

# Stamp duty on conveyances

## Overview

- 1 On 27 June 2023, the Commission issued a [consultation paper](#) on the draft stamp duty on conveyances assessment. The Commission considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission proposed to retain the 2020 Review assessment method.
- 3 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission's draft position and the draft 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

## Consultation questions

### **Q1. Do states agree that the overall approach to assessing revenue from stamp duty on conveyances remains appropriate?**

#### **State views**

- 5 All states broadly supported retaining the current stamp duty assessment method.
- 6 While the 2020 Review method has broad support, some states asked the Commission to consider elasticity adjustments, the treatment of non-real property, and the number of value ranges used in the assessment.

#### **Commission response**

- 7 The Commission acknowledges the issues raised by states. They are considered in the sections below.

#### **Commission draft position**

- 8 The Commission proposes to continue the stamp duty on conveyances assessment in its current form, taking into consideration the adjustments outlined below.

### **Q2. Do states agree that revenue from the New South Wales property tax be assessed with land tax for as long as it exists?**

#### **State views**

- 9 All states agreed that the revenue from the New South Wales property tax should be assessed with land tax.

## Commission response

- 10 New South Wales closed the First Home Buyer Choice scheme to new applicants from 1 July 2023. First home buyers who signed contracts before 1 July 2023 and opted-in to the scheme have been ‘grandfathered’ and will continue to pay the annual property tax until they sell their property. New South Wales estimates that property tax raised \$2 million in revenue in 2022–23. It estimates the property tax will raise \$58 million over the four years to 2026–27.<sup>1</sup> A separate assessment of this revenue is not material.

## Commission draft position

- 11 The Commission proposes that revenue from the New South Wales property tax be assessed with land tax.

## Q3. Do states support the Commission not adjusting states’ value of property transferred for the elasticity effects of recent reforms on materiality grounds?

### State views

- 12 Most states said the Commission should not adjust states’ value of property transferred for the elasticity effects of recent tax reforms because those reforms did not materially affect the assessment.
- 13 Victoria said state property tax reform is a current issue. It said states could benefit from clearer guidelines on the types of reform that would require a separate assessment and those that could fit within existing assessment methods. It said the Commission could commence work on the treatment of potential future reforms in advance of those reforms, instead of waiting for them to become material. This would allow for a robust and effective methodology to be developed in consultation with states. Victoria suggested that the stamp duty assessment method include the capacity for adjustments if state policy reforms became material. Queensland said the Commission should continue to monitor policy developments and respond, in consultation with states, where it is material to do so.
- 14 States also commented on the merits of the Commission implementing elasticity adjustments more broadly than in instances of tax reform. New South Wales and the ACT said elasticity adjustments should be introduced. Queensland, Western Australia, South Australia, and the Northern Territory said they do not support the use of elasticity adjustments. The broader case for elasticity adjustments is considered separately below.

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<sup>1</sup> New South Wales Government ‘Table 4.4 General government sector – summary of taxation revenue’ [2023–24 Budget Paper No. 01](#) NSW Government, 2023

## Commission response

- 15 The consultation paper cited 3 recent state reforms to stamp duty on conveyances:
- New South Wales' First Home Buyer Choice
  - Victoria's announcement that it would replace stamp duty on commercial and industrial property with an annual property tax
  - the ACT continuing its phased replacement of stamp duty on conveyances with general rates revenue.
- 16 As mentioned above, New South Wales has closed the First Home Buyer Choice to new applicants. It said the scheme would not have a material effect on its taxable property values in the short to medium term.
- 17 Victoria has released further details on its reform, which has two key parts. The first key part is a government-facilitated transition loan. The first time a property is transacted from 1 July 2024, the property will be subject to stamp duty for one final time. The purchaser will have the choice to pay the stamp duty through self-financing or a government-facilitated loan. If they choose the government-facilitated loan, they will be required to make annual principal and interest repayments over 10 years.
- 18 The transitional loan will be issued by the Treasury Corporation of Victoria. The Treasury Corporation of Victoria will pay an amount equivalent to the deferred stamp duty to the purchaser. The purchaser will then pay the stamp duty liability to the State Revenue Office.<sup>2</sup> Repayments of the loan will be outside the scope of the Commission's adjusted budget, which excludes public financial corporations. This will ensure the stamp duty revenue will be counted only once in the adjusted budget. Victoria will experience a gradual decline in stamp duty revenue from commercial and industrial properties as stamp duty is phased out. All else being equal, this will decrease the total revenue from stamp duty on conveyances. Victoria's revenue raising capacity will continue to be assessed using its value of property transferred.
- 19 The Commission expects it will take time before any elasticity effect from the Victorian reform becomes material, given commercial and industrial properties are a subset of the revenue base and the full effect of the replacement of stamp duty will occur gradually.<sup>3</sup> The Commission will continue to monitor for any potential elasticity effects.
- 20 The second key part of Victoria's reform is the introduction of a new commercial and industrial property tax. A commercial or industrial property will become liable for the

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<sup>2</sup> This state budget impact of the transitional loan reflects the accounting treatment. In practice, transactions between the Treasury Corporation, the purchaser and the Victorian State Revenue Office are likely to occur simultaneously at settlement of the property transfer.

<sup>3</sup> Under the Victorian reforms, commercial and industrial properties will only be exempt from stamp duty from the second time they are sold (after 1 July 2024). The optional loan for stamp duty payable on the first sale represents a deferred liability and would not be expected to result in a significant elasticity effect.

new property tax 10 years after it is first sold (after 1 July 2024). This means Victoria will not receive revenue from the new property tax until 2034–35.

- 21 Victoria's property tax differs from New South Wales' First Home Buyer Choice scheme, which was an opt in scheme. Victoria's property tax will automatically apply to all commercial and industrial properties 10 years after they are first sold. Victoria's property tax will be similar to land tax because it is imposed on the unimproved value of land and includes the same exemptions and concessions as land tax in Victoria. However, unlike land tax, it will be imposed as a single flat rate of 1%.<sup>4</sup>
- 22 The Commission has not adjusted the ACT's value of property transferred as the Commission has not identified a significant elasticity effect flowing from its reform. The reform is being implemented over an extended period and the impacts are gradual.
- 23 The Commission notes Victoria's request for clear guidance on the implications for its assessments of different types of state tax reforms and on the possible timing of consultation. While it is difficult to specify the treatment of potential future tax reforms other than in general terms, some of the relevant issues are discussed in the chapter on flexibility to change methods between reviews.

### **Commission draft position**

- 24 The Commission proposes not to adjust New South Wales' value of property transferred for the effects of its First Home Buyer Choice scheme because an adjustment would not be material.
- 25 The Commission proposes not to make an elasticity adjustment for the Victorian property tax reform. It will, however, continue to monitor for any potential elasticity effects after the tax is introduced. The Commission will not introduce a new assessment of Victoria's commercial and industrial property tax since Victoria will not receive revenue from the tax until 2034-35.
- 26 The Commission proposes not to adjust the ACT's value of property transferred for the effects of its stamp duty on conveyances reform.
- 27 The Commission proposes not to introduce an elasticity adjustment in the stamp duty on conveyances assessment in the 2025 Review. The broader issue of elasticity adjustments will be examined following the 2025 Review. The issue of the elasticity impact of state tax reform is considered in the chapter on flexibility to change methods between reviews.

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<sup>4</sup> Department of Treasury and Finance Victoria, [Commercial and Industrial Property Tax Reform - Information Sheet](#), DTF Victoria, 2024

## Other issues raised by states

### Elasticity adjustments – the broader case

- 28 In responding to question 3 in the Commission’s consultation paper, states discussed the merits of the Commission implementing elasticity adjustments more broadly, not just for tax reform. New South Wales and the ACT said that elasticity adjustments should be introduced. Queensland, Western Australia, South Australia, and the Northern Territory said that they do not support the use of elasticity adjustments.
- 29 Queensland said elasticity adjustments would introduce complexities and measurement issues to the assessment. South Australia and the Northern Territory said elasticity effects were difficult to reliably quantify. South Australia said it had not sought an elasticity adjustment following its abolition of non-residential real property duty as a reliable adjustment had not been identified. It said there is no robust way of differentiating the impacts of behavioural changes and market conditions. The Northern Territory said elasticity adjustments could be policy influenced if they were more responsive to policy changes that have large immediate impacts than more gradual reforms. It said, if an elasticity adjustment were introduced, the adjustment should account for the impact of the absence of land tax on the Northern Territory’s stamp duty base.
- 30 Western Australia and South Australia said they did not support the introduction of elasticity adjustments more broadly. Western Australia said that elasticity estimates involve uncertainties and the Commission’s revenue bases were affected by a range of policy influences other than tax rates. South Australia said numerous policy changes had occurred over time and only considering future reforms may disadvantage states that had undertaken reforms in the past.
- 31 New South Wales and the ACT said they support an elasticity adjustment. New South Wales said stamp duty elasticity affects both the volume of transactions and the price of properties transferred. It suggested a 100 basis point (one percentage point) increase in stamp duty would reduce transaction volumes by about 10%. This was an estimate based on a literature review conducted as part of recent efforts to reform stamp duty in New South Wales.<sup>5</sup> It said this represented a superior estimate to the estimate derived by the Commission’s consultants in the 2020 Review.
- 32 New South Wales modelled the reduction in the effective rate of duty on non-residential properties due to the deductibility of stamp duty in the calculation of capital gains tax liabilities. Based on that modelling, it reduced its proposed

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<sup>5</sup> New South Wales’ elasticity estimate was based on international and Australian research.

elasticity to 9.75%.<sup>6</sup> It said this was a conservative estimate since it captured only the effect of changes in transaction volumes, not price effects. It said an adjustment based on its proposed elasticity would be material at the \$12 per capita data adjustment threshold.

- 33 New South Wales said one of the reasons given by the Commission for not adopting elasticity adjustments in its 2020 Review draft report was unsatisfactory. It said that given the materiality of the proposed elasticity adjustment it did not support the Commission's 2020 Review conclusion that it was not clear that equalisation was improved by making an adjustment to one assessment and not others. It said this ignored the fact that different tax bases have different elasticity effects. New South Wales said the Commission should introduce elasticity adjustments in all revenue assessments where they are material. The ACT agreed. It said elasticity adjustments were a practical way to address the policy neutrality concerns of tax reforms. It said the issue was becoming increasingly important given its continuing tax reform program. The ACT said if the elasticity adjustments were not introduced in the 2025 Review, they should be included in the consideration of method changes between reviews.

### **Commission response**

- 34 In deciding whether to make an elasticity adjustment the Commission considered the conceptual case, practicality, complexity and materiality.

#### **Conceptual case**

- 35 The Commission accepts there is a conceptual case for elasticity adjustments. If the differences in state tax rates have material effects on their observed revenue bases, incorporating elasticity adjustments (providing they can be measured reliably) would improve the policy neutrality of the assessment.

#### **Identifying robust elasticity effects**

- 36 In the 2020 Review, the Commission engaged consultants to test the feasibility of developing elasticity estimates for each revenue assessment. The consultants produced estimates for 5 revenue categories (see Table 1),<sup>7</sup> 4 of which were statistically significant at the time of the report (land tax, stamp duty on conveyances, insurance tax and motor taxes). The consultants found no measurable behavioural effect of changes in payroll tax rates on labour market outcomes (wages and employment). Due to data limitations and methodological difficulties, the consultants were unable to estimate elasticities for mining revenue.

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<sup>6</sup> New South Wales' modelling suggested that tax deductibility for non-residential business transactions reduced the headline stamp duty rate by about 10%. It estimated that tax deductible non-residential transactions represented about 25% of transfer duty revenue.

<sup>7</sup> Due to the national scheme for heavy vehicles, the consultants concluded an elasticity adjustment was not warranted for heavy vehicles.

**Table 1 Estimated elasticity effects**

Category	Elasticity Estimate	Interpretation
Payroll tax	Statistically insignificant	Not applicable
Land tax	-0.054 to -0.062 (CGC)	A 10 percent increase in the tax rate will reduce the overall unimproved value of taxable properties by about 0.6 percent.
Stamp duty on conveyances	-0.29 to -0.43 (CGC) -0.01 to -0.37 (Corelogic)	A 10 percent increase in the tax rate reduces the overall value of sold properties by 3-4 percent. A 10 percent increase in the tax rate reduces the value of sold properties by 0.1 to 3.7 percent, depending on the specification chosen.
Insurance tax	-0.057 (CGC)	A 1 percentage point increase in the tax rate (equivalent to about a 10 percent increase) reduces expenditure on total premiums by 0.6 percent.
Motor taxes (light vehicles)	-0.056 (CGC) -0.035 (HILDA)	A 10 percent increase in license fees reduces vehicle ownership by 0.6 percent. A 10 percent increase in license fees reduces car ownership by 0.35 percent.
Mining revenue	Could not be estimated	Not applicable

Note: The table above includes estimates based on CGC data, data from the Household, Income and Labour Dynamics in Australia (HILDA) survey, and data from Corelogic.

Source: R Steinhauser, M Sinning and K Sobeck, [State tax elasticities of revenue bases](#), Tax and Transfer Policy Institute, The Australian National University.

- 37 The consultants compared their estimates with those reported in other Australian and international studies. They concluded their estimates were conservative and within the bounds of those other studies. The consultants have been contacted as part of the 2025 Review and have confirmed that their estimates could be applied in the 2025 Review and subsequent updates.
- 38 The consultants constructed their estimates using data from Commission assessments and, for stamp duty on conveyances and motor taxes, data from other sources. The estimates based on external data were broadly similar with those based on Commission datasets. The consultants considered the estimates based on the Commission’s datasets were more appropriate for making elasticity adjustments because the data used to develop them were consistent with the data the Commission used in its assessments.
- 39 Although New South Wales’ estimate fits within the upper limit of the consultants’ estimate range,<sup>8</sup> New South Wales have said the elasticity effect should be larger because its estimate only captures changes in the transaction volumes, not price effects.

<sup>8</sup> The average effective rate of tax in 2022–23 was 4.3%. One percentage point change (to 5.3%) would be a 23% increase. This would attract a 9.75% effect using New South Wales’ estimate, and an effect between 6.67% and 9.89% using the consultants’ estimates.

- 40 The Commission considers the elasticity estimates produced by the consultants from the 2020 Review are preferable to those provided by New South Wales for 3 reasons.
- While the New South Wales' estimate was derived from both Australian and international studies, it primarily reflects international studies. International studies may not be applicable to the economic environment in Australia. The Commission does not consider it appropriate to base elasticity estimates on the economic circumstances of international jurisdictions when Australian estimates are available.
  - New South Wales' estimate accounts for only part of the elasticity effect (changes in transaction volumes only) whereas the consultants' estimates account for both price and volume effects.
  - New South Wales has provided an estimate for stamp duties only, not for other revenue assessments.

### **Complexity and practicality**

- 41 The Commission agrees with Queensland, Western Australia, South Australia and the Northern Territory that there are a number of practical concerns with introducing elasticity adjustments. They include:
- incomplete coverage of assessments
  - uncertainty over the overall direction of elasticity adjustments
  - uncertainty over the magnitude of the adjustments, particularly when the consultants provided an elasticity range rather than an estimate
  - different elasticities can apply to different parts of a tax base
  - sensitivity to the classification of revenues, including the potential for introducing volatility between updates
  - sensitivity to the tax base used, particularly whether applied before or after other adjustments imposed by the Commission
  - whether the estimates are appropriate when there are large tax rate differences
  - the inability to capture cross-elasticities
  - the added complexity and an increased reliance on Commission judgement.
- 42 The consultants provided an elasticity range for both land tax and stamp duty on conveyances. As noted above, an elasticity range implies some uncertainty over the magnitude of the elasticity effect on these tax bases. While the elasticity impact remains material for stamp duty on conveyances, regardless of whether the bottom or the top of the range is used, the impact is uncertain. The Commission would need to exercise its judgement in choosing which elasticity estimate to apply. New South Wales noted that even if the bottom of the range of elasticity estimates was used for an elasticity adjustment, this would still constitute an improvement over the current approach of making no allowance for elasticity impacts. However, the appropriateness of any estimated range is uncertain.
- 43 As noted above, different elasticity effects can apply to different parts of a revenue base. The consultants said there could be different elasticity effects for different



insurance products. While they estimated an elasticity effect of 0.6% for the entire category, it was likely the elasticity effects of different products varied significantly. Compulsory insurances, such as compulsory third-party motor vehicle insurance or mortgage insurance were likely to be more inelastic, with elasticities around 0.3-0.4%. However non-compulsory motor vehicle insurances were likely to be more elastic with an elasticity as high as 9.4%. The larger elasticity implies higher premiums could influence consumers to either stop insuring their car or reduce the level of coverage. This is consistent with the submission by New South Wales.

- 44 In its submission on land tax, New South Wales said an elasticity adjustment should only be applied to properties valued at \$5 million and above because different value ranges experience different levels of elasticity. New South Wales’ proposal assumes that most of the properties in this range would be subject to land tax, and that a smaller proportion of properties in the lower ranges are subject to land tax. This may be true for commercial properties but is unlikely to be true for residential properties. Choosing to apply an elasticity adjustment to only a subset of value ranges, or different elasticity estimates to different value ranges, would introduce more complexity and require more judgements by the Commission. It is not clear whether the additional judgements required would result in a better equalisation outcome.
- 45 Another concern is the sensitivity of elasticity adjustments to the classification of revenues. Elasticity adjustments would be dependent on states’ effective rates of tax. In its submission on insurance tax, New South Wales said the revenue from fire and emergency service levies should be included in the application of the elasticity adjustment, even though this revenue is excluded from the insurance tax assessment and assessed equal per capita in the other revenue category.
- 46 The following equation shows how the Commission would apply its elasticity adjustments in the land tax, stamp duty on conveyances and motor taxes assessments. It shows their dependence on states’ effective rates of tax and, therefore, on the revenues included in the category.

$$V_{i,n}^* = V_{i,n} \left( 1 + \varepsilon_s \left( \frac{t_{i,n}}{t_{s,n}} - 1 \right) \right)$$

Where:  $V_{i,n}^*$  = state i’s adjusted revenue base in year n  
 $V_{i,n}$  = state i’s unadjusted revenue base in year n  
 $\varepsilon_s$  = the consultants’ elasticity estimate  
 $t_{i,n}$  = state i’s effective tax rate in year n  
 $t_{s,n}$  = the average rate of tax in year n.

- 47 For the insurance tax assessment, because the consultants’ estimate is based on a percentage point change, not a percentage change, the following equation would be applied. It is as equally dependent on states’ effective rates of tax. The inclusion of

revenue from fire and emergency services levies would increase the tax rate of the states that apply those levies (New South Wales and Tasmania).

$$V_{i,n}^* = V_{i,n} (1 + \varepsilon_s(t_{i,n} - t_{s,n}))$$

- 48 The effective rates for some states can also jump between being above and below average in successive updates. For example, Tasmania’s effective rate of land tax was above the national average in 2021–22 and below in 2022–23. This means the elasticity adjustment would jump between increasing and decreasing a state’s revenue base in successive updates.
- 49 Revenue assessments are based on applying the average effective rate of tax to each state’s revenue base. If a state changes its effective rate of tax, its impact on the assessment is currently limited to its impact on the average rate of tax. If elasticity adjustments are introduced, its impact on the assessment would extend to include its impact on the elasticity adjustment.
- 50 A further concern is the appropriateness of the consultants’ elasticity estimates for extreme tax rate differences (such as when a state applies a zero tax rate). The consultants had doubts that their estimates could be extrapolated for properties that had a zero tax rate because there is a supply constraint at low tax rates. However, Table 2 shows the elasticity effects on a state’s tax base if it were to abolish a tax entirely and the Commission did not change its assessment method. In the case of stamp duty on conveyances, the tax base could be reduced by between 29% (if the bottom of the range is used) to 43% (if the top of the range is used).

**Table 2 Proportional change to a state’s revenue base if it applied a zero tax rate**

	Stamp duty on conveyances	Land tax	Insurance Tax (a)	Motor taxes (light vehicles)
	%	%	%	%
Bottom of range (b)	-29	-5.4	-8.9	-5.6
Midpoint	-36	-5.8		
Top of range	-43	-6.2		

(a) The effect of the insurance tax estimate will change between updates, as the average tax rate changes, because it is based on percentage point change, not percentage change.

(b) The consultants provided an elasticity range for land tax and stamp duty, but a single elasticity estimate for insurance tax and motor taxes (light vehicles).

Source: Commission calculation.

- 51 The consultants considered the issue of cross elasticities — the elasticity effects of a change in one tax on the revenue base for another tax. The consultants expected cross-tax elasticities to be small, with the possible exception of property taxes (land tax and stamp duty on conveyances). Considering the material GST impact of elasticities on the stamp duty on conveyances assessment, the Commission notes that by excluding cross-elasticities it might not fully capture all the material elasticity effects.
- 52 Whether an elasticity adjustment uses the revenue base before or after existing adjustments can also have significant impacts on states’ assessed revenue

capacities. This is specifically relevant for the land tax and stamp duty on conveyances assessments, which apply a value distribution adjustment to the states' revenue bases that significantly affects their tax rates. The Commission considers it would be more appropriate to apply the elasticity adjustment before the value distribution adjustment, as this more closely reflects the states' actual revenue base, and therefore the actual experiences of the state. However, this is an additional judgement made by the Commission that would have significant impacts on the states' assessed GST need. For example, applying it before the value distribution adjustment would reduce New South Wales' assessed GST needs, and applying it after would increase its assessed GST needs. The benefits of an elasticity adjustment may not outweigh the additional complexity and reliance on Commission judgement it would introduce.

### Parameters for implementation

- 53 Introducing elasticity adjustments as part of the 2025 Review could account for the effects on assessments of some types of state tax reform post review. However, this may not always be the case. Alternative adjustments may be more appropriate depending on the nature and impact of the reform. Therefore, the Commission would still need to consider the details of each individual reform and consult with states on the appropriate response. If a reform was to occur between reviews, the Commission would follow the consultation process outlined in the chapter on flexibility to change methods between reviews. Otherwise, the Commission would follow its usual process of consultation as part of a review.

### Commission draft position

- 54 Given the significant complexities and uncertainties involved in implementing an elasticity adjustment, the Commission proposes not to introduce an elasticity adjustment in any revenue assessment for the 2025 Review.
- 55 Following the 2025 Review, the Commission will continue to consider how the complexities and uncertainties associated with an elasticity adjustment might potentially be addressed. This would be in preparation for the next methodology review as well as being consistent with Victoria's proposal that the Commission provide guidance on how stamp duty assessments could include elasticity adjustments if state policy reforms became material.

### Treatment of non-real property

- 56 States agreed to abolish stamp duty on non-real property as part of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations 1999* (the IGA). The Northern Territory abolished duty on non-real property from 9 May 2023. Queensland and Western Australia remain the only states imposing non-real property duty.

- 57 Currently, revenue from the transfer of non-real property is assessed equal per capita in the other revenue category. Queensland said it supported retaining this approach. Victoria and South Australia did not.
- 58 Victoria said the equal per capita treatment was not policy neutral. It said states that ignored their obligations to abolish these duties should not benefit, and states that fulfilled their obligations should not be punished. It said revenue from these transactions should be assessed actual per capita. South Australia said the Commission should develop a capacity measure for these transactions even if there are difficulties in measuring capacity for those states that do not impose the tax.

### **Commission response**

- 59 Two states impose duties on non-real property. The interstate distribution of non-real property transactions is very different from the interstate distribution of real property transactions.
- 60 The Commission has no reliable way to estimate the value of non-real property in the 6 states that do not impose duties on non-real property. It is more practical and simpler to not assess capacity for the states that do not impose these duties.

### **Commission draft position**

- 61 The Commission proposes to continue assessing duties on non-real property transfers equal per capita in the other revenue category.

### **Value ranges**

- 62 South Australia said there has been significant growth in the total value of property transferred since the 2020 Review. To reflect this change, it said the Commission should increase the number of value ranges by further splitting the value ranges above \$1.5 million. South Australia said it would be able to provide data for any new value ranges.

### **Commission response**

- 63 The Commission captures the average state policy to apply progressive rates of stamp duty by assessing revenue capacity by value range. The Commission keeps its value ranges consistent between reviews to ensure state data providers can efficiently extract the data from their systems. The Commission uses an extended number of value ranges to ensure the assessment captures the progressivity of states' tax rates, regardless of changes to states' legislated rates and property cycles.
- 64 Currently, the stamp duty on conveyances assessment has 18 value ranges. In the 2020 Review, the Commission split the top value range (\$1.5 million plus) into 3 value ranges. In this review, South Australia has suggested the Commission further split these 3 value ranges.

- 65 The Commission has not chosen the number of value ranges based on the materiality of those ranges. Rather, the choice of value ranges aims to capture the progressivity of stamp duty, while avoiding the need to vary those ranges in updates following changes to states' tax policies. Nevertheless, the 2020 Review split of the top value range (over \$1.5 million) into 3 value ranges was not material in the 2024 Update.<sup>9</sup> This suggests there is no need to further split these upper ranges in the 2025 Review.
- 66 The Commission considered the case for reducing the number of lower value ranges. However, fewer value ranges would reduce the progressivity of the assessment for only a marginal gain in simplicity. In addition, the existing split of value ranges up to \$1.5 million was material in the 2024 Update. Therefore, the Commission proposes to retain its existing value ranges.

### Commission draft position

- 67 The Commission proposes to retain the existing value ranges. It considers this provides the best balance between appropriately capturing the progressivity of state tax rates and avoiding the need for frequent changes to those ranges following changes to states' rates and thresholds (which would be impractical for state data providers).

## Draft 2025 Review assessment method

- 68 Following consideration of state views, the Commission proposes to retain the 2020 Review assessment method.
- 69 Table 3 shows the proposed structure of the 2025 Review stamp duty on conveyances assessment.

**Table 3 Proposed structure of the stamp duty on conveyances assessment**

Component	Driver	Influence measured by driver	Change since 2020 Review?
Conveyance duty	Value of property transferred	Recognises that states with a greater total value of property transferred have a greater revenue capacity.	No
	Value distribution adjustment	Recognises that states with proportionally more high value property transferred, which attract higher rates of tax, have greater revenue capacity.	No

<sup>9</sup> It would not have been material at the \$40 per capita driver materiality threshold for the 2025 Review.

## Indicative distribution impacts

70 No method changes are proposed for this assessment.