

# STAMP DUTY ON CONVEYANCES

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- 1 This working paper describes how the Commission calculated the revenue each State would have raised from stamp duty on conveyances if it made the Australian average effort. The development of the assessment method is in Volume 3 of the 2004 Review Working Papers.

## DESCRIPTION OF CATEGORY

- 2 All States levy stamp duty on conveyances (sometimes called transfer duty) on the transfer of ownership of real property (such as land, houses, apartments, shops, factories and offices) and on non-real property (such as copyrights, goodwill, patents, partnership interests, options to purchase, and units in a trust)<sup>1</sup>.
- 3 Although the split varies slightly between States and between years, in 2006-07 approximately 65 per cent of transfers were of residential property, 31 per cent non-residential property and the remaining 4 per cent non-real property (Table 1).

**Table 1 Source and share of stamp duty on conveyance revenue<sup>a</sup>, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Residential	2544	2017	1665	1222	512	117	166	72	8315
Non-residential	1418	831	712	672	167	29	64	31	3924
Non-real property	204		165	143	42	11	1	4	570
	%	%	%	%	%	%	%	%	%
Residential	61	71	65	60	71	75	72	67	65
Non-residential	34	29	28	33	23	18	28	29	31
Non-real property	5	0	6	7	6	7	0	4	4

Source: Data collected by the Commission from the States.

a Does not include any revenue collected from the sale of State-owned assets..

- 4 The duty is levied on the value of the property transferred and is paid by the purchaser. States have multi-tiered rate structures so that the marginal rate of duty increases with the value of

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<sup>1</sup> Duty on transfer of motor vehicles and shares and marketable securities are not included in this category because States impose different rates for these types of transactions.

the property. States grant exemptions or concessions to first home buyers. Queensland also grants concessions, subject to value thresholds, to principal places of residence.

- 5 New South Wales levied a vendor tax between May 2003 and August 2005. This was a tax on the sale of investment property that appreciated by more than 12 per cent between the time of original purchase and sale of the property. The Commission treated this tax as a form of conveyances duty so increasing the revenue effort of New South Wales from the same transactions that attracted conveyances duty.
- 6 Revenue raised from stamp duty on conveyances is a major source of revenue for States, and made up over 22 per cent of State own-source revenue in 2006-07 (Table 2).

**Table 2 Stamp duty on conveyances, average revenues, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Other transaction component</b>						
Average revenues (\$pc)	371.03	440.05	518.63	458.72	514.60	614.04
% of total own-source revenues	19.27	21.35	23.25	19.89	20.39	22.46
<b>EPC component<sup>(a)</sup></b>						
Average revenues (\$pc)	1.79	0.95	0.14	0.18	0.48	0.05
% of total own-source revenues	0.09	0.05	0.01	0.01	0.02	0.00
<b>Category total</b>						
Average revenues (\$pc)	372.82	441.00	518.77	458.90	515.08	614.09
% of total own-source revenues	19.37	21.39	23.26	19.90	20.41	22.46

(a) Revenue raised from the sale of state-owned assets and corporate reconstructions.

Source: State data returns.

### Why revenue from conveyance duties differ

- 7 The amounts of revenue raised from conveyances duty by each State varied greatly from the average (Table 3). They also differed from year to year for each State depending on the level of activities in its property market and sale of State-owned assets.
- 8 There was a sharp increase in conveyance revenue collected in many States in 2006-07, with the average per capita revenue increasing by 19 per cent over the previous year.
  - The highest growth was in the ACT (up 35 per cent), Queensland (28 per cent) and Northern Territory (27 per cent).
  - After increasing by 54 per cent in 2005-06, Western Australia's growth was more subdued in 2006-07 at 5 per cent.
  - In New South Wales, per capita revenue increased by 27 per cent in 2006-07 after declines in the two previous years-. However, approximately half of the increase was attributable to one large transaction.

**Table 3 Stamp duty on conveyance transactions, State breakdown, 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2001-02	472.08	389.86	287.49	338.18	233.69	150.35	363.97	174.01	372.82
2002-03	552.71	432.19	366.90	429.88	280.33	197.64	460.05	216.71	441.00
2003-04	585.14	492.65	482.29	613.36	376.44	268.88	576.24	320.16	518.77
2004-05	487.43	432.05	436.87	609.08	365.20	259.60	429.52	364.69	458.90
2005-06	476.76	493.11	481.46	934.96	384.29	273.95	512.94	394.14	515.08
2006-07	607.66	551.03	614.72	978.48	457.12	318.27	689.97	501.69	614.09

Source: Data collected by the Commission from the States.

- 9 The Commission seeks to understand the reasons for the differences between States. If the reasons were to do with tax provisions, they were treated as differences in revenue raising effort due to policy differences, and had no impact on State shares of the pool. If they were due to circumstances beyond a State's control, they were revenue raising disabilities and were taken into account in its revenue assessment. They do affect State shares of the pool.

**Box 1: The Commission's concept of average**

The Australian average revenue per capita is not a simple average of the revenue per capita for the eight States. It is a population weighted average, calculated by dividing the total revenues raised by all States by total population of all States. Population weighting gives equal weight to people irrespective of their State of residence. But, since more Australians live in New South Wales, that State carries more weight in the calculation of the average. For example, more than 32 per cent of Australians live in New South Wales, and less than 3 per cent in Tasmania. Population weighting gives the experience of New South Wales (\$607.66 per capita in 2006-07) about 14 times the weight of the experience of Tasmania (\$318.27 per capita). This means that the average revenue per capita is generally closer to the revenue per capita of New South Wales than the revenue per capita for Tasmania.

This concept of average also applies to the assessment of the average effective tax rate. In calculating the average effort to raise revenue, it divides the total revenue raised by all States by the total revenue bases of all States. This weights the revenue effort of each State by its share of the total Australian revenue base.

- 10 The reasons for differences in State revenues per capita are likely to include:
- policy influences on revenue effort such as:
    - rates of duty;
    - rate structure — different marginal rates apply to different value ranges;
    - scope of dutiable property — types of property subject to duty;
    - conditions for exemptions and concessions; and
  - non-policy influences such as:
    - asset prices;
    - the rate of turnover of properties (since duty is payable only when there is a transfer of title); and

- the distribution of transactions by value of transaction (rates of conveyances duty are progressive).

11 Table 4 compares the effective tax rates for selected property values in each State.

**Table 4 Conveyances duty rates, residential properties, 2006-07**

	NSW	Vic	Qld	WA <sup>(a)</sup>	SA	Tas	ACT	NT <sup>(a)</sup>
	%	%	%	%	%	%	%	%
Minimum rate	1.25	1.40	1.50	2.00	1.00	1.50	2.00	2.1
Maximum rate	7.00	5.50	4.50	5.40	5.50	4.40	6.75	5.40
Minimum threshold \$	0	0	0	0	0	1 300	0	0
Maximum threshold \$	3 000 000	870 000	700 000	500 000	500 000	225 000	1 000 000	500 000
Duty payable at property value of								
	\$	\$	\$	\$	\$	\$	\$	\$
\$50 000	765	1 000	975	1 000	1 080	1 050	1 000	1 213
\$100 000	1 990	2 200	2 350	2 200	2 830	2 425	2 000	2 750
\$150 000	3 740	4 310	3 975	4 200	4 830	3 925	3 750	4 613
\$250 000	7 240	9 310	7 225	8 200	8 955	7 550	7 500	9 313
\$500 000	17 990	21 810	15 975	20 700	21 330	17 550	20 500	26 750
\$1 million	40 490	55 000	37 475	47 700	48 830	37 550	49 250	54 000
\$5 million	290 490	275 000	217 475	263 700	268 830	197 550	319 250	270 000
Average tax rate on property value of								
	%	%	%	%	%	%	%	%
\$50 000	1.53	2.00	1.95	2.00	2.16	2.10	2.00	2.43
\$100 000	1.99	2.20	2.35	2.20	2.83	2.43	2.00	2.75
\$150 000	2.49	2.87	2.65	2.80	3.22	2.62	2.50	3.08
\$250 000	2.90	3.72	2.89	3.28	3.58	3.02	3.00	3.73
\$500 000	3.60	4.36	3.20	4.14	4.27	3.51	4.10	5.35
\$1 million	4.05	5.50	3.75	4.77	4.88	3.76	4.93	5.40
\$5 million	5.81	5.50	4.35	5.27	5.38	3.95	6.39	5.40

(a) For property valued up to \$500 000, duty payable is calculated by the formula  $D = (0.65V^2) + 21V$  where D is duty payable and V is the value of the property transferred divided by 1000.

Source: *Overview of State Taxes Western Australia 2006-07*, Department of Treasury and Finance, Western Australia, pages 10-12; *Interstate Comparison of Taxes, 2006-07*, Office of Financial Management, Department of Treasury, New South Wales, pages 19-20.

12 The actual duty paid will depend on any concessions offered by State governments such as first home buyer concessions<sup>2</sup>. Table A-2 shows how the average effective rate of duty

<sup>2</sup> Queensland, for instance, offers duty concessions for purchases of a residence that is intended to be a principal place of residence. If the purchase is a first home buyers purchase, additional concessions are available. Thus for a first buyer purchase of a property, valued at \$320 000, no duty is payable. If the same property is a principal place of residence purchase, duty payable is \$3200, while if it is a investment property purchase, duty payable is \$9675.

imposed by governments in 2006-07 is calculated, and is based on the information supplied by the States on the value of dutiable transactions and duty paid by a common value range (see below for a more detailed discussion on the derivation of the revenue base).

- 13 Table 5 shows some broad indicators of the residential property market — a major component of the conveyance raising activities — for 2006-07 and past years. Activity in housing and building industries was not uniform across the States, and was quite volatile. Information, however, was not available for businesses and commercial properties which constituted an important part of the category.
- 14 The relative levels of activity in the States over the whole update period influenced the ability of States to raise revenue and the distribution of GST revenue.

**Table 5 Broad indicators of ability to raise conveyances duties, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<b>Housing prices</b>									
Annual median house price, June quarter, 2007 (\$000)	522.3	393.8	345.2	451.9	299.5	296.0	412.8	385.0	
% change – June '06 to June '07	0.3	8.3	7.9	28.6	7.0	7.4	12.7	17.3	
% change – June '01 to June '07	46.6	23.7	60.6	156.2	84.5	131.3	87.7	100.0	
<b>Value of secured housing finance commitments (Owner occupation)</b>									
Total value (\$m)	55 346	37 873	39 771	23 445	11 219	2 438	2 374	1 283	173 749
% change – June '06 to June '07	5.8	12.4	19.5	14.1	15.3	15.3	31.5	-16.2	12.14
% change – June '01 to June '07	40.1	71.8	136.2	141.4	97.8	126.2	64.7	171.6	79.6
<b>Number of secured housing finance commitments (Owner Occupation)</b>									
No ('000)	222.9	172.3	176.6	104.6	62.8	14.5	10.1	6.4	770.2
% change – June '06 to June '07	9.0	9.2	15.3	-1.3	8.7	7.6	28.9	-21.6	8.7
% change – June '01 to June '07	5.9	20.8	42.1	40.2	22.3	14.9	9.7	45.9	22.3

Source: *Housing Finance*, ABS, Cat. No. 5609.0, October 2007, *Real Estate Market Facts*, Real Estate Institute of Australia, June Quarter 2007.

- 15 Different movements in housing prices in 2006-07 arise because the housing markets in the States were in different phases of the housing cycle.
- 16 Over the five years to June 2007, capital city median housing prices have more than doubled in three States, Western Australia, Tasmania and Northern Territory. The least increase in median housing prices occurred in the most populous States of New South Wales and Victoria.
- 17 After declining by 5 per cent in 2005-06, the median price of housing in Sydney increased marginally by 0.3 per cent over 2006-07. Prices continued to surge in 2006-07 in Perth and Darwin. After increasing by 46 per cent in 2005-06, the median house price in Perth increased by a further 29 per cent in 2006-07.

- 18 The rapid increase in housing prices in these two States is being reflected in the decline in the numbers seeking secured housing finance in these States, with falls of 2 per cent being recorded in Western Australia and 22 per cent in Northern Territory. While the number of borrowers fell in both States, the amount borrowed increased by 13 per cent in Western Australia but declined by 16 per cent in Northern Territory. This in part can be explained by the growth in private sector wage and salary expenditure, with expenditure expanding by 13 per cent in Western Australia in 2006-07 and only 3.2 per cent in Northern Territory. The Australian average growth in private sector wages and salaries in 2006-07 was 9.1 per cent<sup>3</sup>.
- 19 Overall, there was a 21 per cent increase in actual revenues raised from conveyance duties in 2006-07. However, in most States there was a decline in the number of conveyance transactions (see Figure 1). The exceptions were in New South Wales and Tasmania. The increase in transactions in New South Wales reflects a recovery in the housing market in that State after two years of declining average house prices.
- 20 A general feature of the other States is the declining number of low value transactions (less than \$200 000 in value) but an increase in the number of higher valued transactions. Overall, the number of transactions declined by around 2 per cent in 2006-07, but the number of transactions with a value of over \$1 million rose by 26 per cent, and those in the \$500 000 to \$1 million value range rose by 23 per cent. The number of transactions valued at less than \$200 000 fell by 17 per cent.
- 21 Given that States generally impose progressive rates of duty, a combination of rising housing prices and bracket creep have contributed to the increase in conveyance revenues in 2006-07.

## **ASSESSING STATES' CAPACITIES TO RAISE REVENUES**

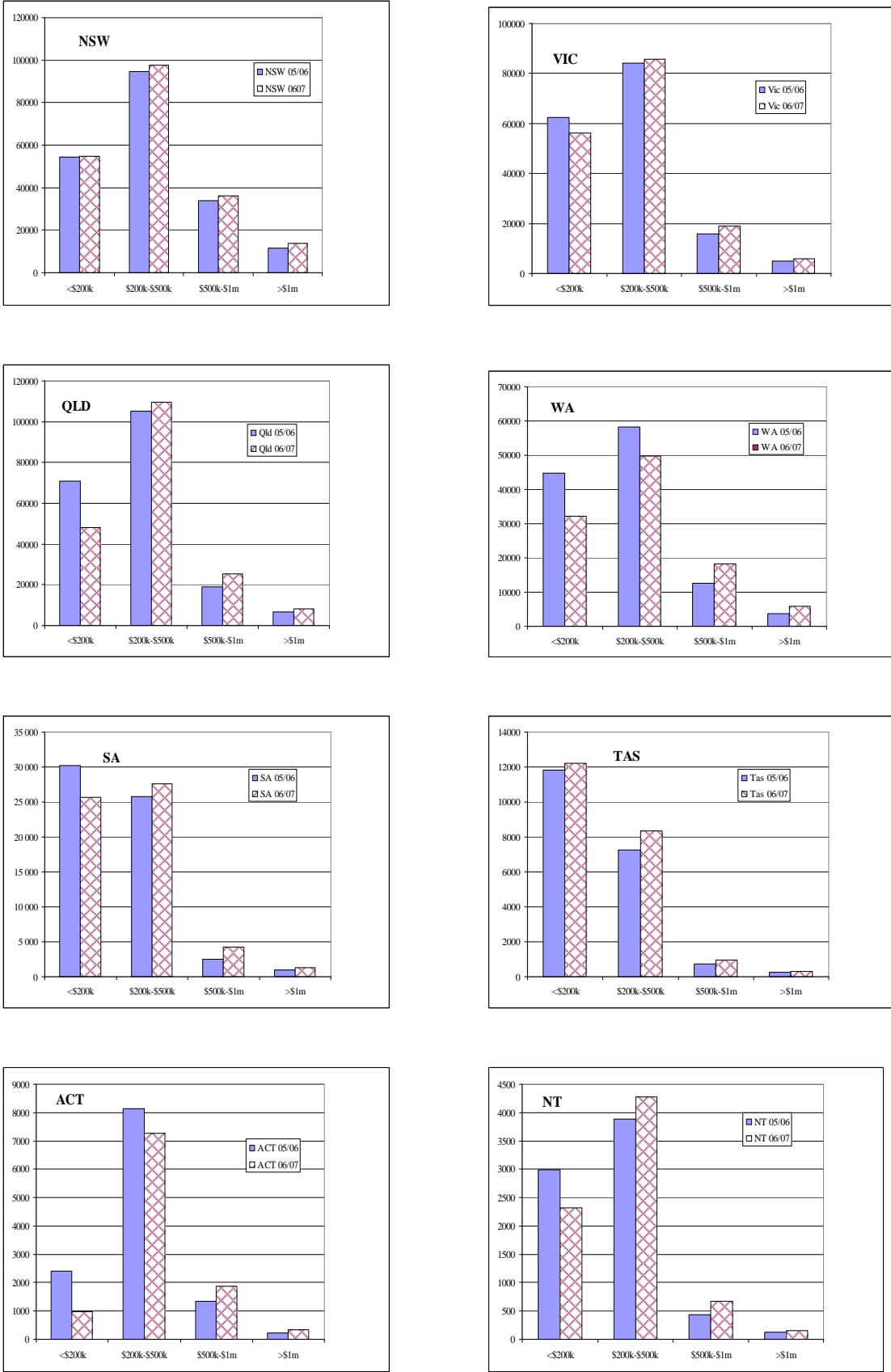
### **The equalisation task**

- 22 The box below outlines the Commission's framework for measuring the ability of States to raise revenues from their own bases. For each kind of tax, the Commission measures the revenue base available to each State, based on the average State policy of how the tax was levied, not the State's own policy. The assessed revenue base was policy neutral.

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<sup>3</sup> Source: ABS, Business Indicators, pub. no. 5676.0, June 2007.

**Figure 1 Changes in number of transactions, 2005-06 to 2006-07**



**Box 2: Revenue assessment framework for each category of tax to be assessed**

**Aim:** to measure the revenue base available to each State assuming it applied the average policy for levying the tax<sup>4</sup>.

**Step 1:** Review States' legislation and provisions to establish how the tax is levied — who pays it, on what activities or assets it is levied, and what exclusions from taxable liability are allowed by the States.

**Step 2:** The second step is to establish the average policy. The average policy is the policy applied to the majority of the total tax base. Account is also taken of the number of States that follow the policy.

Where policy differences between States are negligible, the actual revenues raised by each State would be an appropriate measure of each State's relative ability to raise revenues from their revenue bases. In this case, it would not be necessary to measure the revenue base itself. It is called the actual per capita (APC) method of assessment. It attributes differences in observed revenues per capita between States entirely to differences in abilities to raise revenues from their revenue bases.

Most often, observed differences in per capita revenues are due to both differences in revenue effort (policy) and to circumstances beyond the direct control of State governments (revenue raising disabilities).

**Step 3:** Determine the best conceptual measure of the revenue base under the average policy. The preference is to measure revenue bases under average policy settings using the number and value of activities, transactions or assets subject to the tax.

A broader measure (such as household disposable income, or total private expenditure) is adopted if:

- the tax itself is broad and its incidence is not easily shifted across State boundaries;
- differences in State policies have large effects on the relative number and value of activities, transactions, or assets that are taxable in each State, and it is not possible to adjust the data to remove the effects of the policy differences — in this case, data from a third party, such as the Australian Bureau of Statistics (ABS), may be used to overcome some of the problems inherent in State-provided data; or
- data on the preferred conceptual measure of the revenue base are not available.

However, broad measures tend to be more distant from the States' actual tax bases, and there is a judgment to be made as to how well they reflect the ability to raise taxes.

Where differences between each State's policy and the average policy are very large, and a representative and policy neutral revenue base cannot be calculated with confidence, the Commission uses State mean resident populations as the revenue base. This implies equal ability to raise revenues per capita in each State. This is the equal per capita (EPC) assessment method. It attributes differences in observed per capita revenues between States to policy, and does not cause any redistribution of GST shares.

**Assessing the revenues for conveyances duty**

23 The Commission assessed this revenue source in two components:

- duties raised from the sale of major State government owned assets — for example, casinos, insurance companies, power and water utilities — and corporate reconstructions; and
- duties, including vendor duties, from other conveyance transactions.

<sup>4</sup> The aim is to adopt a revenue base that inherently reflects all revenue raising disabilities, without measuring them separately. This approach differs from the approach used for expenses which starts from an assumption of equal costs per capita and makes allowances for each individual source of cost disabilities.

- 24 Duties on the sale of major State government owned assets were treated differently from duties on other transactions because they were the result of State government choice. Past State government policy has dictated what asset base has been built up and if, when, and on what terms, those assets would be sold. Following the sale of assets, large amounts of duties might be raised in one particular year but none in other years (see Table 6). Sales of government assets were subdued in 2006-07.
- 25 The Commission assessed such sales by the equal per capita method — meaning that States had equal ability to raise revenues per capita and hence such sales did not contribute to the redistribution of GST shares. Note that duties raised on the sale of assets held by other levels of government were not included in this component.

**Table 6 Stamp duty on conveyances on sale of major State government assets and corporate reconstructions, 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2001-2002	0.00	0.00	9.53	0.01	0.00	0.00	0.00	0.00	1.79
2002-2003	0.00	0.00	4.72	0.53	0.00	0.00	0.00	0.00	0.95
2003-2004	0.00	0.00	0.64	0.00	0.00	0.33	0.46	0.00	0.14
2004-2005	0.00	0.00	0.86	0.03	0.10	0.00	0.00	0.00	0.18
2005-2006	0.00	0.00	2.25	0.00	0.50	0.00	0.17	0.00	0.48
2006-2007	0.00	0.00	0.08	0.00	0.10	0.00	1.76	0.00	0.05

Source: Data collected by the Commission from the States.

- 26 For duties on other conveyances transactions, which is by far the larger component (see Table 7), the Commission considered the abilities of State governments to raise revenues per capita were not equal. Those abilities depended on the state of the property market — the rate of property turnover and asset prices — over which State governments had little or no control. The total value of property transferred in a year depended on the decisions of individuals and businesses to buy property and assets at values set by market forces.

**Table 7 Other stamp duty on conveyances, 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2001-2002	472.08	389.86	277.95	338.17	233.69	150.35	363.97	174.01	371.03
2002-2003	552.71	432.19	362.18	429.35	280.33	197.64	460.05	216.71	440.05
2003-2004	585.14	492.65	481.65	613.36	376.44	268.55	575.78	320.16	518.63
2004-2005	487.43	432.05	436.01	609.05	365.09	259.60	429.52	364.69	458.72
2005-2006	476.76	493.11	479.21	934.96	383.79	273.95	512.77	394.14	514.60
2006-2007	607.66	551.03	614.64	978.48	457.01	318.27	688.22	501.69	614.04

Source: Data collected by the Commission from the States.

### New Developments for the 2008 Update

- 27 **WA land rich provisions.** In the 2007 Update, Western Australia said that its policies for taxing conveyances were broader than the average. It asked that some of the transactions taxed under its 'land rich' provisions be removed from its data because:
- it had introduced unique provisions aimed at ensuring transfers of 'land rich' listed corporate entities were subject to duty; and
  - its pre-existing 'land rich' provisions relating to unlisted entities were more comprehensive and stricter than those in any other State.
- 28 Western Australia said its provisions relating to unlisted entities were more comprehensive because a wider range of assets was excluded from a company's valuation when determining the land to total value of the company (and thus whether it is land-rich).
- 29 The Commission's consultant advised that the Western Australian 'land-rich' provisions for 'listed' entities were unique. However, he noted that these provisions had not raised significant amounts of duty and that further information would be required from the other States to determine the extent to which other provisions in their legislation would have captured the transactions taxed under the Western Australian provisions.
- 30 The consultant's advice relating to the excluded property provisions for unlisted entities (which related specifically to types of property that may be owned by mining and primary industry companies) was that they were not found in the provisions of the other States. However, he also said the provisions of Queensland and Northern Territory dealt with similar issues in different ways and Northern Territory's provisions captured a wider range of transactions. The provisions of the other States were sufficient to capture transfers of land-rich companies usually found in those States.
- 31 As a result, the Commission decided not to adjust Western Australia's revenue base for the 2007 Update to exclude transactions subject to aspects of its 'land-rich' provisions. However, it did not preclude a re-consideration of the issue in the 2008 Update if more information became available.
- 32 As a result, Western Australia in July 2007 asked the Commission to reconsider its land rich provisions in the 2008 Update. There were three issues:
- whether Western Australia's provisions dealing with '**listed**' land-rich companies are unique;
  - whether Western Australia's provisions that exclude certain unique assets when calculating the ratio of land to total value for determining the land component of **unlisted** companies and their liabilities for land rich duties are more comprehensive than those of other States; and
  - how the Commission should deal with refunds in the conveyance assessment when a successful appeal is upheld against an initial duty assessment.

**Issue – ‘listed’ land-rich companies**

- 33 Staff invited the States to comment on Western Australia’s arguments, taking into account the Consultant’s 2007 Update report and comparing the ‘land-rich’ provisions in Western Australia to those in their States.
- 34 In particular, States were asked to comment on the amount of land-rich duty potentially collectable on transactions involving ‘listed’ entities under existing aggregation or other rules in their jurisdiction.
- 35 **State views.** Further to its July 2007 submission, **Western Australia** reiterated its arguments, although it noted that there were no significant transactions concerning ‘listed’ companies in the assessment years for the 2008 Update.
- 36 No State supported an adjustment to Western Australia’s tax base for its provisions for dealing with listed land-rich companies, although they did not contest the uniqueness of the Western Australian provisions. Some said Western Australia’s provisions were likely to operate more extensively than theirs but that they would raise some revenue from similar transactions. Victoria, Tasmania and Northern Territory said there was no reliable way to estimate how much they would raise under their provisions, given the volatility and special circumstances of each transaction. In any case, Tasmania and Northern Territory argued that all ‘unique’ provisions would need to be considered before adjusting for this one.
- 37 Specifically, the States said the following.
- **New South Wales** did not specifically comment on the amount of revenue it might raise.
  - **Victoria** said duty collected from such transactions might be variable and lumpy, and questioned whether it was possible ‘to model with any degree of accuracy the potential impact of such provisions in jurisdictions other than Western Australia’.
  - **Queensland** said it does not include listed companies in its land-rich base and cannot provide information on revenue that might be raised.
  - **South Australia** said listed companies were generally excluded from its land-rich provisions and that Western Australia provisions were more likely to operate more extensively. It said there were some circumstances where its land-rich provisions apply in a takeover of a ‘listed’ company, if the company is delisted prior to the completion of the compulsory acquisition process.
  - **Tasmania** was investigating what information it had available but said there was no reliable way to determine how material the issue might be for Tasmania. It noted that many States might have ‘unique provisions’ in its duties legislation, and that it was best to use total revenue as the tax base to avoid bias through selective adjustments. For example, it noted it was the only State which levied duty on corporate reconstructions. As its administrative systems do not distinguish corporate reconstruction transactions, these cannot be removed from its revenue base.

- **Northern Territory** said that while Western Australia’s provisions for listed companies were unique, the legislation of the other States, except Northern Territory, allow stamp duty to be assessed on majority interest acquisitions in publicly listed entities in certain circumstances<sup>5</sup>. It said that it could not predict how much revenue would be raised in Northern Territory from listed companies because transactions of this nature are volatile. In any case, all variations in State legislation would need to be considered before any adjustments were made.
- 38 **Analysis.** In the 2007 Update, the consultant was favourably inclined to the Western Australian argument regarding the uniqueness of its provisions dealing with listed entities. While he said that there might be some overlaps of the provisions with other jurisdictions, he concluded that the provisions were unique. However, he wanted more information.
- 39 The States indicated there might be some overlaps, but did not provide data to measure how large or small they might be.
- 40 **Commission decision.** The Commission decided not to adjust Western Australia’s tax base, because it is not possible to estimate how much of the revenue raised by Western Australia is above standard.

#### **Issue – ‘unlisted’ land-rich companies**

- 41 Western Australia did not consider the consultant’s view on its provisions relating to unlisted companies to be sound. It disagreed with the suggestion that these provisions were only needed in the mining rich States of Western Australia, Queensland and Northern Territory. It said New South Wales and South Australia also had significant activity in the mining industry, with substantial growth projected for South Australia.
- 42 Western Australia reiterated that its land-rich provisions were non-standard and resulted in it taxing a broader range of transactions than other States, with material effects.
- 43 States were invited to comment on whether the ‘excluded property’ provisions of Western Australia apply in alternative forms in other States with comparable implications for duty payable on transfers of unlisted ‘land-rich’ entities.
- 44 **State views.** The States emphatically contested the Western Australian position.
- 45 **New South Wales** said that evidence was not provided to counter the consultant’s conclusion that types of property exclusions in that State were not required in the non-mining States. It also said that, while its exclusion provisions differed from those in Western Australia, they were sufficient to capture transfers of land-rich companies.

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<sup>5</sup> This would occur where acquisitions were made in an entity when it was publicly listed and another acquisition(s) was made after the entity was no longer listed, the level of ownership was over 50 per cent and all acquisitions were made within a three year period. In contrast to this, Northern Territory’s legislation preserved the land rich exempt status of “on-market” acquisitions, irrespective of any future transactions.

- 46 **Victoria** pointed out that excluded property provisions were irrelevant in the ACT and Northern Territory, making their land-rich provisions in some ways stronger than those of Western Australia. This was, it said, particularly pertinent because the mining sector in Northern Territory relative to its economy was as significant as it was in Western Australia.
- 47 It noted that excluded property provisions were otherwise largely similar across other jurisdictions, especially New South Wales, Victoria, Tasmania and Queensland.
- 48 **Queensland** said the Western Australia provisions were slightly more comprehensive than its own, with specific exclusions relating to rights, licences and patents. However, Queensland considered these differences were not material.
- 49 Queensland pointed out that States were able to adjust their legislation. Its revenue collections from unlisted companies under its land-rich provisions increased four-fold in 2006–07 following a reduction in the land to other assets ratio from 80 to 60 per cent and a change in the acquisition threshold from ‘greater than 50 per cent’ to ‘50 per cent or more’.
- 50 **South Australia** considered that it had effectively similar land-rich provision effort as Western Australia in relation to excluded property.
- 51 **Tasmania** did not provide any response to this issue.
- 52 **The ACT** considered its Land Holder regime covering unlisted land rich provisions to be more robust than in Western Australia, notwithstanding the exclusion of a wider range of assets from a company’s valuation in that State.
- A relevant interest in any ACT land of any value falls into the land-rich net. In comparison, the minimum land value required in Western Australia to be considered land rich is \$1 million with land that accounts for 60 per cent of total property value.
  - The absence of a percentage of land holdings to assets test in the ACT and Northern Territory meant their provisions were stricter than those of Western Australia.
  - The ACT included private companies and private unit trust schemes in its land-rich net. Western Australia and Queensland limited land-rich provisions to companies only, and were the only jurisdictions that do not capture unit trusts. (While this is technically true, the consultant pointed out that both States have separate regimes for imposing duty on a range of transactions involving units and other trust interests.)
- 53 **Northern Territory** said its legislation did not require any ‘excluded property’ provision, as its provisions did not include a land rich test. The effect of this is to broaden its land-rich provisions even further than Western Australia’s.
- 54 **Analysis.** The consultant was less supportive of the Western Australian argument on unlisted entities. ACT and Northern Territory provisions are wider in some key respects, while there are large overlaps of the provisions of the remaining States.
- 55 In view of the responses from the States, it appears that while that Western Australia’s excluded property provisions for land-rich threshold may be marginally stronger — with the

possible exception of the ACT and Northern Territory — they are not unique. Other States provided instances where parts of their legislation were unique, and provided revenue raising opportunities not available to other jurisdictions.

- 56 **Commission decision.** The Commission decided not to provide an adjustment for Western Australia's excluded property provisions used for land-rich threshold calculations because, while they may be marginally stronger, they are not unique.

#### Issue – refunds

57 State data on stamp duty revenue collections and the associated revenue bases are prepared on an accrual basis — that is, the revenues and revenue base are recognised at the time the notice of assessment is issued. However, taxpayers are able to appeal against the initial assessment, which if upheld may reduce or annul the amount of revenue a State collects. Until an appeal is resolved the initial assessment is included in the data on State revenue and revenue bases. Recently, there has been an increase in the number of 'high value' business transactions subject to appeal and successful appeals could materially affect States' assessed relative revenue raising capacities.

58 Western Australia said that if an appeal is successful, the Commission's assessments in the subsequent update should:

- reduce the State's stamp duty revenue and remove the relevant transaction from its revenue base; and
- introduce a negative transaction designed to fully offset the effect the relevant transaction had on the State's GST revenue in previous years.

59 New South Wales said Western Australia's proposal would increase the complexity of assessments.

60 **Commission decision .** The issue of appeals against tax assessments can affect most revenue assessments. Consistent with the way such transactions have been treated in the past, the Commission will continue to ask States to include the value of all transactions in their revenue base and revenue data on an accrual basis. When an appeal is successful, States will have the opportunity to revise their revenue and revenue base data for past years. However, the Commission will not introduce negative transactions.

#### Issue – abolition of States taxes

61 Each State has reached agreement with the Australian Government on a timetable for the phased abolition of certain business taxes by 2010<sup>6</sup>. This affects mainly the Financial Transactions Taxes Category, but it also had a small impact on Stamp Duty on Conveyances.

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<sup>6</sup> These include: stamp duty on leases; stamp duty on mortgages, debentures, bonds and other loan securities; stamp duties on instalment purchase arrangements, credit arrangements and rental arrangements; stamp duty on cheques, bills of exchange and promissory notes; stamp duty on non-quotable marketable securities; and stamp duty on non-real business conveyances.

- 62 In the 2007 Update, the Commission decided it would deal with the phased abolition of taxes by backcasting into all the assessment years the revenue policies expected to apply in the year the relativities are applied. Thus, in the 2007 Update it was assumed that tax policies expected to apply in 2007-08 had applied in each of the years 2001-02 to 2005-06.
- 63 The ACT's action to abolish the non-real business conveyances duty on 1 July 2006 was the only action relevant to the Stamp Duty on Conveyances category in this update. In this situation, Commission staff suggested the most practical approach was to adjust the ACT's revenue base data for 2006-07 to include the value of non-real business conveyances that was not have been taxed under its policy.
- 64 **State views.** All States supported the proposal.
- 65 **Commission decision.** The Commission decided to adjust proportionally the ACT's revenue base data for 2006-07 to ensure the comparability with other States.

## CALCULATING THE REVENUE BASES

### Stamp duty on sales of major State government assets and corporate reconstructions

- 66 The revenue base for duties from the sales of major State government assets and corporate reconstructions was mean resident population — equal capacity per capita.

### Stamp duty on other transactions

- 67 For other property transactions, the revenue base was the total value of dutiable transactions. This was calculated from sample data provided by the States on the value of dutiable transactions and duty paid by value range.
- 68 A number of adjustments were made to improve the comparability of the data.
- Coverage of the sample — States provided a sample of the transactions subject to duty in the financial year. Usually, this was a near complete enumeration of transactions, but the proportion of transactions sampled differed across States. The Commission therefore scaled the sample data by the ratio of actual revenues in the adjusted budget to the sample revenues, excluding transactions relating to the sale of major State government assets and corporate reconstructions.
  - Availability of data — the ACT has advised that under its Territory Revenue System introduced in 2004-05, it is unable to provide details of duty actually paid by range, only details of duty assessed by range. A review of past data returns indicated there was less than a 1 per cent variation between the gross duty assessed and duty paid. To maintain comparability of ACT data since 2004-05 with data from previous years, the ratios of duty paid to gross duty assessed by range in 2003-04 were applied to the gross duty assessed figures since 2004-05 to arrive at the estimates of duty paid by range.

- Treatment of exempt transactions — Since the 2007 Update, the Commission has requested that all States remove transactions usually exempt from duty from the data they supply. Previously, the States were asked to include all transactions in their data. However, a review undertaken in 2006 found that four States were unable to supply details of exempt transactions because the details were either not collected or recorded in their data management systems. While there were still some differences between States in what transactions were granted exemptions, the comparability of States' data has increased.
- 69 Table 8 summarises the sample data and the scaling adjustment factors.
- 70 A number of other adjustments were also made to reflect the effect of multiple rates and policies affecting comparability of reported transaction values.
- 71 **Value distribution adjustment.** Table 4 shows that all States had multiple rates of duty that progressively increased with the value of the transaction. Thus, a State with an above average proportion of transactions in the higher value ranges had a revenue raising advantage. The value distribution adjustment reflects this effect in calculating the revenue base. This adjustment was calculated in the following steps:
- using the scaled data, the Commission calculated for each State an average effective rate of tax for each value range (the progressive rates), and a single overall rate; and
  - the ratio of the revenue assuming progressive rates over the revenue assuming a single overall rate indicated the Value distribution disability of each State.
- 72 Table 9 shows the resultant value distribution adjustments for each year. The detailed calculation of the value distribution adjustment for 2006-07 is in Attachment A.
- 73 The following adjustments were also made to ensure material differences between States in the types of property subject to duty did not affect the assessment<sup>7</sup>.
- **Goodwill policy adjustment.** Victoria did not tax the value of goodwill — the goodwill policy adjustment increased Victoria's revenue base by 3 per cent.
  - **Classes of transactions policy adjustment.** Victoria had a narrower range of dutiable classes of transactions, particularly involving non-real property, and a unique off-the-plan concession. Adjustment for this policy increased Victoria's revenue base by 7 per cent (3 per cent for off-the-plan concessions and 4 per cent for other classes of transactions).
  - **Unit trust provisions policy adjustment.** There were differences in the treatment of unit trusts by States. The unit trusts policy adjustment of 3 per cent was made to the revenue bases of States that had non-average provisions.

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<sup>7</sup> The Commission engaged Peter McMahon, assisted by Peter Edmundson, of Blake Dawson Waldron to report on the differences between States. Their report was included in Volume 3 of the Commission's Working Papers to the 2004 Review.

- In simple terms, units trusts are a device whereby the title to property could be held in a trust rather than directly. Ownership of units in the trust could be transferred a lower rates of duty. To prevent or minimise this avoidance strategy, States have adopted a combination of unit trust and land-rich provisions, which tax land held by trusts.
- Because State policies change over time, the interpretation of average policy changes too. In 2004-05, Victoria brought their provisions in line with the majority of the States, leaving only Tasmania and the ACT revenue bases being adjusted upwards by 3 per cent<sup>8</sup>.

- 74 The policy adjustments, shown in Table 9, were added then multiplied by the value distribution adjustment factor.
- 75 As discussed above, an adjustment was to be made to the ACT revenue base for 2006-07 to allow for its abolition of duty on non-residential conveyances other than real property. In the three years to 2005-06, duty from those transfers averaged \$1.37 million a year (about 0.8 per cent of average conveyance revenue in the ACT). However, ACT revenues for 2006-07 included \$1.1 million of duty on transfers of non-residential conveyances other than real property that took place prior to 1 July 2006. The processes used to expand the sample data (see paragraph 68) mean the value of those transactions would be included in the estimated ACT revenue base for 2006-07. On materiality grounds, no further adjustment was made to the ACT revenue base.
- 76 Table 10 shows the revenue base, calculated as the product of the scaled value of transactions in Table 8 and the combined adjustment factors given in Table 9.

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<sup>8</sup> For earlier assessment years, the tougher unit trust provisions of Queensland, Western Australia and South Australia were the exception, so an adjustment was made to their revenue bases to reduce by 3 per cent the revenue bases in these states by removing the effect of their extra effort. In 2003-04, New South Wales and Northern Territory tightened their provisions. Thus, by 2003-04, having the tighter anti-avoidance measures became the average policy.

**Table 8 Sample data on total value of dutiable transactions and rescaling**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<b>A. Sample value of transactions<sup>(a)</sup> (\$m)</b>									
2001-2002	91 453.3	42 911.4	39 482.2	13 182.6	10 387.3	2 489.3	3 684.9	992.9	204 584.0
2002-2003	102 627.0	44 660.5	52 998.0	15 529.8	11 978.9	3 303.1	4 083.2	1 226.4	236 406.9
2003-2004	105 577.4	49 298.8	65 771.9	20 728.5	14 357.5	4 344.9	4 369.5	1 709.3	266 157.8
2004-2005	83 759.5	50 300.8	63 292.6	25 308.2	14 156.1	4 230.3	3 683.8	1 933.4	246 664.7
2005-2006	91 492.1	58 086.6	70 279.1	45 742.8	15 180.2	4 506.7	4 119.6	2 195.4	291 602.6
2006-2007	107 497.3	63 812.7	84 994.9	50 626.4	17 704.8	5 117.5	5 296.6	2 671.0	337 721.2
<b>B Sample duty paid<sup>(a)</sup> (\$m)</b>									
2001-2002	3 152.9	1 885.2	887.1	473.0	347.9	70.9	122.3	34.7	6 974.1
2002-2003	3 676.6	2 104.2	1 358.9	570.1	439.1	93.4	149.5	43.3	8 435.1
2003-2004	3 896.4	2 239.6	1 751.4	918.7	571.0	128.9	180.8	64.5	9 751.3
2004-2005	3 277.6	2 168.6	1 628.7	1 020.1	557.1	125.1	138.2	73.5	8 988.9
2005-2006	3 285.9	2 492.9	1 759.8	1 822.2	603.5	133.5	168.1	82.6	10 348.5
2006-2007	3 984.5	2 866.4	2 382.8	2 184.3	723.1	155.1	229.1	107.3	12 632.7
<b>C Adjusted budget actual revenues<sup>(b)</sup> (\$m)</b>									
2001-2002	3 118.5	1 885.2	1 020.7	647.4	354.4	71.0	116.8	34.5	7 248.5
2002-2003	3 677.2	2 115.7	1 364.5	832.3	427.9	93.9	149.1	43.2	8 703.8
2003-2004	3 916.1	2 441.6	1 860.5	1 207.2	578.3	129.1	187.8	64.3	10 384.9
2004-2005	3 281.7	2 168.6	1 725.0	1 218.1	564.7	125.9	141.1	74.5	9 299.6
2005-2006	3 236.7	2 510.4	1 940.2	1 906.0	598.9	133.8	170.4	82.3	10 578.7
2006-2007	4 166.0	2 847.5	2 541.9	2 037.2	720.5	156.5	231.7	106.8	12 808.1
<b>D. Scaling factor = C / B</b>									
2001-2002	0.98911	1.00000	1.15059	1.36862	1.01866	1.00100	0.95481	0.99497	1.03936
2002-2003	1.00016	1.00548	1.00412	1.45988	0.97438	1.00476	0.99776	0.99834	1.03185
2003-2004	1.00504	1.09021	1.06225	1.31409	1.01282	1.00156	1.03913	0.99748	1.06498
2004-2005	1.00126	1.00000	1.05916	1.19411	1.01353	1.00602	1.02101	1.01315	1.03456
2005-2006	0.98502	1.00704	1.10252	1.04596	0.99244	1.00271	1.01339	0.99595	1.02225
2006-2007	1.04556	0.99340	1.06676	0.93269	0.99641	1.00867	1.01127	0.99506	1.01389
<b>E. Scaled value of transactions = A * D (\$m)<sup>(c)</sup></b>									
2001-2002	90 457.3	42 911.4	45 427.7	18 042.0	10 581.2	2 491.8	3 518.4	987.9	214 417.7
2002-2003	102 643.0	44 905.4	53 216.4	22 671.5	11 672.0	3 318.9	4 074.0	1 224.3	243 725.6
2003-2004	106 109.7	53 745.9	69 866.0	27 239.2	14 541.6	4 351.6	4 540.5	1 705.0	282 099.4
2004-2005	83 865.1	50 300.9	67 037.1	30 220.7	14 347.6	4 255.8	3 761.2	1 958.8	255 747.2
2005-2006	90 121.8	58 495.2	77 484.3	47 845.3	15 065.5	4 518.9	4 174.8	2 186.5	299 892.3
2006-2007	112 394.4	63 391.4	90 668.8	47 218.7	17 641.2	5 161.9	5 356.3	2 657.8	344 490.4

(a) Sample data provided by States.

(b) Actual revenues from the Commission's budget analysis.

(c) Australian total is sum of State scaled value of transactions.

**Table 9 Adjustments to scaled value of transactions**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<b>F. Value distribution adjustment (see attachment A for calculation of 2006-07 adjustment)</b>									
2001-2002	1.06098	0.99315	0.92471	1.02563	0.85530	0.80913	0.95519	0.89864	1.00000
2002-2003	1.07185	0.97124	0.93260	0.98200	0.89512	0.78238	0.98505	0.93355	1.00000
2003-2004	1.06340	0.96540	0.95791	0.98715	0.94512	0.83197	1.01715	0.92646	1.00000
2004-2005	1.07620	0.95622	0.97795	0.98386	0.90651	0.85076	0.98659	0.90046	1.00000
2005-2006	1.07572	0.96216	0.97338	1.00154	0.88960	0.83968	0.98941	0.91338	1.00000
2006-2007	1.05905	0.95084	0.98018	1.02535	0.90055	0.84364	0.97034	0.92466	1.00000
<b>G. Goodwill<sup>(a)</sup></b>									
2001-2002	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2002-2003	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2003-2004	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2004-2005	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2005-2006	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2006-2007	1.00000	1.03000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<b>H Classes of transactions</b>									
2001-2002	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2002-2003	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2003-2004	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2004-2005	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2005-2006	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2006-2007	1.00000	1.07000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<b>I. Unit trusts<sup>(b),(c)</sup></b>									
2001-2002	1.00000	1.00000	0.97000	0.97000	0.97000	1.00000	1.00000	1.00000	1.00000
2002-2003	1.00000	1.00000	0.97000	0.97000	0.97000	1.00000	1.00000	1.00000	1.00000
2003-2004	1.01000	1.03000	1.00000	1.00000	1.00000	1.03000	1.03000	1.00000	1.00000
2004-2005	1.00000	1.00000	1.00000	1.00000	1.00000	1.03000	1.03000	1.00000	1.00000
2005-2006	1.00000	1.00000	1.00000	1.00000	1.00000	1.03000	1.03000	1.00000	1.00000
2006-2007	1.00000	1.00000	1.00000	1.00000	1.00000	1.03000	1.03000	1.00000	1.00000
<b>J. Combined adjustment factors</b>									
2001-2002	1.06098	1.09246	0.89697	0.99486	0.82964	0.80913	0.95519	0.89864	1.00000
2002-2003	1.07185	1.06836	0.90462	0.95254	0.86826	0.78238	0.98505	0.93355	1.00000
2003-2004	1.07403	1.09090	0.95791	0.98715	0.94512	0.85693	1.04766	0.92646	1.00000
2004-2005	1.07620	1.05184	0.97795	0.98386	0.90651	0.87628	1.01619	0.90046	1.00000
2005-2006	1.07572	1.05838	0.97338	1.00154	0.88960	0.86487	1.01909	0.91338	1.00000
2006-2007	1.05905	1.04593	0.98018	1.02535	0.90055	0.86895	0.99945	0.92466	1.00000

(a) Additive with classes of transactions and unit trusts.

(b) Direction of adjustment reversed in 2003-04 to reflect change in average policy.

(c) New South Wales adjustment for 2003-04 of 1.010 0 was calculated as  $(1.03 * 1/3 + 1.00 * 2/3)$  because the change in provisions occurred with effect from 14 November 2003, about one third of the way through the financial year.

**Table 10 Revenue bases<sup>(a)</sup> for other stamp duty on conveyances**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2001-2002	95 973	46 879	40 747	17 949	8 779	2 016	3 361	888	216 593
2002-2003	110 018	47 975	48 141	21 596	10 134	2 597	4 013	1 143	245 617
2003-2004	113 965	58 631	66 925	26 889	13 744	3 729	4 757	1 580	290 220
2004-2005	90 255	52 908	65 559	29 733	13 006	3 729	3 822	1 764	260 777
2005-2006	96 946	61 910	75 422	47 919	13 402	3 908	4 254	1 997	305 758
2006-2007	119 031	66 303	88 872	48 416	15 887	4 485	5 353	2 458	350 805

(a) Revenue base = E x J. 'E' is from Table 8, and 'J', is from Table 9.

## CALCULATING ASSESSED REVENUES PER CAPITA

### Stamp duty on sales of major State government assets and corporate reconstructions

77 Assessed revenues per capita for duty on the sale of major State government assets and corporate reconstructions were the same as the average revenue per capita (see Table 11) because this component was assessed equal per capita.

**Table 11 Sale of major State government assets and corporate reconstructions, calculation of assessed revenue, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Population '000	6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
Actual revenue \$m	0.0	0.0	0.3	0.0	0.2	0.0	0.6	0.0	1.1
Actual revenue \$pc	0.00	0.00	0.08	0.00	0.10	0.00	1.76	0.00	0.05
Assessed revenue <sup>(a)</sup> \$m	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	1.1
Assessed revenue \$pc	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note: Assessed revenues calculated for each State by multiplying the State population by the average per capita actual revenue of \$0.05269.

### Stamp duty on other transactions

78 Assessed revenues per capita for other conveyances were calculated by applying the average effective rate of tax to the revenue base of each State and dividing by State population. Table 12 shows the calculations for 2006-07.

**Table 12 Other transactions, calculation of assessed revenue, 2006-07**

	c	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Population '000		6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
Actual revenue <sup>(a)</sup> \$m		4 166	2 847	2 542	2 037	721	156	232	107	12 808
Actual revenue \$pc		607.66	551.03	614.64	978.48	457.01	318.27	688.22	501.69	614.04
Revenue base \$m (from Table 10)		119 031	66 303	88 872	48 416	15 887	4 485	5 353	2 458	350 805
Revenue base \$pc		17 362	12 831	21 489	23 254	10 076	9 123	15 900	11 549	16 818
Effective rate of tax <sup>(b)</sup> %		3.50	4.29	2.86	4.21	4.54	3.49	4.33	4.34	3.65
Assessed revenue <sup>(c)</sup> \$m		4 346	2 421	3 245	1 768	580	164	195	90	12 808
Assessed revenue \$pc		633.90	468.46	784.59	849.02	367.90	333.09	580.51	421.64	614.04

(a) Victoria's actual revenue collections have been reduced by \$113.9 million on account of First Home Bonus payments made in 2006-07.

(b) Calculated for each State by dividing its Actual revenue by its Revenue base.

(c) Calculated for each State by multiplying its Revenue base by the Australian effective tax rate of 3.65%.

79 Assessed revenues per capita can also be derived by calculating a category capacity factor from the revenue base and applying that to the average per capita revenue. Table 13 shows the calculations.

**Table 13 Other transactions, calculation of assessed revenue from category capacity ratios, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Actual revenue (from Table 12) \$pc	607.66	551.03	614.64	978.48	457.01	318.27	688.22	501.69	614.04
Revenue base (from Table 12) \$pc	17 362.1	12 830.7	21 489.4	23 254.0	10 076.4	9 123.2	15 899.8	11 548.5	16 818.1
Revenue capacity ratio % (a)	103.234	76.291	127.776	138.268	59.914	54.246	94.540	68.667	100.000
Assessed revenue <sup>(b)</sup> \$pc	633.90	468.46	784.59	849.02	367.90	333.09	580.51	421.64	614.04
Revenue effort ratio (c) %	95.86	117.63	78.34	115.25	124.22	95.55	118.55	118.98	100.00

(a) State revenue base per capita divided by Australian revenue base per capita.

(b) Revenue capacity ratio for each State multiplied by the per capita average actual revenue.

(c) State actual revenue divided by State assessed revenue expressed as a percentage.

80 This approach has the advantage of making explicit the relative revenue capacity ratio for each State. Also, by comparing actual revenues per capita with the assessed per capita revenues, a relative effort ratio can be derived. Thus in 2006-07, Victoria, Western Australia, South Australia, the ACT and Northern Territory had above average effort ratios.

### Total conveyances assessed revenues

81 Table 22 at the end of this section shows the average, actual and assessed revenues per capita for each State for all years of the 2008 Update.

82 Table 14 shows the total conveyances actual and assessed per capita revenues for 2006-07.

Figure 2 presents the same information pictorially against average per capita revenue.

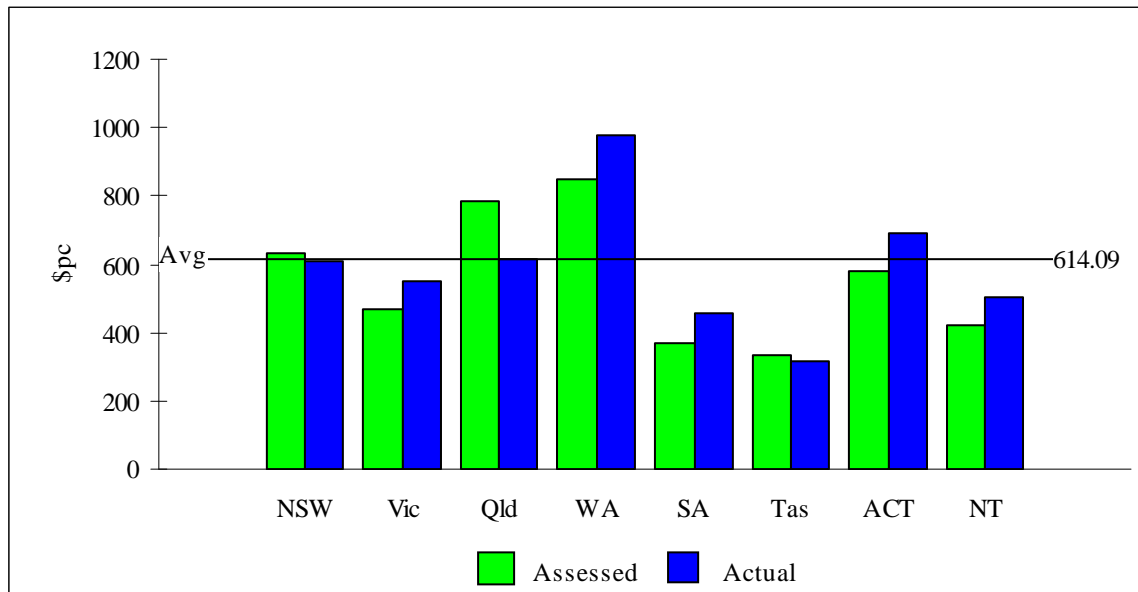
**Table 14 Stamp duty on conveyances assessment results, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
<b>Other transactions component</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues	607.66	551.03	614.64	978.48	457.01	318.27	688.22	501.69	614.04
Assessed revenues	633.90	468.46	784.59	849.02	367.90	333.09	580.51	421.64	614.04
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio <sup>(a)</sup>	103.23	76.29	127.78	138.27	59.91	54.25	94.54	68.67	100.00
Revenue effort ratio <sup>(b)</sup>	95.86	117.63	78.34	115.25	124.22	95.55	118.55	118.98	100.00
<b>EPC component</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues	0.00	0.00	0.08	0.00	0.10	0.00	1.76	0.00	0.05
Assessed revenues	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio <sup>(a)</sup>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Revenue effort ratio <sup>(b)</sup>	0.00	0.00	157.87	0.00	197.42	0.00	3331.56	0.00	100.00
<b>Total category</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues	607.66	551.03	614.72	978.48	457.12	318.27	689.97	501.69	614.09
Assessed revenues	633.95	468.51	784.64	849.07	367.95	333.15	580.57	421.70	614.09
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio <sup>(a)</sup>	103.23	76.29	127.77	138.26	59.92	54.25	94.54	68.67	100.00
Revenue effort ratio <sup>(b)</sup>	95.85	117.61	78.34	115.24	124.23	95.53	118.84	118.97	100.00

(a) Assessed revenue per capita divided by the Australian average revenue per capita.

(b) Actual revenues per capita divided by assessed revenues per capita.

**Figure 2 Stamp duty on conveyances revenue per capita — assessed, actual and average, 2006-07**



### Relative abilities to raise revenues

83 A State's revenue capacity compares its assessed revenue (which reflects its disabilities) with the average revenue. A capacity above 100 per cent means that a State has an above average capacity to raise revenue. The revenue raising capacities for all years are shown in Table 15.

**Table 15 Revenue raising capacities, 2001–02 to 2006–07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2001-02	130.89	87.51	100.09	84.64	52.44	38.80	94.49	40.62	100.00
2002-03	133.10	78.96	102.89	89.73	53.57	44.14	99.70	46.27	100.00
2003-04	117.48	81.63	119.53	94.26	61.73	53.54	100.61	54.26	100.00
2004-05	104.21	81.95	128.81	115.57	65.39	59.81	90.44	67.14	100.00
2005-06	96.01	81.78	125.22	157.98	57.78	53.84	86.11	64.36	100.00
2006-07	103.23	76.29	127.77	138.26	59.92	54.25	94.54	68.67	100.00

84 The above average ability of Queensland and Western Australia to raise revenue is a recent development. Since 2001–02, Queensland's relative capacity to raise revenue increased from 100 per cent to 128 per cent, and Western Australia's from 85 per cent to a peak of 158 per cent in 2005-06.

85 For Queensland, this has been due to a large interstate migration, resource development activities and interest from overseas and southern investors in property in the Brisbane, Sunshine and Gold Coast markets. In Western Australia, the buoyant property market was

aided by strong activity in the resources sector. Revenue capacity in Northern Territory, the other State to benefit from the boom in the resource sector, rose from 41 per cent in 2001-02 to 69 per cent in 2006-07.

- 86 There was a strong pick-up in housing market activity in Tasmania in recent years (see Table 5), with revenue capacity rising from 39 per cent in 2001-02 to 54 per cent in 2006-07. The growth in activity in Tasmania has been driven by increases in consumer spending, private sector investment and, to a lesser extent, public sector investment.
- 87 On the other hand, slower economic growth in recent years in New South Wales and Victoria has seen their revenue capacity fall between 2001-02 and 2006-07 from 131 per cent to 103 per cent in New South Wales<sup>9</sup>, and from 88 per cent to 76 per cent in Victoria.
- 88 The increase in the revenue capacity in the ACT in 2006-07 reflects an increase in the number of transactions in the higher value ranges. The overall number of conveyance transactions in 2006-07 declined by over 10 per cent from the previous year.

#### **Revenue efforts**

- 89 In 2006-07, revenue effort was high in Victoria, Western Australia, South Australia, the ACT and Northern Territory. Victoria's relatively high revenue effort was consistent with its relatively high rates of conveyances duty (see Table 4). It had the highest rates for properties valued between \$250 000 and \$500 000. Western Australia's relatively high revenue effort increased following decisions to increase its rates across the board in 2002-03 and 2003-04, although some rate reductions were made in 2004-05.
- 90 The relatively higher revenue effort in South Australia can be attributed to the State having a higher proportion of lower valued transactions compared to other States. The duty rates in the State for lower valued transactions were generally higher than in other States. In comparison, the duty rates in the ACT were relatively high at the top end of the value range.
- 91 Queensland made well below average revenue efforts. It has the lowest rates of duty for properties valued in the range \$250 000 to \$500 000. In addition Queensland provides concession on purchases where the property is to be the principal place of residence. From 1 January 2007, the duty rate on the first \$320 000 was 1 per cent when the home concession is granted, which reduced duty paid by \$6 475. In addition, if the home purchase was a first home buyer purchase, the duty is reduced to zero on homes valued at up to \$320 000, with the first home concession gradually falling to zero once the purchase price reaches \$500 000.

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<sup>9</sup> The increase in the revenue raising capacity in New South Wales in 2006-07 was mainly due to the inclusion of a large one-off transaction.

**EFFECTS ON THE DISTRIBUTION OF THE POOL: 2008 UPDATE**

92 The per capita assessed difference from average provides an indication of the impact of the conveyances assessment on shares of the pool. The difference (as shown in Table 16 for 2006-07) was calculated by:

- subtracting each State's assessed revenue per capita from the average revenue per capita; and
- multiplying the difference by each State's population.

**Table 16 Assessed revenues, difference from average, 2006-07<sup>(a)</sup>**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Assessed revenue \$pc	633.95	468.51	784.64	849.07	367.95	333.15	580.57	421.70	614.09
Difference from average \$pc	19.86	-145.58	170.55	234.98	-246.14	-280.94	-33.53	-192.39	0.00
Population '000	6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
Difference from average \$m	136.2	-752.3	705.3	489.2	-388.1	-138.1	-11.3	-40.9	1330.7

(a) For Australia, difference from equal per capita is the sum of the negatives or positives.

93 Table 17 shows the assessed difference from average in \$ millions for the period 2001-02 to 2006-07. The average of these amounts over the Update period provides an indication of the impact of the assessment on GST revenue shares.

**Table 17 Assessed revenues, difference from average, 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2000-01	760.9	-225.2	1.2	-109.6	-268.9	-107.8	-6.6	-44.0	762.0
2001-02	971.1	-454.1	48.1	-87.8	-312.5	-117.0	-0.4	-47.3	1019.1
2002-03	607.0	-472.4	391.5	-58.6	-305.0	-115.9	1.0	-47.7	999.5
2003-04	130.2	-415.7	523.0	142.9	-245.7	-89.4	-14.4	-30.8	796.0
2004-05	-139.4	-477.8	525.9	608.9	-339.3	-116.1	-23.8	-38.3	1134.8
2005-06	136.2	-752.3	705.3	489.2	-388.1	-138.1	-11.3	-40.9	1330.7
Average <sup>(a)</sup>	411.0	-466.3	365.8	164.2	-309.9	-114.1	-9.2	-41.5	941.0

(a) For States, simple average of the six years from 2001-02 to 2006-07; for Australia, sum of positives or negatives.

94 The effect of the assessed differences on the distribution of the pool is shown in Table 18.

**Table 18 Stamp duty on conveyances effect on distribution of the pool, 2008 Update<sup>(a)</sup>**

NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
-430.5	608.5	-510.0	-236.1	372.3	134.9	11.1	49.9	1176.6

(a) All distributions were calculated using the 2007-08 GST revenue pool and December 2007 population.

Note: The Total redistributed is the sum of negatives or positives.

- 95 The States with above average assessed revenue per capita — New South Wales, Queensland and Western Australia — required less GST revenue totalling \$1176.6 million. The States with below average assessed revenues per capita — Victoria, South Australia, Tasmania, the ACT and Northern Territory — needed additional GST revenue of that amount.
- 96 The distribution is determined by the average situation over the recent past five years. New South Wales had the highest property prices and very high property turnover until 2003-04. Queensland and in particular Western Australia have had ongoing strong property markets in recent years as a result of sustained economic growth in these States.

**CHANGES IN DISTRIBUTION OF THE POOL: 2008 UPDATE COMPARED WITH THE 2007 UPDATE**

- 97 Table 19 shows:
- the impact of the 2007 Update assessment on shares of the pool;
  - the impact of the 2008 Update assessment on shares of the pool; and
  - the difference.
- 98 The table also breaks the difference into smaller parts.

**Table 19 Comparison of the 2008 Update and 2007 Update assessments**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-611.3	514.9	-366.2	-97.5	368.5	137.7	6.3	47.7	1075.0
<b>Effect of revising category averages and revenue bases for 2001-02 to 2005-06</b>									
Category averages	-0.1	-0.3	0.4	0.4	-0.2	-0.1	0.0	0.0	0.8
Revenue bases	-16.6	1.7	4.2	-1.6	1.1	-0.1	4.3	7.0	18.4
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-16.7	1.4	4.6	-1.2	0.9	-0.2	4.3	7.0	18.1
<b>Effect of replacing 2001-02 category averages and revenue bases with those for 2006-07</b>									
Category averages	-50.1	15.0	-0.3	7.5	17.5	7.0	0.4	3.0	50.4
Revenue bases	202.6	63.1	-121.2	-118.6	-12.0	-7.9	0.1	-6.3	265.8
Interactions	45.0	14.0	-26.9	-26.3	-2.7	-1.7	0.0	-1.4	59.1
Total	197.5	92.2	-148.4	-137.4	2.9	-2.6	0.5	-4.7	293.1
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-430.5	608.5	-510.0	-236.1	372.3	134.9	11.1	49.9	1176.6
<b>Total effect of revisions and updating (b)</b>	180.8	93.6	-143.8	-138.6	3.8	-2.8	4.8	2.3	285.2

(a) Using the same pool and populations that were used to calculate the 2008 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

### What has changed?

- 99 Table 19 indicates that in the 2008 Update, Stamp duty on conveyances redistributed \$1176.6 million of the pool relative to an equal per capita distribution. This was \$101.6 million more than in the 2007 Update. This was due to a divergence in the relative revenue raising capacities of the States which was primarily caused by increases in the capacities of Queensland and Western Australia. (Their average capacities over the five years covered by the 2007 Update were 115.5 and 108.3 per cent respectively but they increased to 120.8 and 119.2 per cent over the five years covered by the 2008 Update.)
- 100 The 2008 Update also changed the distribution of \$285.2 million of the pool among the States compared to the distribution implied by the 2007 Update. This reflects the changes in the

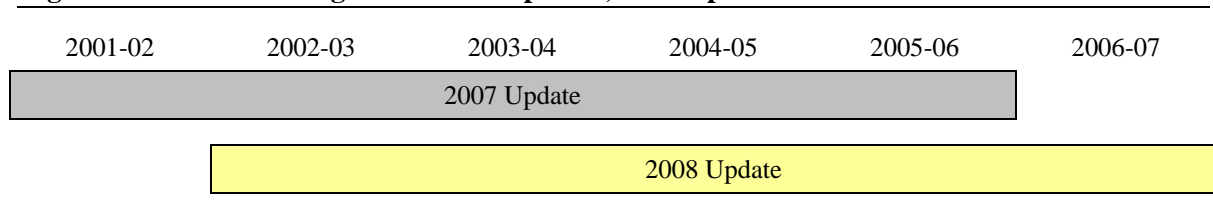
relative capacities of the States to raise the revenue — primarily because the capacities of New South Wales and Victoria fell while those Queensland and Western Australia rose.

101 These changes can be explained by:

- revisions to the financial and assessment data that were used in the 2006 Update; and
- advancing the reference period one year — a new year comes into the reference period and the oldest year drops out.

102 Figure 3 shows the reference periods for the two inquiries.

**Figure 3 Advancing the reference period, 2008 Update**



103 The effect of revisions were calculated by replacing 2007 Update data with 2008 Update data for 2001-02 to 2005-06. The effect of advancing the reference period one year was calculated by comparing the data for the year entering the reference period (2006-07) with the data of the year dropping out (2001-02). In both cases, the effects of replacing financial data (average revenues) and assessment data (revenue bases) were considered separately.

#### **Changes due to revising revenue data and revenue bases for years 2001–02 to 2005–06**

104 **Revising revenue data.** There were minor changes to the adjusted budget data mainly because New South Wales revised data for 2001-02 and 2004-05 in the light of successful appeals against initial duty assessments. New South Wales and South Australia also revised revenue data for 2005-06. The new data had minor effects on the distribution of the pool, totalling \$0.8 million.

105 **Revising the revenue bases.** Generally States did not revise value of transaction data for earlier years in light of any successful appeals against their assessments. However, Northern Territory did advise that an appeal against an assessment made in 2005-06 on one large transaction had been successful, and provided revised data for that year.

106 There were small adjustments to the yearly populations, with small increases in the populations in all States except New South Wales. While the populations of Western Australia and Tasmania were revised upwards, the percentage increases were below the Australian average adjustment. In the absence of any other changes to revenue base calculations, the population revisions would act to increase the revenue raising capacity of New South Wales, Western Australia and Tasmania relative to other States.

107 Table 20 shows the changes to the per capita category average and to the assessed revenues data between the 2007 Update and the 2008 Update. Changes to the average revenues between the 2007 Update and the 2008 Update were minor. The revisions to the State

populations and value of transaction changes primarily resulted in a redistribution totalling \$18.4 million largely away from New South Wales and to a much lesser extent Western Australia and Tasmania. Table 20 also shows the revenue raising capacities for these three States increased in the 2008 Update, but fell for the other States.

**Table 20 Stamp duty on conveyances, effect of revisions to data, average for years 2001-02 to 2005 06**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2007 Update	514.16	449.62	413.01	586.43	329.86	230.35	472.61	327.51	462.66
2008 Update	514.83	447.97	411.00	585.09	327.99	230.08	468.54	293.94	461.32
Assessed revenues									
2007 Update	530.69	380.35	539.06	509.92	271.30	234.17	446.92	285.82	462.66
2008 Update	531.44	379.05	536.62	508.87	269.94	233.77	434.49	255.32	461.32
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2007 Update	115.90	82.41	115.47	108.29	58.29	49.96	96.58	60.27	100.00
2008 Update	116.34	82.37	115.31	108.44	58.18	50.03	94.27	54.53	100.00

#### Changes in State circumstance — the effects of replacing 2001–02 data with those for 2006–07

108 Table 21 shows that the average revenue and revenue base ratios for States for 2006-07 were very different from those in 2001-02. In 2006-07, the revenue raising capacity of New South Wales (103.23) was slightly above average, and that for Western Australia (138.26) was further above the average than that for New South Wales had been at the height of its property market boom in 2002-03 (132.82).

109 **Replacing revenue data.** The average revenue per capita increased by 64.7 per cent — due to strong broad based property market activities in recent years. This increase was well above the increase in the pool of 34.8 per cent. The category was therefore much more important and resulted in a larger redistribution of the pool away from New South Wales (the State with above average capacity in 2001-02) to the other States.

110 Increases in per capita revenue between 2001-02 and 2006-07 ranged from 189 per cent in Western Australia and 188 per cent in Northern Territory to 29 per cent in New South Wales.

**Table 21 Stamp duty on conveyances assessment data 2001–02 and 2006 07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
<b>Other transactions component</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2001-02	472.08	389.86	277.95	338.17	233.69	150.35	363.97	174.01	371.03
2006-07	607.66	551.03	614.64	978.48	457.01	318.27	688.22	501.69	614.04
Assessed revenues									
2001-02	486.21	324.45	371.35	313.78	193.73	142.87	350.48	149.65	371.03
2006-07	633.90	468.46	784.59	849.02	367.90	333.09	580.51	421.64	614.04
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	131.04	87.45	100.09	84.57	52.21	38.51	94.46	40.33	100.00
2006-07	103.23	76.29	127.78	138.27	59.91	54.25	94.54	68.67	100.00
<b>EPC component</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2001-02	0.00	0.00	9.53	0.01	0.00	0.00	0.00	0.00	1.79
2006-07	0.00	0.00	0.08	0.00	0.10	0.00	1.76	0.00	0.05
Assessed revenues									
2001-02	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79
2006-07	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2006-07	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>Total category</b>									
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2001-02	472.08	389.86	287.49	338.18	233.69	150.35	363.97	174.01	372.82
2006-07	607.66	551.03	614.72	978.48	457.12	318.27	689.97	501.69	614.09
<i>Increase %</i>	<i>28.7</i>	<i>41.3</i>	<i>113.8</i>	<i>189.3</i>	<i>95.6</i>	<i>111.7</i>	<i>89.6</i>	<i>188.3</i>	<i>64.7</i>
Assessed revenues									
2001-02	488.00	326.24	373.14	315.57	195.52	144.66	352.27	151.44	372.82
2006-07	633.95	468.51	784.64	849.07	367.95	333.15	580.57	421.70	614.09
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	130.89	87.51	100.09	84.64	52.44	38.80	94.49	40.62	100.00
2006-07	103.23	76.29	127.77	138.26	59.92	54.25	94.54	68.67	100.00

- 111 **Replacing revenue base data.** The different rates of growth in asset prices and property turnover across States between 2001-02 and 2006-07 were the main reasons for changes in the distribution of the pool shown in Table 19. They contributed \$266 million to the redistribution. Between 2001-02 and 2006-07, the main revenue base (the ‘other stamp duty on conveyances’ component) increased by 52 per cent (measured on a per capita basis). The growth in the revenue base was highest in Queensland (up 94 per cent), Western Australia (up 148 per cent), Tasmania (up 114 per cent) and Northern Territory (158 per cent). The percentage changes in New South Wales and Victoria were 20 and 32 per cent respectively.
- 112 Table 5 shows the value of secured housing finance commitments for owner occupiers, a strong indicator of housing market activities and the revenue bases, by States. It shows that changes to finance commitments between 2001-02 and 2006-07 were higher for Queensland, Western Australia, Tasmania and Northern Territory, consistent with the changes to revenue bases implied by Table 10.

This chapter was prepared by the Revenue section of the Commonwealth Grants Commission. If you have any questions about its content please contact Lintong Feng on (02) 6229 8833 or [lintong.feng@cgc.gov.au](mailto:lintong.feng@cgc.gov.au).



Date: 29 February 2008

**Table 22 Assessment of revenue, Stamp Duty on Conveyances**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Revenue</b>		441.00		518.77		458.90		515.08		614.09
New South Wales										
Assessed difference	- 971.062	- 145.96	- 607.031	- 90.70	- 130.155	- 19.33	139.424	20.54	- 136.161	- 19.86
Revenue - Assessed	3 904.992	586.96	4 078.940	609.48	3 219.806	478.23	3 357.443	494.54	4 346.259	633.95
- Actual	3 677.154	552.71	3 916.067	585.14	3 281.734	487.43	3 236.705	476.76	4 166.005	607.66
Victoria										
Assessed difference	454.125	92.77	472.390	95.31	415.749	82.83	477.817	93.86	752.299	145.58
Revenue - Assessed	1 704.726	348.23	2 098.696	423.46	1 887.671	376.07	2 144.445	421.22	2 421.030	468.51
- Actual	2 115.726	432.19	2 441.627	492.65	2 168.612	432.05	2 510.430	493.11	2 847.452	551.03
Queensland										
Assessed difference	- 48.078	- 12.76	- 391.454	- 101.34	- 523.007	- 132.19	- 525.935	- 129.90	- 705.340	- 170.55
Revenue - Assessed	1 709.514	453.76	2 395.317	620.11	2 338.610	591.10	2 611.418	644.98	3 244.990	784.64
- Actual	1 382.287	366.90	1 862.941	482.29	1 728.431	436.87	1 949.355	481.46	2 542.249	614.72
Western Australia										
Assessed difference	87.763	45.27	58.606	29.78	- 142.865	- 71.43	- 608.851	- 298.66	- 489.235	- 234.98
Revenue - Assessed	767.115	395.72	962.451	489.00	1 060.664	530.34	1 658.895	813.74	1 767.799	849.07
- Actual	833.319	429.88	1 207.218	613.36	1 218.149	609.08	1 906.006	934.96	2 037.239	978.48
South Australia										
Assessed difference	312.535	204.76	304.983	198.52	245.663	158.84	339.319	217.45	388.081	246.14
Revenue - Assessed	360.578	236.24	491.999	320.25	464.093	300.07	464.452	297.63	580.123	367.95
- Actual	427.885	280.33	578.319	376.44	564.827	365.20	599.669	384.29	720.711	457.12
Tasmania										
Assessed difference	117.028	246.35	115.863	241.04	89.404	184.41	116.144	237.77	138.126	280.94
Revenue - Assessed	92.467	194.65	133.503	277.73	133.076	274.49	135.456	277.31	163.791	333.15
- Actual	93.886	197.64	129.248	268.88	125.854	259.60	133.816	273.95	156.477	318.27
Australian Capital Territory										
Assessed difference	0.430	1.33	- 1.032	- 3.16	14.408	43.85	23.770	71.54	11.288	33.53
Revenue - Assessed	142.519	439.67	170.260	521.94	136.359	415.05	147.359	443.54	195.471	580.57
- Actual	149.126	460.05	187.976	576.24	141.113	429.52	170.418	512.94	232.307	689.97
Northern Territory										
Assessed difference	47.260	236.96	47.675	237.30	30.804	150.80	38.311	183.55	40.942	192.39
Revenue - Assessed	40.693	204.03	56.550	281.48	62.937	308.11	69.196	331.53	89.738	421.70
- Actual	43.220	216.71	64.322	320.16	74.496	364.69	82.265	394.14	106.761	501.69

Note: Refer to Attachment A of the 2007 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.

# ATTACHMENT A

## CALCULATION OF THE VALUE DISTRIBUTION ADJUSTMENT 2006-07

**Table A-1 Sample data and scaling factor, 2006-07**

Value range	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
\$	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>A. Sample tax paid by value range</b>									
\$1-\$0.1m	27.6	20.7	18.6	7.9	12.3	5.7	0.1	1.6	94.5
\$0.1m+-\$0.150m	23.0	55.9	41.6	20.7	22.4	7.5	0.9	2.2	174.2
\$0.150m+-\$0.2m	45.9	98.2	81.7	47.5	42.5	13.9	2.7	2.8	335.2
\$0.2m+-\$0.3m	175.2	372.8	217.7	132.4	136.0	34.1	9.8	12.0	1 090.2
\$0.3m+-\$0.5m	513.8	714.7	515.7	497.8	187.1	41.1	80.1	35.4	2 585.7
\$0.5m+-\$1.0m	914.1	674.7	484.2	547.2	128.8	22.9	52.6	22.2	2 846.7
\$1m+-\$2m	579.2	306.6	273.2	289.1	60.4	11.1	17.1	6.3	1 543.0
\$2m plus	1 705.8	622.6	750.1	641.6	133.6	18.8	65.7	24.9	3 963.1
Total	3 984.5	2 866.4	2 382.8	2 184.3	723.1	155.1	229.1	107.3	12 632.7
<b>B. Sample value of transactions by value range</b>									
\$1-\$0.1m	743.8	1 068.7	804.4	407.1	542.3	261.3	4.1	58.6	3 890.4
\$0.1m+-\$0.150m	1 183.4	2 407.4	1 705.2	894.4	800.5	350.3	40.4	84.0	7 465.6
\$0.150m+-\$0.2m	2 371.3	3 549.4	3 404.7	1 709.3	1 386.6	630.0	105.6	107.7	13 264.7
\$0.2m+-\$0.3m	9 391.1	10 947.5	10 939.6	4 395.3	3 811.3	1 249.5	378.4	486.4	41 599.1
\$0.3m+-\$0.5m	23 774.3	16 098.1	25 645.6	12 802.3	4 647.3	1 243.7	2 254.0	896.2	87 361.6
\$0.5m+-\$1.0m	24 639.6	12 758.9	16 724.7	12 241.5	2 823.6	628.1	1 208.8	432.1	71 457.3
\$1m+-\$2m	13 055.4	5 622.6	7 320.3	5 838.2	1 197.2	290.2	325.3	118.8	33 768.1
\$2m plus	32 338.4	11 360.1	18 450.3	12 338.2	2 495.9	464.3	979.9	487.3	78 914.4
Total	107 497.3	63 812.7	84 994.9	50 626.4	17 704.8	5 117.5	5 296.6	2 671.0	337 721.2
<b>C. Equalisation budget actual revenues</b>									
	4 166.0	2 847.5	2 541.9	2 037.2	720.5	156.5	231.7	106.8	12 808.1
<b>D. Scaling factor = C / A</b>									
	1.04556	0.99340	1.06676	0.93269	0.99641	1.00867	1.01127	0.99506	1.01389

**Table A– 2 Scaled data and effective rates of tax, 2006-07**

Value range	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
\$	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>E. Scaled duty paid = A*D</b>									
\$1-\$0.1m	28.8	20.6	19.8	7.4	12.3	5.7	0.1	1.6	96.3
\$0.1m+-\$0.150m	24.0	55.5	44.4	19.3	22.4	7.6	0.9	2.2	176.3
\$0.150m+-\$0.2m	48.0	97.6	87.2	44.3	42.3	14.0	2.8	2.7	338.9
\$0.2m+-\$0.3m	183.2	370.4	232.3	123.5	135.6	34.4	9.9	11.9	1 101.2
\$0.3m+-\$0.5m	537.2	710.0	550.1	464.3	186.4	41.5	81.0	35.3	2 605.7
\$0.5m+-\$1.0m	955.7	670.3	516.5	510.4	128.3	23.1	53.2	22.1	2 879.6
\$1m+-\$2m	605.5	304.6	291.4	269.6	60.2	11.2	17.3	6.3	1 566.2
\$2m plus	1 783.6	618.5	800.2	598.5	133.1	18.9	66.5	24.7	4 043.9
Total	4 166.0	2 847.5	2 541.9	2 037.2	720.5	156.5	231.7	106.8	12 808.1
<b>F. Scaled value of transactions = B * D</b>									
\$1-\$0.1m	777.7	1 061.6	858.1	379.7	540.4	263.6	4.2	58.3	3 943.6
\$0.1m+-\$0.150m	1 237.4	2 391.5	1 819.1	834.2	797.6	353.3	40.9	83.6	7 557.4
\$0.150m+-\$0.2m	2 479.3	3 525.9	3 632.0	1 594.3	1 381.7	635.5	106.8	107.2	13 462.6
\$0.2m+-\$0.3m	9 818.9	10 875.2	11 669.9	4 099.5	3 797.6	1 260.3	382.7	484.0	42 388.1
\$0.3m+-\$0.5m	24 857.4	15 991.8	27 357.7	11 940.5	4 630.6	1 254.5	2 279.4	891.8	89 203.7
\$0.5m+-\$1.0m	25 762.1	12 674.6	17 841.2	11 417.5	2 813.5	633.6	1 222.4	429.9	72 794.8
\$1m+-\$2m	13 650.1	5 585.5	7 809.0	5 445.2	1 192.9	292.8	329.0	118.2	34 422.7
\$2m plus	33 811.6	11 285.1	19 681.9	11 507.7	2 487.0	468.3	990.9	484.8	80 717.4
Total	112 394.4	63 391.4	90 668.8	47 218.7	17 641.2	5 161.9	5 356.3	2 657.8	344 490.4
<b>G. Average effective duty rates (EDR) = E / F</b>									
									%
\$1-\$0.1m	3.71	1.94	2.31	1.94	2.28	2.18	2.15	2.68	2.44
\$0.1m+-\$0.150m	1.94	2.32	2.44	2.32	2.80	2.15	2.24	2.60	2.33
\$0.150m+-\$0.2m	1.93	2.77	2.40	2.78	3.06	2.21	2.57	2.56	2.52
\$0.2m+-\$0.3m	1.87	3.41	1.99	3.01	3.57	2.73	2.60	2.47	2.60
\$0.3m+-\$0.5m	2.16	4.44	2.01	3.89	4.03	3.30	3.55	3.95	2.92
\$0.5m+-\$1.0m	3.71	5.29	2.89	4.47	4.56	3.64	4.36	5.13	3.96
\$1m+-\$2m	4.44	5.45	3.73	4.95	5.05	3.84	5.25	5.29	4.55
\$2m plus	5.27	5.48	4.07	5.20	5.35	4.04	6.71	5.10	5.01
Total	3.71	4.49	2.80	4.31	4.08	3.03	4.33	4.02	3.72

**Table A– 3 Notional revenues and value distribution adjustment, 2006-07**

Value range	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
\$	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>H. Notional duty paid using average EDR for relevant value range = F * G<sub>Aust</sub></b>									
\$1-\$0.1m	19.0	25.9	21.0	9.3	13.2	6.4	0.1	1.4	96.3
\$0.1m+-\$0.150m	28.9	55.8	42.4	19.5	18.6	8.2	1.0	1.9	176.3
\$0.150m+-\$0.2m	62.4	88.8	91.4	40.1	34.8	16.0	2.7	2.7	338.9
\$0.2m+-\$0.3m	255.1	282.5	303.2	106.5	98.7	32.7	9.9	12.6	1 101.2
\$0.3m+-\$0.5m	726.1	467.1	799.1	348.8	135.3	36.6	66.6	26.1	2 605.7
\$0.5m+-\$1.0m	1 019.1	501.4	705.8	451.6	111.3	25.1	48.4	17.0	2 879.6
\$1m+-\$2m	621.0	254.1	355.3	247.7	54.3	13.3	15.0	5.4	1 566.2
\$2m plus	1 694.0	565.4	986.1	576.5	124.6	23.5	49.6	24.3	4 043.9
Total	4 425.6	2 241.0	3 304.2	1 800.1	590.7	161.9	193.2	91.4	12 808.1
<b>I. Notional duty paid using single EDR = F<sub>Total</sub> * G<sub>Total, Aust</sub></b>									
	4 178.8	2 356.9	3 371.1	1 755.6	655.9	191.9	199.1	98.8	12 808.1
<b>J. Value distribution adjustment = H<sub>Total</sub> / I</b>									
	1.05905	0.95084	0.98018	1.02535	0.90055	0.84364	0.97034	0.92466	1.00000