

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Land Transfer Duty Fees

Melbourne – Thursday 11 May 2023

MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsy

Jacinta Ermacora

David Limbrick

Bev McArthur

Tom McIntosh

Evan Mulholland

PARTICIPATING MEMBERS

Nicholas McGowan

WITNESS (*via videoconference*)

Ms Joanne Seve.

The CHAIR: I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Land Transfer Duty Fees. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I also welcome any other members of the public watching via the live broadcast.

Before we begin, we will just go around the room and introduce the committee members. I have just learned that the witness has a long shot of the room, so if members could raise their hands when they introduce themselves, that would be great as well, starting with Mr Mulholland.

Evan MULHOLLAND: Evan Mulholland MP, Northern Metropolitan Region.

Tom McINTOSH: Tom McIntosh, Member for Eastern Victoria.

John BERGER: John Berger, MP for Southern Metropolitan.

David DAVIS: David Davis, Southern Metro.

The CHAIR: Georgie Purcell, Northern Victoria.

David LIMBRICK: David Limbrick, South-East Metro.

Bev McARTHUR: Bev McArthur, Western Victoria Region.

Jacinta ERMACORA: Jacinta Ermacora, Western Victoria Region.

The CHAIR: Great. Thank you. We will call Joanne as the witness.

Just before we begin, all evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your name and the organisation you are appearing on behalf of, if so.

Joanne SEVE: My name is Joanne Seve, and I am appearing in my own right as a sole practitioner, solicitor and state taxes consultant.

The CHAIR: Great. Thank you very much. We welcome you to make opening comments but ask that they be kept to a maximum of 10 to 15 minutes to ensure we have plenty of time for discussion and questions.

Joanne SEVE: Thank you. Thank you for considering my written submission and for this opportunity to give evidence. I would like to begin by referring to the principles of good taxation, which should be the guideposts for any inquiry into taxation. I will then talk about why transfer duty, which we call stamp duty in this context, has become known as a bad tax and how it could be reformed and why it deserves to be reformed to be a better tax. I will then also talk about problems with broadening land tax to the family home and, finally, I propose to quickly recommend a way forward.

To start with, the four well-known principles of good taxation are: equity, or fairness; simplicity, which includes transparency; certainty; and efficiency. It is unquestionable that this inquiry exists because of the reputation that stamp duty has acquired as a bad tax or even the worst tax. It is submitted that this is primarily for want of efficiency of stamp duty, which, it is submitted, is attributable to the effects of stamp duty bracket creep over many decades.

Thirty-five years ago, in 1988, a Collins tax taskforce in New South Wales recommended that stamp duty brackets should be indexed. Nothing was done to that effect by any state or territory at that time. Twenty years later, in 2008, a New South Wales IPART review of state taxation recommended that stamp duty thresholds be indexed to avoid bracket creep so as to increase the efficiency of the tax. That report noted the adverse implications of bracket creep on housing affordability. Fifteen years have passed since that IPART report and nothing has been done by any state or territory, with the exception that in New South Wales CPI indexation was introduced four years ago from 2019. However, that did not redress the bracket creep to that point, nor has it addressed the increases in property values. It has not kept up with it.

Whilst it was something to have indexation in NSW introduced, it by no means went far enough. Last year a federal inquiry into housing affordability and supply in Australia recommended that all states and territories should redress bracket creep by changing the thresholds and that they should not be penalised by the Commonwealth Grants Commission in terms of GST distributions in consequence. It also recommended that all states and territories should index stamp duty brackets in line with inflation of the property market. No state or territory has acted on this.

So stamp duty bracket creep has contributed to inflation of property prices. There are many factors, but stamp duty has been one of them over many decades. Buyers who can afford to pay a purchase price plus the stamp duty and sometimes GST also – and then there is stamp duty on the GST – tend to be able to afford to hold on to the property until such time as there is a price that will recompense them for all costs including the stamp duty. So this is how there is this cascading of the next purchase, including the stamp duty on the previous purchase and stamp duty being calculated on that higher purchase price. That has been going on for decades.

Ten years ago, in 2013, Dr Andrew Leigh and Ian Davidoff published a report, *How Do Stamp Duties Affect the Housing Market?* It reported that a 10 per cent increase in stamp duty will lower turnover by 3 per cent in the first year, or 6 per cent over three years, and a number of the submissions that I have seen to this inquiry include reference to that paper or report by those gentlemen.

The Grattan Institute's submission reports that stamp duty rates in Victoria have effectively almost tripled in the last 15 years. So if you double the rates, that is a 100 per cent increase; and if you triple them, that is a 200 per cent increase. That is significantly greater than the 10 per cent in that report, so it is having an adverse effect on turnover.

In the submission by the department of finance in Victoria there is a graph at paragraph 32 which gives an indication of the changes in volume of transactions in Victoria for a seven-year period, from 2015 to 2022, and you will see in the graph that you have in that submission from the department that back in 2015 the turnover was greater than it currently is. I also looked in open data – and I asked if a link to this could be provided to the committee – at information concerning the number of transactions in Melbourne from as far back as 1992 to the present. It is extraordinary that back in 1992 we had around 12,000 transfers of vacant land and here in 2021 – because the data is not fully available for 2022, unfortunately, on that website – it is only 1000 more. In addition, the number of housing transfers was around 41,000 back in 1992, and it was 69,000 in 2021.

So the data is showing a significant adverse effect on turnover despite the fact that the state has been collecting significant revenue from major transactions and from buyers who can afford the stamp duty at these high rates. So it is no wonder that there is an outcry from industry bodies in particular that stamp duty is an abominably inefficient tax and it is putting a handbrake on turnover. An obvious root cause of it is the bracket creep. The submission here is that if the rates of stamp duty are reduced, the handbrake on turnover is lifted. It is also submitted that when that occurs, there is actually an increase in supply for those who are then able to purchase a property and move. As the last witnesses were speaking of people wanting to change size – I think they did not want to use 'downsize' but 'change size', their existing properties come into the market. But the proposition here is that any change now in rates of stamp duty should be accompanied by other government initiatives for an increase in supply of property, such as land releases or zoning changes, to ensure that there is sufficient

competition to meet that increase in demand and so that vendors do not in the end pocket the saving in stamp duty that should be flowing through to buyers.

I just want to also state that Victoria has been administering stamp duty for 144 years, and over those years stamp duty legislation has been amended to close loopholes as they have emerged and prevent leaks in revenue, and the systems of administration have evolved to take advantage of technology. So I put it that it is quite a finely tuned machine at the moment, but the problem is that this bracket creep and the high rates of duty are like a friction force slowing the motion of that machine like a handbrake, and to release that handbrake and remove that friction force will stimulate the movement of the market. And as many in their submissions have also agreed, that would result in many uplifts in economic outcomes, in workforce opportunities and for taxes – not only stamp duty collections from an increase in turnover but other taxes: income tax, GST, potentially even payroll tax.

Many submissions have recommended a switch from stamp duty to a broader land tax. The last speaker for UDIA said they would prefer a more holistic approach, and I do not necessarily recommend against that. Why I put my submission in is that I believe that stamp duties in all states and territories, having been around for hundreds of years, deserve to have the bracket creep redressed, and it is such a simple, simple opportunity to do that, but I do not understand why any state or territory has not done so.

I will also add that in my paper I refer to empirical evidence that where rates have been reduced, turnover has resulted in revenue being maintained, if not increased. Even in the ACT, where they were switching allegedly from the stamp duty to land rates, there were statements on that switch that, I quote from ACT Budget Papers 2013-2014 No. 3, 67:

Future increases in conveyance revenue are anticipated as turnover in the property market increases in response to the duty cuts.

So there was not a decline in the revenue collected from stamp duty when the rates were being reduced, and they were not reduced holistically; it was more in middle brackets in the ACT. Furthermore, the ACT has deferred the abolition. So we have got a double taxation situation happening there, with rates having been introduced.

I just want to say that all property is already subject to annual council rates calculated on the capital value of land. Adding land tax to family homes will be multiple taxation of that non-income producing asset, which is a necessity of life – shelter. Removing stamp duty and extending land tax to the family home will actually incentivise speculation in property in the short term to the disadvantage of those who wish to remain in properties for the longer term, who would be subject to higher taxes unpredictably increasing over time as property values increase, unless Victoria or any other state that is considering this were to introduce a cap on it, like New South Wales sought to do with the Property Tax for first home buyers with a 4 per cent cap – a very complicated formula, so failing in the context of simplicity as a principle. The 2008 IPART report of state taxation actually ranked land tax worse in efficiency than stamp duty, and land tax also ranked poorly for fairness, complexity and transparency. If stamp duty at low rates is compared with land tax, it is submitted that stamp duty proves itself to be a better tax.

So the recommendations are: one, immediately remove stamp duty on GST. A tax on tax is just wrong, and that is not just for Victoria but every state and territory is doing that. Secondly, index your stamp duty thresholds annually in line with property price inflation. Thirdly, invest in the modelling of the revenue and economic outcomes of reducing stamp duty, taking into account the increased turnover, the flow-on economic and tax benefits of that, coupled with planning and local government initiatives to increase supply at the same time. This should be done in consultation with experts in federal and state taxes to factor in all the considerations and implications. Liaise with the Commonwealth Grants Commission, as was recommended by the federal inquiry report, so that there is no prejudice in GST distributions for any state, particularly if it were to be Victoria to start this ball rolling, that reduces stamp duty rates. Do not broaden your land tax to the family home. There I just note the submission that was made by Mr Rocco Perna imploring the committee for the sake of children of the future not to introduce another annual charge on property and to consider alternatives. This is the alternative that is being proposed to this inquiry: reduce the stamp duty without broadening and without introducing any new tax so that the implications can be properly measured and without complexity and confusion. Finally, if this is taken up, to just lead the way in those principles of equity, simplicity, certainty and efficiency for all other states and territories to follow. Thank you.

The CHAIR: Thank you very much for your opening remarks. We will now go around the room with questions from each member, starting with Mr Mulholland.

Evan MULHOLLAND: Thanks, Joanne. I appreciate your submission and your comments. You spoke just before about how in planning reform and local government reform there have been some musings about a government takeover of local government planning processes to speed up that supply process. What are your thoughts on that, and do you think that local government in particular could be, I guess, incentivised to increase supply, whether that might be a better way, or perhaps disincentivised from blocking supply?

Joanne SEVE: Now, can I just first of all declare that I am a New South Wales person, and I will always defer to Victorian colleagues and others from your state who could comment more particularly on local government issues. But I put it in my submission, and I will respond to your question by saying that whatever is necessary there needs to be a tapestry of an interweaving, intergovernmental approach to reform. I do not think if a reduction in stamp duties were to be introduced without the increase in supply that you would achieve the optimal outcomes. So however that incentive is provided to local governments to cooperate and however that locally is to be done, I cannot comment on that, but I would just say it needs to be done.

Evan MULHOLLAND: Yes. And just on the threshold, I note, very warmly, your comments on the thresholds – particularly the stamp duty thresholds of \$600,000 and it tapers off to \$750,000 in Victoria. Would you attach them to the average house price? How would you go about doing a reform like that? Do you think it currently incentivises people to either go for a small apartment or somewhere in the outer growth areas?

Joanne SEVE: That is an interesting question; thank you for it. I put it that that is something that deserves to have a brainstorming around the table when the subject of – first of all, if it is accepted that there needs to be a reduction in rates, the question is: how should they be reduced? That is what you are asking there. And secondly, how should indexation be factored in? You are sort of suggesting that there should be potential discrimination between residential in inner Melbourne, outer Melbourne and potentially regional as well as other types of property – commercial, industrial. Whether there should be differentiation with the treatment of those, that is a level of complexity. Whether one should consider that or whether to go simple, ‘Let’s reduce the rates across the board to the extent that you need to assist any particular group to consider other incentives for that group’, that is the sort of thinking that I would imagine is required.

I will give an example. We talked about supply. I do not know how you are going to increase supply of primary production land. I think it is finite. Unless there is – I do not know. But I would just say that as an example where that might need to be treated differently. The focus in my comments about supply have been primarily on residential land, particularly in Melbourne and outer suburbs.

The CHAIR: Thanks, Mr Mulholland. Mr McIntosh?

Tom McINTOSH: No questions from me, Joanne. I just wanted to thank you for putting in a submission, putting so much thought into it and succinctly putting your points across, as you have done in both the submission and verbally, so I appreciate your time particularly in doing that of your own volition. So thank you.

Joanne SEVE: Thank you.

The CHAIR: Thanks. Mr Berger?

John BERGER: I have no questions.

The CHAIR: Great. Mr Davis?

David DAVIS: Joanne, can I thank you for your submission. It is erudite. You have thought this through in a very detailed way, and I think some of your points are unanswerable actually, so I really do thank you. I, like you, share a nervousness about putting a brand spanking new tax on the family home and I am deeply uneasy about how that could impact over several decades. But I note you have also referred to the federal inquiry that occurred before the last federal election. I too have read that and think that it actually adds some useful material. It made a series of recommendations – a lot of recommendations actually. You might not be able to do all that now, but I would certainly welcome you responding to some of those recommendations that were made at the time by that federal parliamentary inquiry.

Joanne SEVE: Thank you. I need to declare that that inquiry recommended the switch from stamp duty to land tax.

David DAVIS: It did. There were some things that I agree with and some that I do not, because there were a lot of other points in there.

Joanne SEVE: Exactly. You have seen that I drew out the point that that report recommended in the interim – that is, immediately – that all states and territories should reduce the rate of stamp duty, redressing bracket creep, and have indexation and that they should not be penalised. The fact that that inquiry was convinced that would not lead to adverse consequences was very reassuring and comforting. The other –

David DAVIS: There are many recommendations.

Joanne SEVE: The recommendation concerning land tax – I regret that I did not agree with that one. I did not raise it with you, but I now need to address it and just say, yes, that was also in there but there was not any detail about how that was to be done. I think there were many submissions, as there are here today to you, for that, and I think that was accepted and adopted by that inquiry. But I would like to say that many of those submissions I feel did not consider the other alternative – which some requested be considered; they did not name it, but some of them suggested the alternative – of simply reducing the rates and seeing the outcome of it.

Now, could I mention at this point, if I may just for a moment, there were two joint submissions by university professors and others that I would like to just comment upon here. One was from the university of Victoria, and it was really interesting to me – woah, some significantly complex mathematical formulas, with all due respect to them. There is a table in submission 38 which identifies when a reduction in the rate would result in the highest return. In terms of taxes, it identifies stamp duty as the highest return for a reduction in rate. That is, again, confirming what I have been putting as my observations of empirical evidence of what has been happening over the past few decades: for those few jurisdictions that have reduced, there has been this uplift in turnover and revenue.

Now, the next column in that same table refers to the cost of housing in consequence of it, and that table says there is an increase in the cost of housing. I wanted to say that the foundations and the factors being considered in these sorts of reports are why I am putting that the supply issue needs to accompany the drop in the rate – so that property prices do not increase, so that vendors do not take the saving that is meant to be offered to buyers. There needs to be that factored in. But in addition, I do not know that this takes into account the fact that when you drop the rates, there will be an increase in existing supply to the extent that people will move or be encouraged to move. Now, in addition, in that paper there is a reference to the fact that when there is a reduction in a rate, there is a cost to the state. That again I feel does not take into account the issues that I have been trying to highlight here.

There was also a joint submission by representatives of Deakin University. That one talked about reducing rates of stamp duty potentially affecting interstate mobility. All I can say there is if Victoria was the first to really reduce its rates, that would be very attractive to people living in other states who cannot afford the stamp duty in those states – as a factor to draw them into your state, if that is of interest. I just say that those university reports, particularly the one from Victoria University, looked incredibly thorough, with a lot of modelling, but I think there needs to be more explanation of the modelling and more put into it.

David DAVIS: Thank you.

The CHAIR: Thanks, Mr Davis. Mr Limbrick.

David LIMBRICK: Thank you, Chair. And thank you, Ms Seve, for your submission. You obviously put a great deal of thought into this, and it has raised some very interesting issues. Your submission and statements around the relationship between the tax rate and the number of transfers and the revenue – this was confirmed by DTF of course, that the revenue is a function of property prices, the rate and also the number of transactions. I think what you are describing here is really the Laffer curve, where reducing the rate does not necessarily reduce the revenue. I think that DTF are actually coming back at a later hearing, and I would love to ask them if that modelling actually exists, but would it be your opinion that if that modelling does not exist, a recommendation of this committee should be to do that modelling to figure out what the optimal revenue rate

might be? And it might be that lowering the rate might actually increase that revenue. Is that what you are suggesting?

Joanne SEVE: 100 per cent. I have great doubts that any modelling actually exists, but if it does –

David LIMBRICK: We will find out.

Joanne SEVE: Yes. And could I just put to you here that in terms of that modelling, that is why I suggested in my opening statement that experts in federal taxes and state taxes be brought in to consult or advise or to be able to comment, on a confidential basis, on the implications that we as practitioners have observed in our daily lives. We are advisers in it, but we are also observers, and I have been particularly curious to watch what the implications are of the tax changes and the lack of attention to the bracket creep.

I will just give an example. There is a lot of experience in the fact that if finally a change in the rates is struck, that needs to be announced and effective on the day it is announced. If that is prospective, you are going to put another big handbrake onto your property market, with buyers waiting for that drop in the rate, impeding everything. We have had lots of examples of that. In New South Wales we had a vendor duty for a time, which was like an additional stamp duty on transfer duty. It was payable by the vendor, but it was passed on to the buyer, so ultimately it was another type of purchase duty. It really led to a death in the property market, and when our Premier Morris Iemma was appointed to the role, he announced on that day, with effect from that day in 2005, that that tax was gone. The next year – curious as I was on this – there was over a billion dollars above budget in stamp duty collected because of the surge.

Now, lots of factors get taken in – the surge factor, how long will that occur? There are many issues, but the point is the state already has the machinery to do all of this. No need to invest in new machinery, no need to invest in a new education program, but maintain what you have. If one reduces the rates – as you can see, even in the ACT they are gradually reducing, allegedly, but it has not happened and it is getting pushed out - stamp duty, I think, as much as it is altruistically said, ‘Let’s swap it or switch it’, is a tax that if it can get to a rate, as you said, on the Laffer curve low enough not to be an impediment and just be one of the incidents of buying a property, such as other costs that buyers are prepared to pay, if it ceases to be an impediment, it is a source of revenue for the state. It has been good, but it has become bad because of the bracket creep.

David LIMBRICK: Thank you. Another thing that you brought up in your introduction was the effect on undeveloped land and the effect of that transfer. Do you think that it might be the case that some of these developments are not going ahead because the person holding it needs to recover their costs from the stamp duty and if that stamp duty did not exist, they would sell the property to another developer who could take on the development immediately and therefore that might be having an effect on supply?

Joanne SEVE: That is definitely true, but I put it that if the rates are reduced to a level that is not prohibitive, even in that scenario. This is where I also just say that there might be an opportunity to have less exemptions if that was a particular target to allow that. It is like a corporate reconstruction, but to an unrelated person so that is not really. So an exemption for developers, landowners over to a developer, to allow that sort of program there is a concern about abuse I suppose, and avoidance. This is where over the years we have witnessed very sophisticated amendments to legislation to get it working tightly. I would say that this would be one of the ‘details’ that would be the subject of the round table think tank. A very good point.

David LIMBRICK: Thank you.

The CHAIR: Thanks, Mr Limbrick. Mrs McArthur.

Bev McARTHUR: Thank you, Chair. As Mr Davis said, Ms Seve, we are indebted to you for going to the trouble of making such a comprehensive submission and giving us such an erudite presentation today. But what you have done is actually convinced me that this tax should be abolished. If it does not acquit the principles of taxation – that of equity, simplicity, fairness, certainty, efficiency and transparency – but instead is complex and inefficient, then we ought not to be fiddling around the edges with it, and we should, as other witnesses are suggesting, undertake a wholesale review of the tax system as it applies. We all know governments are addicted to taxation, some politicians more than others. I happen to be in the category of not being addicted to taxation and would like people back more of their own money and less for government to waste. So I would suggest that

the only thing we can do here is abolish this tax and get on with working out how we can supply the correct amount of revenue to government without impeding the process of people moving into a home.

The CHAIR: Is that a question?

Bev McARTHUR: You can comment.

Joanne SEVE: All right. So I have been assessed as a fail. I would like to reply to that by first of all saying my submission has been that stamp duty actually – as it currently exists, because it has been around for 144 years – passes the simplicity test because everyone knows how it works and most of the provisions are there to stop avoidance. It is certain in that respect. Where it is failing is in efficiency and it is just one tweak – tweaking the rates – which I say is cost-effective, that will redress the problem. For over 30 years there have been government reports recommending that, but they have been totally ignored. My other comment is to say that to actually abolish stamp duty, first of all, is going to be very expensive. There is that big hole in the revenue, and you have got to fill it. Secondly, all of that administration, you need to re-educate for whatever you are going towards, and that is very expensive, that is a big cost. Thirdly –

Bev McARTHUR: We would not want to be moving to another tax.

Joanne SEVE: All right. If you are going to land tax –

Bev McArthur: Definitely not.

Joanne SEVE: Okay. So we will have to find what tax it is, what is it going to be.

Bev McArthur: Exactly.

Joanne SEVE: Well, I will just say two things there. If it is a broader discussion, it cannot just be done by Victoria. You cannot afford it. You have got your limited sources of revenue. You need to have the Commonwealth at the table, and you cannot alone, your hands are tied. If you were to try to fill the stamp duty loss of revenue with other existing taxes that you currently have – I do not know that you can introduce new taxes without the Commonwealth and other states' and territories' involvement, because you could be penalised in your GST distributions, so your hands are tied there. However, if you want to go to a meeting with the Commonwealth and try to get the Commonwealth to consider a bigger, holistic broad picture, well, do. But I will just say this: even in that context, even if it were to be a broadening of a Commonwealth tax, why would states totally abolish stamp duty ever? It is a source of revenue that, when it is at low enough rates, is an opportunity to receive some sort of revenue for your public responsibilities. Every single submission that says, 'Swap it with land tax,' or do other or just get rid of it in some way points to its inefficiency and that it is this handbrake on turnover – if you remove the handbrake by lowering the rates to such a level as it ceases to be an impediment, it goes quietly away.

I will just say this. When I started practice in the early 1980s, the maximum rate of duty in New South Wales was 2.5 per cent. I worked in banking and finance, but when New South Wales overnight more than doubled the rate to 5.5 per cent – and since then there has been 7 per cent for certain residential properties over \$3 million now it is indexed – I became a stamp duty expert. Well, not an expert. I had to start to study it because it became imperative to understand it all and it became complex, but it became onerous and it became something that was a killer of transactions if it was not managed so as not to double the tax or to work out how it was to apply. So I will just say: were we to go back to when I began, which was the original intention when New South Wales announced – sorry that I am not talking about Victoria – that increase in the rate, it said, 'This will not affect average homebuyers,' meaning the high rates. But average homebuyers in Sydney are now paying the maximum rate; I mean, not the 7 per cent but the 5.5 per cent. So that is where, by having practised in it, watched it, observed all of this, seen the reports and seen the inertia of states and territories on the reports, I just do not understand it. And that is why I have put the effort in. I hope I could change your mind.

The CHAIR: Mrs McArthur, we have got Ms Ermacora on the screen. Did you have any questions?

Jacinta ERMACORA: No. Thank you, I enjoyed that. It was very informative. Thanks.

The CHAIR: Great. We have got around 10 minutes to go back around the room. I think some members have some more questions, but just in the interest of time, please keep them as succinct as possible. Mr Mulholland.

Evan MULHOLLAND: I am good.

The CHAIR: You are good. Mr McIntosh.

Tom McINTOSH: Thanks again, Joanne. I am really enjoying the intellectual rigour you are bringing to this discussion. It can be quite simple for some to just, you know, throw a position without much thought or to grab a headline, so I am really enjoying the thoroughness to the conversation. I think one thing we have not heard too much about yet is – it is good to hear, you know, various opinions, but could you just talk about some of the benefits of stamp duty? As you have alluded to, you are supportive of it. To states around Australia, would you mind just talking to some of the benefits to those states of having the tax in place? Granted you have just discussed the level of the rates, but just could you talk to some of those benefits to the economies of those states and the people of those states?

Joanne SEVE: Right. In terms of the percentages that stamp duty currently represents, it is significant to every state. And by the way, as you probably know, Northern Territory does not even have any land tax at all, but it does have the transfer duty, and it had its budget the day before yesterday and announced finally the abolition of duty on non-land-types of property. But when the intergovernmental agreement was struck conveyance duty on non-land assets was agreed to be abolished. Well, that was very much a narrowing of the tax base for the states and territories. Victoria has never really had it on goodwill and so forth. That is a digression.

It is a source of revenue too that has built a lot of roads and schools. All of the responsibilities that the states have it has contributed to. When stamp duty – and I will go right back in history – was at a lower rate, admittedly there were some ways of not necessarily incurring the stamp duty in those days that are now no longer available, such as, you know, going outside the state to a jurisdiction that did not impose the tax and so forth. We do not have to go into that history, but just to say this: stamp duty is a tax, it is a transaction tax and it is incurred at the time of an acquisition. Again I will distinguish Victoria: you impose the tax at the time of completion. Most other states and territories – in fact all of them – impose it at the time of the entry into the agreement, so it is earlier. At the time of entering into the agreement or negotiation for completion the buyer quantifies the expense. They go out, as one of the other speakers said, and borrow, in most cases. It is a time where there is a choice in whether or not to incur the tax. If the tax is too high, there is choice: ‘I’m not going to buy that property; I’m not going to enter into that transaction.’ And that unfortunately I believe is what has happened with the rates being so high. There are a lot of people that are being precluded from entering into transactions because the rates are just too high. But if you get the rates down to a level where it is affordable, the beauty of stamp duty is that it is a choice, and people having choice is a great thing, I believe, in tax. I think it goes to equity – that is an enhanced factor to it – whereas land tax is an annual tax and if it is on the home, you do not have a choice, you just have to pay it every year, and it is a bit out of control because you cannot estimate or quantify with certainty what your liability is going to be over your lifetime if you live in a particular property, whereas stamp duty is certain. You can quantify it, it is a choice and it is a one-off when you pay it. If it ceases to be an impediment, it gives also opportunity not to be a serious consideration to stop the sale of that one to move into the next one. That is why in comparing land tax with stamp duty, any day stamp duty wins – except that it cannot win and it has not won for years because of the inefficiency of the high rates at which it applies. That is what I would describe as the benefits: the choice, the timing, the certainty and the equity of it. That is why I started with the principles and I am ending with the principles, to say that if efficiency can be addressed – stamp duty would not have lasted 144 years if it was not half decent, but it has been broken. That is what I put in my written submission – that it is broken, really badly broken. It is not going to stop, I think, the outcry against it. One day a state or territory needs to lead the way. Encouragement by the Commonwealth would have been helpful. There was a report in an article today that the federal budget could have done more to encourage the states to do something about stamp duty. It was a different government at the time, but that federal inquiry report did recommend to the states and territories to redress bracket creep, reduce the rates and not be penalised with GST. Grab it! Grab that. New South Wales has not done it yet. Maybe with the new government there, there might be a change. I do not know whether bracket creep will be finally redressed in New South Wales, but if Victoria starts the ball rolling, all power to you.

The CHAIR: Thanks, Ms Seve. Mr Berger, you do not have another question?

John BERGER: No.

The CHAIR: I will hand to Mr Davis. We just have 6 minutes left, and I think three more members with questions, so keep it tight.

David DAVIS: I will be very, very brief. You have made a number of suggestions about stamp duty, and I get all those, and you have referred to a number of the submissions that have got various bits of modelling. Would it be your recommendation that the committee should actually attempt to get some independent modelling done on where rates might be struck and the likely outcomes of that?

Joanne SEVE: I think that would be a really productive step. I did include the suggestion for investing in modelling, and if this inquiry committee could begin that process and have the funding for it, because the likes of those professors – and I am suggesting that state tax experts be involved with experience as to the implications of the changing of the rates. Then you as the government representatives turning your mind as to what sort of – the aim would be not to reduce revenue, it would be to increase it, and I add to that the fact that indexation annually would also be involved. I think that this exercise, were it to be adopted – the answer is yes, that would be great. If modelling were to be done to establish that this is a worthwhile exercise, there is work to be done every year to see what is happening in the market, the indexation of the rates and where there might be needs instead of just sitting back and letting these thresholds, when you get them, run amok – to actually invest in that exercise of monitoring what is happening. I am suggesting there is some investment by government required every year, but long term I just think it is positive. To the extent that this exercise were not to reward the state with sufficient revenue for its needs, that is where the suggestion that the holistic, round-the-table discussion with the Commonwealth about where to from here begins. But I just believe, as the federal inquiry report suggested, that immediately states and territories should be able to do this. But you are right, it requires modelling to work out where in the particular stage in Victoria should those thresholds be set.

The CHAIR: Thank you. Mr Limbrick.

David LIMBRICK: No, I have none.

The CHAIR: No more questions? Mrs McArthur.

Bev McARTHUR: The one thing I am sure we can agree on is that taxing on top of taxing – that is, GST on stamp duty, GST on the fire services levy – is criminal. We should all agree that that should be abolished. The other issue is, maybe I have lost the plot here, but I thought the whole idea of a goods and services tax was to actually ensure that state governments got rid of their existing taxes and that all the revenue from the GST was to go to states. We seem to have abandoned that principle, and here we have 45 new taxes in this state. Do you agree that we ought to go back to what the principles were of having an agreed goods and services tax which was to be supplied to the states?

Joanne SEVE: Thank you. Yes, there was an original intergovernmental agreement that was struck. Then it was replaced a few years later and, as replaced, it excluded from the taxes to be abolished transfer duty and the like of landholder duty. It is part of the *Duties Act*. It is definitely worthwhile considering having a review of the intergovernmental agreement on the relationship between the Commonwealth and the states on taxation and to resurrect the question of whether any other taxes should be abolished.

But I keep repeating: once you get stamp duty rates down and you stop them from cascading at a rate higher than inflation of the property market, they are actually a neat form of revenue for the states. The states should be wary, I think, about throwing that out the window. Once it is out, it will be very hard to ever bring it back. Keeping it, even at a nominal rate, as we originally had with marketable securities, which was all abolished – why wouldn't you? Having worked in it and having seen the evolution of it and the investment of time of government – the states and the revenue offices have been excellent, I do want to say that, in noting where there were gaps and loopholes and closing them and having the legislation amended. There is room for improvement there, but I am just saying it has been outstanding, and in all of those decades of work there, the one area we have been let down is through the legislature not reducing the rates.

The CHAIR: Thank you. Thanks, Mrs McArthur. Ms Ermacora, do you have any questions?

Jacinta ERMACORA: No, thank you.

The CHAIR: Great. Thanks so much for your submission, Ms Seve, and your following evidence today. I just want to echo everyone else's comments that it has been an incredible value to the committee, and we really appreciate the time that you have put into it.

Witness withdrew.