

Media Release



17 June 2008

Fiddling at the Edges

“The Senate Select Committee on Housing Affordability in Australia report is a litany of lost opportunity,” said Mr Scott Woodcock, Chief Executive Officer of the Urban Development Institute of Australia NSW (UDIA NSW). “The GST remains the single largest tax on new homes. Any Commonwealth Parliamentary report on housing affordability that neglects to address the impact of the GST is just fiddling at the edges.”

“UDIA NSW provided evidence to the Senate Select Committee that the GST is a tax on a tax. UDIA NSW’s research shows that if the GST on existing state and local property taxes and charges is removed it would save new homebuyers in Sydney around \$7,000 today,” Mr. Woodcock said. (See over page)

“In NSW, new homebuyers pay on average \$45,000 in GST on a new house and land package. If Parliament is serious about housing affordability it must look at the one lever the federal government controls: the GST.”

Mr. Woodcock said that “the only hope now lies in the Australian Future Tax System Review Panel. The affordability crisis is a product of government shifting its debt onto households. Interest rates would not be so critical if housing prices were not so high and the GST is largely responsible for that.”

Mr Woodcock added that, “the proposal to offer stamp duty exemptions for first homebuyers was worth examining as this generation is the most geographically and financially marginalised. Many first homebuyers have two mortgages: the house and HECS. HECS is yet another example of government externalising debt adding to the burden on new homebuyers. HECS affects affordability.”

Mr. Woodcock said that “the proposal to exempt retirees who are downsizing from their primary residence though is ill advised and reinforces existing intergenerational inequities. Baby boomers represent a quarter of the population and yet control half the national household wealth¹. Succeeding generations are already charged with subsidising their retirement. New homebuyers should not be made to subsidise a retiree’s new home while struggling to meet their own repayments. Such proposals are an anathema to housing affordability.”

For Media

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¹ Bowen N (2008) *The Generation Snap*. Sydney Morning Herald; June 14-15, 2008

The average GST payable on the land component of new Sydney home:

| | Current GST Margin Scheme | Broadened GST Margin Scheme |
|--|--------------------------------------|--|
| Land Selling Price | \$297,344.00 | \$297,344.00 |
| less | | |
| Land Acquisition | \$58,824.00 | \$58,824.00 |
| Stamp Duty | | \$3,325.00 |
| State and Local Government Levies and Charges (SIC, S73, S94 etc) | | \$70,530.00 |
| Total | \$238,520.00 | \$164,755.00 |
| GST Payable | \$21,683.64 | \$14,977.73 |
| GST paid on State and Local Taxes and Levies | \$6,705.91 | 0 |