



Replacing Real Estate Stamp Duty with an Annual Land Tax

Stamp Duty on the sale of real estate (conveyance duties) is the second biggest source of state taxes in South Australia, amounting to 18.7% of total state taxes in 2016-17. However, conveyance duties are subject to swings in a narrow market which make them less reliable as a revenue source for government than an annual tax on land. Stamp duties also trap people in poor circumstances, for instance, because the extra cost to purchase a house may discourage people from moving to take up employment opportunities or to down-size to more manageable houses after children leave home.

The South Australian Government State Tax Review in 2015 contained a proposal to abolish over time conveyance duties on the transfer of real estate and replace them with an annual land tax, including on the principal place of residence (“the family home”).

At the rate of annual tax proposed in the State Tax Review, the break-even point was around 14 years: that is, **those who moved more often than once in 14 years would pay less tax overall with an annual land tax**, while those who stayed in a house longer than that would be disadvantaged by an annual tax as they would go on paying it. The review also acknowledged significant transition issues which needed to be addressed, namely a short term loss of revenue for government and extra costs for those who had only recently paid conveyance duties but then had to pay an annual land tax soon after.

An annual land tax that applies to homes is a particular problem for those who are “asset-rich, but income-poor” – that is, those who own their own homes but do not have high incomes. It would be simply unacceptable if people were forced out of home-ownership and into rental or even homelessness because they couldn’t pay an annual tax. However, conveyance duties are currently a barrier to entering into home ownership, so people may already be denied home ownership (in part) because of taxes.

Protections for low income earners would need to be built into any replacement of conveyance duty with an annual land tax, including:

- **Ease of payment** – monthly billing to avoid a large “bill shock”;
- **Adequate concessions and provision for deferred payment options**;
- **Fair transition arrangements** that do not leave householders out of pocket;
- **Maintenance of progressive land tax rates** (although preferably applied per property rather than on the total value of all properties owned);
- **Maintenance of current exemption from land taxes for charities** otherwise it will result in cuts to services to vulnerable and disadvantaged people;
- **Protection for community housing providers** otherwise many will simply cease to operate and vulnerable and disadvantaged people will be left homeless.

The Political Problems

When the State Tax Review floated the proposal to replace conveyance duties with an annual land tax there was a strong immediate negative reaction in the media. There was outrage at “a tax on the family home” – despite the fact that conveyance duties are also a tax on the family home. The government very quickly abandoned the proposal, but has implemented the principle in relation to commercial properties. Commercial properties already attracted land tax, so the government abolished stamp duties on sale of commercial properties meaning that only the land tax would apply.

Given the problems of the current stamp duty on residential real estate and the consensus among economists that an annual land tax would be a better system, **SACOSS would support replacing conveyance duty with an annual land tax if the protections listed above were put in place.**

Public Opinion

While the response to the State Tax Review proposal to replace conveyance duties with an annual land tax was loud and immediate, SACOSS research suggests that the public perception of the proposal is not nearly as clear cut or as implacably opposed. A survey of 1,000 South Australians commissioned by SACOSS found that stamp duty on real estate was the most unpopular state tax with one-in-four respondents identifying it as the one tax they would reduce if they could.

When asked about replacing real estate stamp duties with an annual land tax, nearly a quarter of respondents potentially supported the proposal, while around one-third of respondents opposed the idea. But the biggest group was undecided or wanted more information.

Support for Replacing Conveyance Duties with an Annual Land Tax

Like/support	23%
Dislike/no support	33%
Unsure – need more information	42%
Don't Care	3%

By closing the public debate down so quickly, the government effectively robbed those 42% of people of the chance of getting that information through public discussion, and potentially lost the chance for significant tax reform which *may* (with fuller consideration) have had considerable public support.

More details of the survey, including a breakdown of responses by demographic grouping and voter intention is available in the SACOSS report: [**Unfinished Business: Two Years on from South Australia's Tax Review**](#)

SACOSS is calling for further reform of state taxes, including land taxes, to ensure a fair and adequate tax system to fund vital services.

More information: <https://www.sacoss.org.au/fair-and-adequate-tax-system>