

Stamp duty on conveyances

Review outcomes

- The Commission considered the following, but no changes were made to the assessment.
 - Revenue from the New South Wales property tax will continue to be assessed with land tax since the scheme is closed and a separate assessment is unlikely to become material. An adjustment will not be made to the value of property transactions in New South Wales because the property tax is unlikely to have materially affected the total value of properties transferred.
 - A separate assessment will not be introduced for Victoria’s commercial and industrial property tax since it will not raise revenue until 2034–35. An adjustment will not be made to Victoria’s value of property transactions for the reform, but the Commission will continue to monitor for potential elasticity effects after the tax is introduced.
 - There will continue to be no elasticity adjustment for the ACT’s stamp duty on conveyances reform as the Commission has not identified a significant elasticity effect flowing from the reform.
 - More broadly, elasticity adjustments will not be introduced in revenue assessments in the 2025 Review, including stamp duty on conveyances. The Commission will consider, in consultation with the states, how the significant complexities and uncertainties associated with the implementation of elasticity adjustments might potentially be addressed as part of its forward work program for the next review.
 - The number of value ranges will be retained because a further split is not expected to make a material difference to the assessment.
 - Revenue from duty on non-real property will continue to be assessed equal per capita in the other revenue category.

Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission’s [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
 - an overview of the issues considered throughout the review
 - the Commission’s response and decision on each issue

- 5 A description of the assessment method can be found in the stamp duty on conveyances chapter of the *Commission's Assessment Methodology*.

Issues considered

New South Wales' property tax revenue

- 6 From 16 January 2022, New South Wales introduced the First Home Buyer Choice, a scheme that allowed first home buyers to choose to pay an annual property tax instead of stamp duty.¹ The scheme was open to first home buyers who purchased a property valued up to \$1.5 million or who purchased vacant land not exceeding \$0.8 million in value.
- 7 New South Wales closed the 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 raised \$2 million in revenue from its property tax in 2022–23 and estimates it will raise \$55 million over the 5 years to 2027–28.²
- 8 The ABS Government Finance Statistics classifies revenue from the property tax as land tax. The Commission proposed continuing to assess the revenue from the property tax in the land tax category.

State views

- 9 Most states supported the proposal to assess the revenue from the New South Wales property tax with land tax. Western Australia said the property tax has a different tax base than other land-based taxes and should be assessed separately if material.

Commission response

- 10 The New South Wales property tax differs from stamp duty because it is an annual charge. It differs from land tax because it is not applied to a landowner's aggregate land holdings, but it is applied to principal places of residence. Only a subset of properties are liable for the tax – those that opted into the scheme when it was active.
- 11 The Commission would consider a separate assessment of the property tax if reliable data were available to support that assessment and it was material. However, given the relatively small amount of revenue raised and that the scheme is closed to new applicants, a separate assessment is unlikely to be, or become,

¹ The scheme included a transitional period so that eligible first home buyers who signed a contract of purchase between 11 November 2022 and 15 January 2023 were able to opt-in to the new property tax.

² New South Wales Government 'Table 4.4 General government sector – summary of taxation revenue' [2024–25 Budget Paper No. 01](#) NSW Government, 2024.

material. On practicality grounds, the Commission will continue to assess the New South Wales property tax revenue in the land tax category.

Commission decision

- 12 The Commission will assess revenue from the New South Wales property tax with land tax.

Elasticity adjustments – existing and recent tax reform

- 13 The Commission considered the appropriateness of an adjustment to states' stamp duty on conveyances revenue bases in response to reforms to replace stamp duty on conveyances with a property tax. In particular, the Commission considered 3 state reforms:
- New South Wales' First Home Buyer Choice scheme
 - Victoria's commercial and Industrial property tax
 - the ACT's phased replacement of stamp duty on conveyances with general rates revenue.

State views

- 14 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.
- 15 States also commented on the merits of the Commission implementing elasticity adjustments more broadly than in instances of tax reform. The broader case for elasticity adjustments is considered in the next section.

Commission response

- 16 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's reform will have 2 key parts. The first key part is a government-facilitated transition loan. The first time a commercial or industrial 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 loans 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. 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 - at the time of

purchase, 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 with a new property tax will occur gradually. The Commission will continue to monitor for 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 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%.
- 22 The Commission has not identified a significant elasticity effect flowing from the ACT's reform. While growth in taxable property values in the ACT has generally exceeded the national average over the period since 2012–13, it has been similar to Tasmania's growth and a little higher than South Australia's growth. The ACT's consultants found a small to zero effect on the ACT's stamp duty tax base flowing from the ACT's reform.³ They found a slight increase in property sale prices was more than offset by a decrease in number of sales. Overall, the Commission considers any relevant adjustment for the ACT's reform is unlikely to have a material effect on its assessed revenue capacity.

Commission decision

- 23 The Commission will not adjust New South Wales' value of property transferred for the effects on values transferred of its First Home Buyer Choice scheme because an adjustment is unlikely to be material.

³ The ACT's consultants suggested the results should be interpreted with caution. R Breunig, HA La, R Steinhauser and Y Vidyattama, [Analysis of the impacts and outcomes of the ACT tax reform](#), Tax and Transfer Policy Institute, The Australian National University, 2020.

- 24 The Commission will not make an elasticity adjustment for the Victorian property tax reform because it is unlikely to be material. However, it will continue to monitor for potential elasticity effects after the new property tax is introduced.
- 25 The Commission will not introduce a separate assessment of Victoria's commercial and industrial property tax since it will not generate any revenue until 2034–35.
- 26 The Commission will not adjust the ACT's value of property transferred for the effects of its stamp duty on conveyances reform as the Commission has not identified a significant elasticity effect flowing from its reform.

Elasticity adjustments – the broader case

- 27 In response to state comments, the Commission considered the merits of applying elasticity adjustments to its revenue assessments more broadly. Elasticity adjustments would recognise that a state's tax rate can affect the size of the relevant tax base. A state with an above-average tax rate may have a smaller observed revenue base than if it were to apply the average tax rate, and vice versa. In theory, if the elasticity effects on an observed revenue base could be reliably measured and were material, applying an elasticity adjustment would improve the policy neutrality of the assessment.
- 28 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), 4 of which were statistically significant (land tax, stamp duty on conveyances, insurance tax and motor taxes).⁴ 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.
- 29 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.

⁴ 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 Commission data, data from the Household, Income and Labour Dynamics in Australia 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, 2018.

- 30 Given the significant complexities and uncertainties involved in implementing elasticity adjustments, which were outlined in the Draft Report, the Commission proposed not to introduce them in the 2025 Review. Instead, it proposed to consider how those complexities might be addressed in preparation for the next review.

State views

- 31 Victoria, Western Australia and the ACT said they supported consideration of elasticity adjustments as part of the forward work program. Victoria said the focus should be on mitigating the policy influence of land tax reforms, as they are the most relevant and material. Western Australia said that the forward work program should consider all policy influences on revenue bases, not just tax rates. The ACT initially said that, given its materiality, an elasticity adjustment should be made for stamp duty on conveyances. It subsequently supported inclusion of elasticity adjustments in the forward work program.
- 32 Queensland, South Australia and the Northern Territory said they did not support the introduction of elasticity adjustments. Queensland said elasticity adjustments would introduce substantial complexities to the assessments with the results unlikely to have the same rigour as the rest of the assessments. South Australia said there is no robust way of differentiating the impacts of behavioural changes and general changes to market conditions. It said numerous policy changes had occurred over time and only considering future reforms may disadvantage states that had undertaken reforms in the past.

- 33 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 in the stamp duty assessment, the adjustment should account for the impact of the absence of land tax on the Northern Territory's stamp duty base.
- 34 New South Wales said elasticity adjustments should be introduced in the 2025 Review. It said a decision not to make any elasticity adjustments would represent a significant departure from fiscal equalisation. It said the Commission seemed less tolerant of uncertainty or complexity with respect to elasticity than with respect to other adjustments.
- 35 New South Wales said not adjusting for known significant effects on the basis that the same adjustment cannot be applied across all taxes implied equalisation was secondary to a desire for completeness. It said elasticity effects in mining revenue were unlikely to be material. It said the Commission should introduce elasticity adjustments in all revenue assessments where they were material.
- 36 New South Wales said uncertainty over the magnitude of elasticity adjustments was not a valid reason for excluding elasticity adjustments entirely. It said adopting elasticity estimates at the bottom of the range of the estimates produced by the consultants engaged for the 2020 Review would be an improvement over no elasticity adjustment. New South Wales said that while elasticity adjustments can be sensitive to the classification of revenues, the scope for misclassification of revenues is less problematic than for state expenditure. It said, while elasticity adjustments could introduce volatility in successive updates, it was unaware of a decision by the Commission to favour stability over equalisation.
- 37 New South Wales said the magnitude of divergence of states' rates of land tax and stamp duty did not invalidate the elasticity estimates provided by the Commission's consultants. It said its analysis showed cross-elasticities between the 2 revenue sources were unlikely to be material. It said elasticity adjustments should be applied to revenue bases after any value distribution adjustments to ensure they are applied to differences in tax rates between states for properties of the same value.

Commission response

- 38 The Commission recognises there is a conceptual case for elasticity adjustments. However, it considers there are several practical considerations in making such adjustments. Each of those considerations would increase the degree of uncertainty in the assessments.
- 39 A key concern is the sensitivity of elasticity adjustments to the classification of revenues to the Commission's assessment categories. In the absence of an elasticity adjustment, the classification of revenues only affects an assessment through the *average* tax rate. An elasticity adjustment is applied to the difference between a state's actual effective tax rate and the average tax rate. With an elasticity

adjustment, the classification of revenues will also affect a state's assessed revenue capacity via its *actual* tax rate. This places a greater focus on the consistency and appropriateness of revenue classification than in all other assessments.⁵

- 40 Similarly, decisions on where to assess the revenue from new taxes or surcharges, or misclassification in state reporting, could result in large changes in elasticity adjustments in future updates (particularly for stamp duty on conveyances). The consequent changes in assessment outcomes may be difficult to verify and explain.⁶ The Commission is concerned that volatility in those assessment outcomes could arise from the elasticity adjustment, rather than from any actual change in the value of property transactions. This emphasises the importance of detailed consultation with states on the appropriate method and assumptions before an elasticity adjustment is introduced.
- 41 Leaving aside uncertainties associated with the classification of revenues, the broad direction of an individual elasticity adjustment is clear. A state with an above-average tax rate will have a smaller observed revenue base than if it were to apply the average tax rate. An elasticity adjustment will increase the state's assessed revenue base. However, the magnitude of an elasticity effect is less clear. For example, the consultants engaged for the 2020 Review produced 2 ranges of elasticity estimates for the stamp duty on conveyances assessment. New South Wales said adopting an elasticity adjustment based on the bottom of the range of estimates produced by the consultants would be an improvement over no elasticity adjustment. However, other states either oppose any adjustment or endorse the need for further work and consultation on dealing with the uncertainties and complexities involved before making such an important decision.
- 42 The Commission notes there are several other implementation issues that also need to be resolved in consultation with states. These include whether the estimates can be appropriately applied where there are large tax rate differences (such as where a state has abolished a tax), the potential for different parts of a revenue base to be subject to different elasticities, and the possibility of cross-elasticities between different taxes. More detail of these can be found in the [Draft Report chapter on stamp duty on conveyances](#).
- 43 Given the complexities and uncertainties involved, and the concerns raised by other states, the Commission considers that further work and consultation after the 2025 Review is required before the introduction of elasticity adjustments.
- 44 Introducing elasticity adjustments may not always be able to deal with future state tax reform. Alternative adjustments may be required depending on the nature and

⁵ For example, the Commission decided to assess foreign purchaser surcharges in the stamp duty on conveyances assessment. This increased the average rate of tax in the assessment. If the assessment included an elasticity adjustment, including revenue from those surcharges in the category would increase the effective tax rates of the states that impose them and, therefore, the size of the elasticity adjustment when there had been no change in legislated rates of stamp duty (excluding the surcharge).

⁶ For example, Tasmania's effective rate of land tax was above the national average rate in 2021–22 and below in 2022–23. This means an elasticity adjustment would jump between increasing and decreasing Tasmania's assessed revenue raising capacity.

impact of the reform. The Commission would still need to consider the details of each individual reform and consult with states on the appropriate response. More detail on the consultation process the Commission could follow in the event of major state tax reforms can be found in the flexibility to change methods between reviews chapter of *Review Outcomes*.

Commission decision

- 45 The Commission will not apply an elasticity adjustment to its revenue assessments in the 2025 Review, including stamp duty on conveyances.
- 46 As part of the Commission's forward work program, it will consider, in consultation with the states, how the complexities and uncertainties associated with elasticity adjustments to revenue assessments might potentially be addressed in preparation for the next review.

Value ranges

- 47 In response to state comments, the Commission considered the number and size of its value ranges. The assessment disaggregates the value of taxable land holdings into 18 value ranges to capture the progressivity of state stamp duty rates and the different distributions of those values across states.

State views

- 48 South Australia said the Commission should increase the number of value ranges in the higher ranges to account for recent growth in land values. It said when considering the materiality of applying different value ranges the Commission should use the \$12 data adjustment threshold rather than the \$40 driver threshold. Other states either said they supported the 18 value ranges or did not comment.

Commission response

- 49 The Commission captures the average state policy to apply progressive rates of stamp duty by assessing revenue capacity by value range. It has not chosen the number of value ranges based on their materiality. Rather, the size and number of value ranges was intended to ensure the assessment remains sufficiently robust to cover future changes in states' rates and thresholds, without the need for frequent changes to those ranges (which would be impractical for state data providers).
- 50 To reflect the upward trend in property values, the Commission split the highest value range (\$1.5 million plus) into 3 separate ranges in the 2020 Review. The split did not make a material difference to the assessment in the 2024 Update. Any further split is unlikely to make a material difference to GST distribution but would require the Commission to collect additional data to test whether this is the case.
- 51 More generally, the Commission's assessment guidelines distinguish between driver and data adjustment materiality thresholds. The Commission considers that adding a

subdivision to an assessment (such as an extra age band in an expense assessment) is equivalent to adding a driver that explicitly recognises the expense needs of that subdivision. The \$40 per capita threshold is appropriate in those circumstances. In contrast, a data adjustment is intended to improve comparability or reliability of data across states.

Commission decision

- 52 The Commission will continue to assess stamp duty on conveyances in the 18 value ranges specified in the 2020 Review.

Treatment of non-real property

- 53 In response to state comments, the Commission considered its treatment of stamp duty on non-real property. States agreed to abolish stamp duty on non-real property as part of the *Intergovernmental Agreement on Federal Financial Relations 2008*. The Northern Territory abolished duty on non-real property from 9 May 2023. Queensland and Western Australia remain the only states imposing non-real duty.⁷
- 54 The distribution of non-real property across states differs significantly from that of real property. Therefore, revenue from duty on non-real property is assessed equal per capita in other revenue rather than in the stamp duty category. The Commission proposed to continue this treatment.

State views

- 55 Queensland said it supported assessing the revenue from non-real property duty equal per capita in the other revenue assessment. It said estimating a revenue base for states which do not tax these transactions would not be practical. South Australia said the Commission should develop a separate capacity measure for non-real property transactions.
- 56 Victoria said the equal per capita assessment was not policy neutral and incorrectly and unfairly attributed revenue raising capacity to states that had fulfilled their obligations under the *Intergovernmental Agreement on Federal Financial Relations 2008*. It said revenue from these transactions should be assessed actual per capita.

Commission response

- 57 Two states impose duties on non-real property. The interstate distribution of non-real property transactions across states is very different from the interstate distribution of real property.
- 58 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 will, therefore,

⁷ New South Wales still imposes duty on plant and equipment.

continue to assess revenue from non-real property transactions equal per capita in the other revenue category.

- 59 The Commission considers an actual per capita assessment of duty on non-real property is not appropriate. An actual per capita assessment would imply the relative capacity to raise non-real duty is proportional to the actual revenue raised. An actual per capita assessment is only appropriate where there are no policy differences between states. Consistent with its supporting principles, the Commission measures revenue raising capacity with reference to what states do on average. It does not make a judgement about what states could or should do.
- 60 The Commission rejected similar proposals for an actual per capita assessment in the 2015 and 2020 Reviews. It noted that states that had not abolished the duty had not been penalised and concluded the *Intergovernmental Agreement on Federal Financial Relations 2008* could not be regarded as binding.

Commission decision

- 61 The Commission will continue to assess revenue from duty on non-real property equal per capita in the other revenue category.

GST impacts of method changes

- 62 There are no method changes to this assessment.