

Stamp duty and the layers of missed opportunity

For Immediate Release

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The real estate industry has for years argued for the removal of stamp duty. We've called it inefficient, unreasonable, unfair, an unnecessary burden and, behind closed doors, even worse. But now, as COVID-19 threatens to tear the economy apart, a substantial reduction of stamp duty represents a lifeline.

This is not just about the housing industry, there are layers of opportunity that would be revealed by a significant reduction in the rate of stamp duty.

"Obviously, there are immediate economic benefits stemming from an increase in residential transactions," says CEO Tim McKibbin. "Yes, there's agents, but there's also the marketers, the signage producers, the copy writers, the photographers, the IT gurus, the stylists, the surveyors, the conveyancers, the pest and building inspectors, the removalists and more. The list goes on and on."

"A property transaction sets in motion a ripple effect of other immediate business opportunities. And there's a longer game at play too," says Mr McKibbin.

The current median house price in Sydney (as at the end of March 2020), according to CoreLogic, is \$882,849. The purchase of a home for this price incurs stamp duty of just over \$35,000.

"Then consider this. When people buy a new home, they typically want to personalise it. Make it theirs. Fix a few things up. Change this and that. A new coat of paint, fresh carpet, new floorboards, some new furnishings and fixtures. Or perhaps it's more substantial: knock out a wall, convert the study to a nursery, replace the bathroom, re-do the kitchen," says Mr McKibbin.

"They could really use a portion of the stamp duty that is thrown away on the purchase. And the painters, tilers, chippies, carpet layers, cabinet makers, whitegoods specialists and every other conceivable goods or services supplier would love that buyer to have that money in their pocket too."

"But they can't. That money is being withheld from the economy. At this, of all times in our history, as COVID-19 inflicts generational damage. It must change."


"That stamp duty destined for the NSW Government's coffers could otherwise be distributed through the economy, to benefit a multitude of businesses, to reduce the size of the stimulus needed, to support workers at this terrible time."

"And here's the kicker: because that stamp duty tax is there, the initial real estate transaction that could trigger this chain of events often doesn't occur in the first place. It's that significant a barrier, and even more so right now."

This past weekend we saw clearance rates dip to 39.8%, the lowest level for this year; this is an enormous drop compared to the clearance rates of more than 80% back in February. Added to this, a significant number of properties have been withdrawn from auction. Very quickly, the market rebound that defied the odds and rose to prominence in the second half of 2019, to give our entire economy the shot in the arm it needed, has been quashed.

In this COVID-19 world, the goal posts for every industry are shifting. Every business owner and operator are trying to keep the wheels turning. For real estate, and every business in the flow-on supply chain, stamp duty is the brake.

The way we did things a month ago is not the way we do things now; business has had to reinvent itself. The State Government needs to get with the times and slash 75% off the stamp duty rate. Let's face it, 25% of something is a lot better than a 100% of nothing!

REINSW CEO, Tim McKibbin is available for comment. 

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About REINSW

The Real Estate Institute of New South Wales (REINSW) is the peak industry body for real estate agents and property professionals in NSW. It represents more than 2000 agencies across residential sales, property management, commercial, strata management, buyers' agency, agency services and auctioneering.

Established in 1910, REINSW works to improve the standards, professionalism and expertise of its members to continually evolve and innovate the industry. It lobbies the government and industry on behalf of members, develops new products and services to benefit agencies and professionals, and offers training and ongoing professional development. For more information, visit reinsw.com.au.