

National Media Release CoreLogic RP Data Property Pulse

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Property taxation revenue continues to rise

The Australian Bureau of Statistics (ABS) has just released government taxation for the 2014-15 financial year which shows that a majority of state and local government taxation revenue comes from property.

In the 2014-15 financial year, state and local government taxation revenue was recorded at \$89.278 billion having increased by 7.0% over the year. The taxation revenue was comprised of \$45.203 billion or 50.6% from property. While total tax revenue increased 7.0% over the year, property tax revenue increased by 10.5% highlighting that property taxes are the largest source of taxation revenue for state and local governments and are rising at a rapid pace.

Interestingly, since the 1999-00 financial year, total state and local government taxation revenue has increased by 103% compared to a 150% increase in property taxation. Again, this highlights the importance of property taxes for these two levels of government.

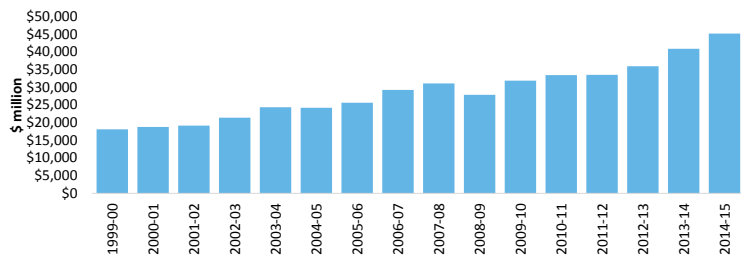
Taxes on property are split into two broad categories, taxes on immovable properties which includes the following sub-categories: land tax, rates and other, and taxes on financial and capital transactions which includes: financial institutions transaction taxes, government borrowing guarantee levies, stamp duty on conveyances and other stamp duties. The chart shows the value of taxation revenue from the two broad categories over time. In 2008-09, taxes on financial and capital transactions fell away dramatically while taxes on immovable property continued to rise. More recently taxes on immovable property have continued to steadily increase while taxes on financial and capital transactions have also ramped up significantly.

The two largest sources of tax are: stamp duties on conveyances and municipal rates which account for 40.8% and 35.4% of total tax revenue respectively. The only other significant source of tax revenue is land tax accounting for 14.8% of revenue. Over recent years the value of taxation revenue from municipal rates and stamp duty has increased substantially while land tax increases have been limited. The fact that stamp duty is now the greatest source of tax revenue for state and local governments must be of some concern. This is due to the fact that it is a tax on transactions unlike municipal rates and land tax which are taxes on the property. Transaction taxes are entirely reliant on the market and while they surge when values and transactions are rising, when either or both fall this source of revenue drops significantly (see 2008-09).

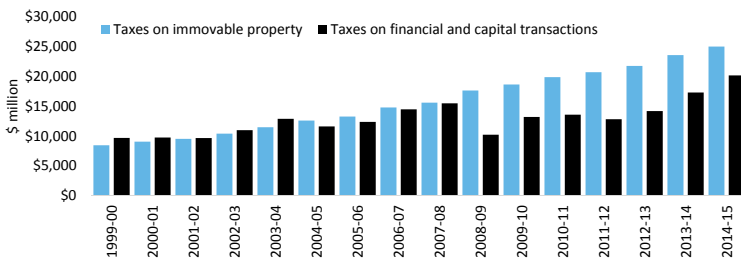
Across the individual states and territories, property tax revenue across the three largest categories (land tax, municipal rates and stamp duty) is highlighted within the table. Over the most recent financial year, stamp duty has been the largest source of tax revenue in NSW, Vic and NT while in all other states municipal rates is the largest source of tax. For NSW and Vic in particular it highlights the strong increases in home values across those states throughout 2014-15. NSW is experiencing the largest surge in stamp duty revenue, up 98% over the five years to 2014-15.

Property taxes are the most important sources of revenue for state and local governments however, the reliance on volatile stamp duty revenue provides challenges for these governments. This is a good reason to advocate for the replacement of stamp duty with universal land taxes. Although no one likes a new tax, it provides more revenue certainty to local and state government and it doesn't deter the buying and selling of properties like stamp duty's impost can.

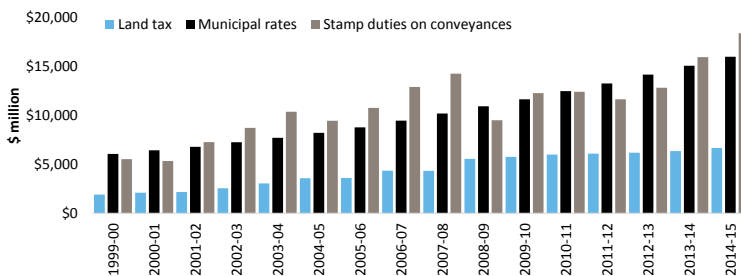
Value of property taxation revenue to state and local governments



Value of property taxation revenue to state and local governments by category



Value of property taxation revenue, land tax vs. municipal rates vs stamp duty



Value of property taxation revenue, land tax vs. municipal rates vs stamp duty by state (\$million)

Fin yr	Tax type	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
1999-00	Land Taxes	\$900	\$411	\$220	\$133	\$195	\$27	\$0	\$31
	Municipal rates	\$2,075	\$1,427	\$1,137	\$510	\$627	\$150	\$42	\$100
	Stamp duty	\$2,406	\$1,294	\$767	\$313	\$585	\$49	\$34	\$83
2004-05	Land Taxes	\$1,646	\$848	\$419	\$256	\$315	\$44	\$0	\$56
	Municipal rates	\$2,521	\$2,170	\$1,559	\$738	\$869	\$199	\$57	\$124
	Stamp duty	\$3,282	\$2,337	\$1,728	\$561	\$1,218	\$131	\$73	\$141
2009-10	Land Taxes	\$2,296	\$1,178	\$1,033	\$553	\$519	\$91	\$0	\$98
	Municipal rates	\$3,171	\$3,148	\$2,456	\$1,018	\$1,329	\$276	\$83	\$188
	Stamp duty	\$3,739	\$3,604	\$1,978	\$784	\$1,615	\$163	\$126	\$283
2014-15	Land Taxes	\$2,467	\$1,753	\$977	\$559	\$738	\$84	\$0	\$96
	Municipal rates	\$3,963	\$4,468	\$3,363	\$1,372	\$1,996	\$363	\$113	\$376
	Stamp duty	\$7,388	\$5,067	\$2,698	\$907	\$1,686	\$193	\$265	\$216