

NSW Moves to start a conversation on the future of Stamp Duty

Urgent reforms needed on Stamp Duty - NSW leading the way

The New South Wales government is proposing a change from their long standing stamp duty system to an annual property tax system. This would form a part of the Governments plan to modernise the tax system.

The NSW budget proposal is designed to give buyers the option of paying either stamp duty or land tax or a new smaller annual property tax with the expectation that this would provide stability and consistency with state revenue.

The plan, if adopted, could be implemented in the second half of 2021 following the public consultation process.

The plan would provide for lower rates for owner-occupiers with higher rates for investors, while enabling people who opt-in to the system to eliminate any land tax liability while those who have already purchased a property will be unaffected.

The NSW Productivity Commission's Green Paper and the NSW Review of Federal Financial Relations has suggested various ways to reform the tax system.

The NSW Government stated these changes will improve the state's economy and help home buyers as stamp duty in NSW adds \$34,000 to the average home.

On current modelling it is projected that the reforms may inject over \$11 billion into the NSW economy in the first four years and increase NSW Gross State Product by 1.7 per cent over the long term.

With concerns arising from such a radical change to the dependency of traditional Stamp Duty many organisations are seeking clarification through the consultation process to further understand the various impacts and long term effects of the proposal.

Luke Hamilton Davis, CEO of Hamilton Davis Advisory said " I understand the measure and the need for change, and while it is proposed for owner-occupiers, the market in NSW is very diverse and therefore, like all tax reforms it needs to be evaluated on many different levels to ensure that no sector of the community is left behind by the reforms. A "would be" new improved reform can do more harm than good in the long term if the modelling is flawed".

"Stamp duty has for a long time been considered an inefficient tax that has the ability to deliver a distorted view of the market. Many Governments have become dependent on the Tax without considering reform. This initiative has the capacity to start, and therefore provide for continue long overdue conversation that hopefully other States will follow." Davis said

About Hamilton Davis

Hamilton Davis is boutique property advisory based in Sydney, Australia. Headed by Luke Hamilton Davis. The Advisory focuses on providing market information for residential developments in urban and regional centres. Hamilton Davis clients include developers, builders and project marketers.

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