

Stamp duty vs property tax and what the proposed change could mean for you

By [Cecilia Connell](#)

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Economists have been pushing to abolish stamp duty for years but will you be better off?
(ABC News: James Carmody)

The NSW Treasurer has proposed a massive overhaul of the way houses are taxed, with oppressive stamp duties to be potentially scrapped.

In a move heralded as one of the biggest changes to the way Australians have been taxed on property since Federation, [Dominic Perrottet has unveiled an ambitious plan to replace stamp duty with an annual land tax.](#)

"Stamp duty is a tax from a bygone era," Mr Perrottet said.

"This will be like the Netflix of property tax."

While the scheme is yet to be finalised, home buyers are already asking the obvious question: "will we be better off?"

Here's what we know so far.

How would it work?

Stamp duty in NSW is approximately 4 per cent, so based on Sydney's median house price of \$1,154,406, buyers currently pay approximately \$46,176 to the Government.

But under the new scheme, instead of forking out for a one-off upfront payment, home buyers could opt to pay an annual tax based on the value of their land.

Chief economist for BIS Oxford Economics, Sarah Hunter, said that would remove some significant barriers to entering the property market.

"At the moment if you're a first home buyer, you've got to save up for the deposit to put down on the house and the mortgage on top of that, but you've also got to save up to cover the cost of the stamp duty and it's quite a significant amount of money," she said.

Upside Realty CEO Adam Rigby said the same was true for people already in the housing market, particularly elderly residents looking to downsize.

"When you add agent fees and stamp duty together, you can be looking at a year or two salary just to change properties — that's very expensive for the average Australian."

Currently first-home buyers are eligible for stamp duty concessions if the property is valued at less than \$800,000 but if Mr Perrottet's plan passes, first home buyers will instead receive a grant of up to \$25,000.

The plan requires every other state to sign on and the Federal Government to compensate the switch.

Where else in the world has it been done?

Australians only have to look across the ditch to scrutinise a property market without stamp duties.

In New Zealand, the Government raises most of its revenue from GST (albeit at a rate of 15 per cent compared to 10 per cent in Australia) as well as income and corporate tax.

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- [A new property tax is likely as the NSW Budget black hole blows out to \\$16 billion](#)
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Brendan Coates from the Grattan Institute said Australia was an outlier compared to many other countries in relying so much on stamp duties.

"In New Zealand there is no stamp duty; in the UK stamp duty does exist but it does tend to have lower rates than in Australia; and in the US you do have some stamp duty in some states but you tend to rely on more broad-based property taxes," he said.

Interestingly, a similar proposal has already been implemented in the Australian Capital Territory with a lengthy transition period to the new scheme now underway.

Would home buyers be better or worse off in the long run?

While economists have been pushing for stamp duty to be abolished for decades, Sarah Hunter from BIS Oxford Economics said the devil would be in the detail.

"It is hard to work out who is better or who is worse off but there will inevitably be, with this kind of change, some winners and losers when you add it up at the bottom line."

She believes by removing stamp duty there will be less financial burden on many people and thus more movement through the housing market.

But a "phasing approach" is necessary to level the playing field, she said.

"It almost certainly won't be the case that you if you paid stamp duty a couple of years ago you would then go straight into paying a land tax, they'll phase it so that that doesn't happen," Ms Hunter said.

Brendan Coates from the Grattan Institute contends that as a whole, the community would be better off.

"The details for the individual person we just don't know yet — the Government has signalled that they're probably going to go down this path with a plan to consult through to March and then come up with announcements, presumably in next year's budget," he said.

"We don't have all that detail yet but at a community level, this is a really important reform that would certainly make the people of NSW better off in the long run.

"This is a really positive step — it's just about the best tax reform that any state government could adopt."