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CORNER**

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POLICY FACT SHEET:

**NO INCREASES
TO STATE
PROPERTY
TAXES**

2017 STATE ELECTION



REIWA

THE ISSUE:

Property taxes like transfer duty largely impacts affordability and mobility. In an already soft property market the situation is exacerbated.

WHY:

Transaction costs can be a burden on investors, first-home buyers and trade-up buyers. At present, the transfer duty on a median priced house in the Perth Metropolitan Region of \$520,000 is \$18,715.

As many households do not have the full transfer duty amount saved up when purchasing a property, they often borrow this amount which, over a 25 year mortgage, inflates to \$33,645 using an interest rate of 5.25 per cent¹. This represents an additional \$112.15 per month in mortgage repayments, due to the transfer duty.

Against the national average full-time adult ordinary earnings, this reduces the purchasing power of that

individual by two per cent, over the course of their loan². Any increase to property taxes will diminish affordability and reduce flexibility for trade-up buyers and downsizers, or resizers, to relocate to housing that better meets their needs and wants.

Throughout 2016, a softening of the residential and commercial markets was observed, with declining sales volumes and extended average selling or leasing days. Any upward adjustments to property taxes will only deter sales activity in a slowing market and have a negative effect on the State budget, with fewer transactions generating transfer duty revenue.

FACTS:

- In the 2016-17 State budget, the WA State Government collected \$1,356 million in transfer-duty revenue from all residential and commercial transactions³.
- Sales volumes in the year to November 2006 were 71,663 compared to the year to November 2016 which recorded 34,138 transactions. This represents a decline of 52 per cent over the period.
- Ordinary weekly earnings for an adult working full time is \$1,516⁴.
- REIWA research shows that households used to move every 14 years in the 1990s and now they move around every 20 years.

ACTION:

REIWA calls on all political leaders to rule out any increases in property taxes and commit to undertake a State tax review.

The review will help to find a more sustainable way to generate revenue for the State, and make property taxes simpler and fairer in order to keep WA growing.

¹ RBA Lending Indicator Rates F.5: owner-occupied housing loans standard variable rates as at December 2016

² ABS, Cat 6302.0

³ 2016-17 State Budget, Budget Paper No.3.

⁴ ABS, Cat 6302.0