

# Increasing stamp duty will only cause suffering, economists say

Experts have slammed a raft of tax grabs unleashed by the Andrews government aimed at property owners, saying it will hinder economic recovery.

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3 min read May 11, 2021 7:00AM

28 comments



Sky News host Peta Credlin says thousands of Victorian families are set to be slugged by increases to stamp duty and land tax. "Jobs will be hit in industries under pressure," Ms Credlin said. Ms Credlin spoke to the Victorian Executive Director of the Property Council of Australia, Danni Hunter. "There is no doubt in our mind..."

Top economists have warned [increasing stamp duty](#) will make a bad tax worse and hurt housing affordability for middle income home buyers.

A suite of tax increases in Thursday's state Budget will be aimed at homebuyers and land owners in an attempt raise almost \$2.7bn over the next four years.

Former ANZ and Bank of America Merrill Lynch chief economist Saul Eslake and AMP Capital chief economist Shane Oliver warned any increase in stamp duty would ultimately prove ineffective.

Dr Eslake said stamp duty was already regarded as the most inefficient way for governments to raise money.

"What he (Treasurer, Tim Pallas) is doing is taking a tax that is universally recognised as being the worst tax in the armoury of taxes levied by Australian governments and making it worse," he said.

Dr Eslake led a confidential tax review for Victorian Treasurer Tim Pallas in 2017, which recommended the state replace stamp duty with a broadbased land tax, an approach now being introduced in NSW.

He said the state's doubling down on poor tax policy came when it faced a tough recovery from COVID-19.





Nick Gatacre and his family Estée, Pippa, eight days old, and Charlie, 2, outside their recently leased South Yarra apartment. Picture: Tony Gough

"The state has run up much bigger deficits and debt than any other jurisdiction and has been, over the past decade, very dependent on people moving to it ... but it has shot itself in the foot as a people magnet by its inept handling of the pandemic," Dr Eslake said.

Dr Oliver said any increase in stamp duty would ultimately work its way down the property chain.

"It has a cascading effect throughout the market," he said. "Demand is pushed down through the price brackets. It's not just high-end buyers who will be affected — its middle income ones as well."

It can also be revealed Victoria's revenue, including state taxes, fines and interest but not GST and other commonwealth grants, has jumped from \$27.3bn in 2013-14 before the Andrews government came to power to \$33.2bn in 2020-21.

But the state's expenditure soared 78 per cent in the same period, more than double the increases of NSW, Queensland and South Australia.

Dr Oliver said Victoria's budget position was a result of an increase in spending, rather than a drop in tax collection.

"The problem in the Victorian economy is that there has been a blowout in expenses," he said. "Of course a chunk of that is coronavirus-related but at some point there will be pressure to wind that back and raising taxes is not the ideal way to go when it disincentives people."



Belle Property South Yarra director Nick Gatacre said the tax rises would be an added expense while trying to build his property portfolio.

“It’s a stupid proposal, and a good way to lose an election,” Mr Gatacre said.

“The federal election was lost on trying to tax investors. It’s pretty ridiculous to do it.”

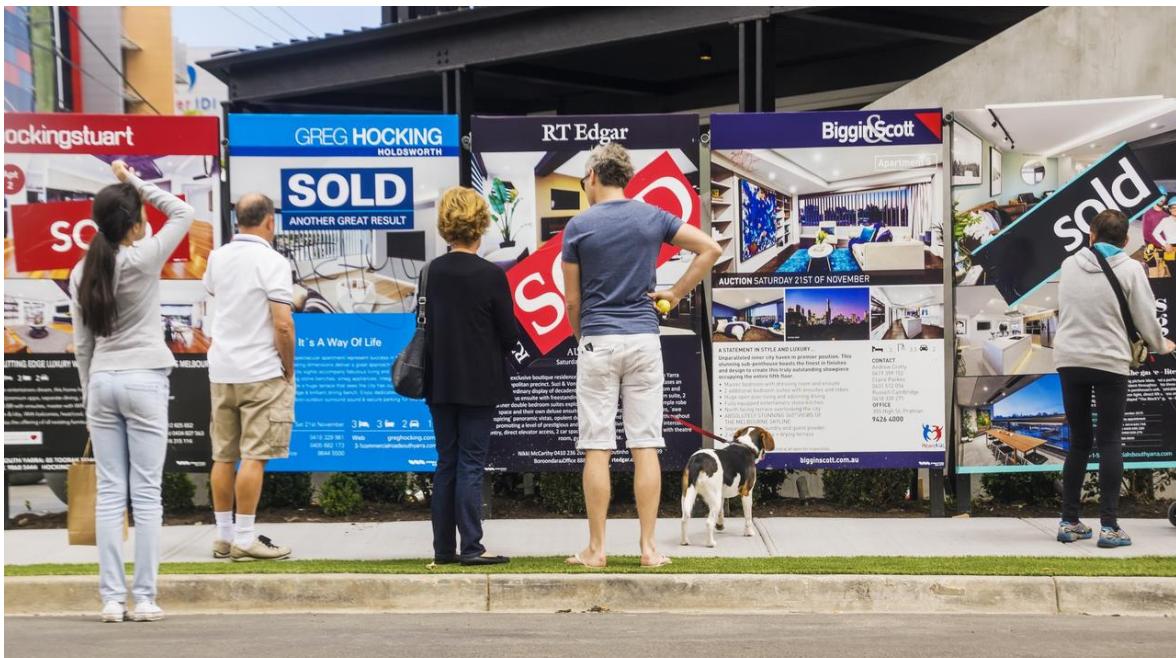
Mr Gatacre said the move would force rental prices up, and potentially drive property prices down.

## STAMP DUTY INCREASE

- **VALUE:** \$2,000,000.  
**DUTY PAYABLE NOW:** \$110,000.  
**DUTY PAYABLE UNDER CHANGES:** \$110,000.
- **VALUE:** \$2,200,000.  
**DUTY PAYABLE NOW:** \$121,000.  
**DUTY PAYABLE UNDER CHANGES:** \$123,000.
- **VALUE:** \$2,500,000.  
**DUTY PAYABLE NOW:** \$137,500.  
**DUTY PAYABLE UNDER CHANGES:** \$142,500.
- **VALUE:** \$3,000,000.  
**DUTY PAYABLE NOW:** \$165,000.  
**DUTY PAYABLE UNDER CHANGES:** \$175,000.
- **VALUE:** \$3,500,000.  
**DUTY PAYABLE NOW:** \$192,500.  
**DUTY PAYABLE UNDER CHANGES:** \$207,500.
- **VALUE:** \$4,000,000.  
**DUTY PAYABLE NOW:** \$220,000.  
**DUTY PAYABLE UNDER CHANGES:** \$240,000.

Real Estate Institute of Victoria president Leah Calnan said the move also jeopardised the recovery of Melbourne’s already struggling commercial sector.

Victorian Chamber of Commerce and Industry chief Paul Guerra said while budget repair would be required, “we don’t want to see government continuing to dip into the pockets of business at a time when they are trying to reset and recover from the damage caused by the pandemic”.



Some experts say the move would force rental prices up, and potentially drive property prices down..

The Property Council of Australia, Housing Industry Association, Urban Development Institute of Australia (Victoria) and the Real Estate Institute of Victoria on Monday joined forces to urge the government to change tack.

Danni Hunter, the Property Council's Victorian executive director, said the government should focus on creating jobs and growing the economy, "not penalising investment and increasing cost and risk".

"Even when governments have not raised tax rates on property, the Victorian property sector has delivered record tax revenue to state and local government, contributing 59 per cent of all state and local government fees and taxes," she said.

REA Group chief executive Owen Wilson said the tax increase would "stymie economic growth".

"At a time when the CBD remains void of the hustle and bustle Melbourne is known for, our shops have reduced foot traffic, offices are sitting half empty and migration is non-existent; introducing regressive taxes can only be described as short sighted," he said.