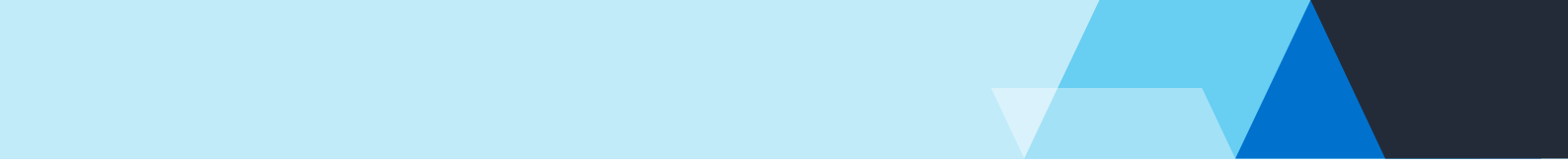
Overview of Government actions

The Victorian Government recognises that stamp duty can be a barrier to home purchase. To address this, the Government has introduced a range of exemptions and concessions to reduce the burden of stamp duty and support Victorians into home ownership. Some of these include:

- **First home buyers** – a one-off stamp duty concession or exemption is available for eligible first home buyers who purchase residential property for use as their principal place of residence. A full exemption is available for transactions valued up to \$600 000, and a concession calculated on a sliding scale is available for transactions valued between \$600 001 and \$750 000.
- **Pensioners** – a one-off duty exemption or concession is available to holders of an approved concession card who purchase a new or established home. A full exemption is available for transactions valued up to \$600 000, and a concession calculated on a sliding scale is available for transactions valued between \$600 001 to \$750 000.

The Victorian Government also recognises that stamp duty adds to the cost of purchasing commercial property. It can discourage businesses from investing, expanding, or relocating their operations, which impedes growth and productivity. To encourage Victorian businesses to invest, expand, and create more jobs, the Government committed to commencing a landmark reform as part of the *2023-24 Budget*: abolishing land transfer duty and transitioning to a Commercial and Industrial Property Tax for commercial and industrial properties that have contracted and settled from 1 July 2024.

The Commercial and Industrial Property Tax will start 10 years after the first eligible transaction of a commercial or industrial property on or after 1 July 2024. Once a property is in the new property tax system, stamp duty will not be payable on future transactions of that property if the property is used



for commercial or industrial purposes. To help free up capital for businesses to invest in expanding and employing more workers, purchasers will have the option to take up the transition loan as an alternative to making an upfront lump sum payment and transition to an annual repayment from the time of purchase. This reform will encourage businesses to expand or set up in the best location, support them to invest in buildings and infrastructure, and promote more efficient use of commercial and industrial land.

To increase housing supply and improve housing outcomes, the Victorian Government has also introduced the *Housing Statement*. This puts forward an ambitious plan to tackle housing affordability by unlocking housing supply in the private market and supporting the delivery of more social and affordable housing across the state. The *Housing Statement* sets a bold target to build 800 000 new homes in Victoria over the next decade.

The Government carefully considers Victoria's taxation mix to balance many priorities and looks for opportunities for reform where possible. Consistent with this approach, the Government will continue to review stamp duty policy settings and priorities.

Response to Recommendations

Table 1: Guide to response

Support in principle	The Victorian Government generally supports the intent or merit of the policy underlining the recommendation, but does not necessarily support the method for achieving the policy;
Support in part	Some elements of the recommendation are supported

Table 2: Proposed Victorian Government Response to the Legislative Council Economy and Infrastructure Committee's Inquiry into Land Transfer Duty Fees

Number	Recommendation	Response	Detail
1)	That the Department of Treasury and Finance model and publish the findings of 'switch on sale', 'credit' and 'gradual transition' proposals.	Support in part	<ul style="list-style-type: none"> The Department of Treasury and Finance regularly models and provides advice to the Government on changes to all tax and policy settings, including land transfer duty. The publication of modelling and findings will be made consistent with existing processes and legislation, including Cabinet confidentiality. The Government announced the transition away from stamp duty to a Commercial and Industrial Property Tax for commercial and industrial properties after the next sale, a 'switch on sale' model. This was informed by economic modelling, and the results were published.
2)	That the Department of Treasury and Finance should regularly review stamp duty rates to adjust for bracket creep.	Support in part	<ul style="list-style-type: none"> The Department of Treasury and Finance regularly models and provides advice to the Government on changes to all tax and policy settings, including stamp duty.
3)	That the Victorian Government: <ul style="list-style-type: none"> Should consider additional measures to increase housing supply, including strengthening housing targets Advocate for a national approach to stamp duty reform, recognizing its potential to address housing affordability and accessibility nationwide As an interim measure until a national commitment is made, urgently explore state-based reform options, including conducting an investigation into the feasibility of abolishing stamp duty and implementing a broad-based land tax as an alternative 	Support in principle	<ul style="list-style-type: none"> In the <i>Housing Statement</i> the Government announced a housing supply target to build 800 000 new homes across Victoria over the next 10 years. The Government will continue to engage the Commonwealth and other states and territories on the subject of tax settings, with a view to achieving the best outcomes for Victorians. The Government will continue to review all tax and policy settings as part of the State budget process each year. As indicated above, the Government has announced a transition away from stamp duty to a Commercial and Industrial Property Tax for commercial and industrial properties.

