



33 Moore Street, East Perth 6004
Ph: 08 9325 6660; Fax: 08 9325 8113
Email: shelterwa@shelterwa.org.au

Submission to State Tax Review

Introduction

This paper is submitted by Shelter WA as part of the State's Tax Review. The provision of affordable home ownership and appropriate housing that meets the future needs of society is the overall objective of this submission. The paper considers current economic conditions, current taxes, the R-Codes, State government planning objectives and their impact on housing provision. Initiatives that meet the above objectives will be discussed.

Affordable Housing

Housing affordability is an outcome of the relationship between current economic conditions, housing prices and wages. The benefits of providing affordable housing are broad and range from maintaining economic growth to providing conditions for family stability¹. However, due to the combination of increases in property value and in building costs, affordable housing is identified as an area of growing concern in Western Australia².

The current economic conditions, as reported by the government, are as follows³:

- Dwelling investment is strong but likely to decline in 2005-6 by 1%.
- House prices rose by 11.2% over the year to March 2005.
- CPI has increased by 3.2% with rising housing costs being a major contributor
- Ownership transfer costs have increased by 2.2%

The impact of the current economic conditions are multiple. The effect of increasing housing costs has been to increase CPI and increase house prices. Hence those people on lower incomes will have increasing difficulty finding affordable accommodation. This is compounded by the increase in ownership transferral costs. As those costs comprise 25% of the total value of a dwelling, this is an added pressure on house price and affordability.

With the increase in CPI there are potential inflationary pressures which may have an impact on overall consumption and prices. While a decline did not occur in the year to March, a drop in consumption was expected by the Treasury Dept⁴.

From a housing perspective it is important to encourage conditions that will meet future housing needs. In particular, the need to generate diverse housing stock that will meet the needs of changing demographics and an aging population. Further, Network City has identified the need for managing and increasing housing density in inner urban areas as a means of generating diversity⁵. However, density on its own does not automatically create an affordable housing market. New housing developments should consider universal access principles, increased density, smaller blocks and generating smaller homes. With potential inflationary pressures and rising

¹ Milligan, V. 2005, *Directions for Affordable Housing Policy in Australia; Outcomes of a Stakeholder Forum*, AHURI Sydney Research Centre, Sydney

² Eringa, K. 2004, *The State of Affordable Housing in WA, 2004*, Shelter WA, Perth.

³ Department of Treasury and Finance, 18 August 2005, *Western Australian Economic Summary*, Available online at http://www.dtf.wa.gov.au/cms/uploadedFiles/ecosum_autumn2005.pdf [Accessed on 4.10.05]

⁴ Ibid

⁵ Department of Planning and Infrastructure, September 2004, *Network city: community planning strategy for Perth and Peel*, Western Australian Planning Commission, Perth, p 20.

costs what incentives are there for developers to keep the final sale price of a home affordable to buyers?

Cost to government in the provision of infrastructure must also be considered. The costs of establishing new blocks in outer lying areas of Perth are substantial. If density is increased or maximised in inner urban areas then the government must also consider the increased costs of meeting their needs for example, cost of improving or creating public open space and providing more buses and cycle ways. All of the above must also be achieved in an environmentally and socially sustainable manner.

In considering any strategy and tax incentive the government must balance the costs of establishing new lots with the cost of the provision and improvements of aging infrastructure. Further, the government must also consider that if density is to be increased then with increasing costs and the added cost of retrofitting existing lots and communities, will the developer be able to afford to build to capacity.

Appropriate Housing

Appropriate housing is the provision of homes that meet the needs of occupants in terms of size and location. Appropriate housing also considers the long term life of the house and its uses. As the population ages, and to maintain the levels of independence and community support levels of individuals, it will become increasingly important to design houses along universal access and design principles⁶. While universal design is not currently mandated by the Building codes of Australia, any plans for the future planning of Perth should take account of demographic changes.

The R-Codes and Town Planning Schemes are tools that are used to determine density, diversity of housing and use of land. In reference to appropriate housing, the R-codes determine the size of houses, the size of block and numbers of bedrooms.

*Network City*⁷, is the government's tool for planning the future of Perth and Peel. It acknowledges that the demographic profile of Perth is currently, and will continue, to change for the foreseeable future. The project facilitated the discussion in the community regarding service provision, appropriate, and sustainable, housing, density and transport amongst other topics. The outcomes of Network City relating to land use and housing will be eventually translated into the R-codes for implementation.

While the intent of the two documents will be to provide appropriate housing, on their own they will not provide appropriate and affordable housing. As discussed above, developers are subject to other influences such as rising costs whilst wanting to maintain profit.

It is clear therefore that to meet stated government objectives, both economically and through Network City, there needs to be a total package that aims to ensure lifestyle, density and diversity.

⁶ Australian Bureau of Statistics, 2005, *Australian Social Trends 2005*, Catalogue No. 4102.0.

⁷ Department of Planning and Infrastructure, September 2004, *Network city: community planning strategy for Perth and Peel*, Western Australian Planning Commission, Perth.

Proposed Tax Initiatives

Shelter WA proposes the following initiatives:

1. *Housing Incentive Tax Zones*

Aims

- Maintain growth of the housing market
- Minimise inflationary pressures
- Housing to remain price competitive with other major cities
- Provision of affordable and appropriate housing
- Meet objectives of government projects such as *Network City*
- Equity
- Sustainable Community
- Cost neutral to government

Description

- Tax incentive zones established
- Zones would have boundaries
- Boundaries would be defined identified through need for higher density housing
- Examples of zones would be inner urban areas in need of revitalisation or higher proportion of low income families
- Zones would be established with predetermined timeframes of 5-10years
- Developers would provide affordable and appropriate housing in return for tax benefits
- Affordable housing to be defined according to median income of the specific zone
- Appropriate housing would include universal access design principles

Tax benefit

- Developers would donate a predetermined percentage of their before tax income
- The developer would pay a reduced taxed on the remaining proportion of income
- Land tax would still be contributed through improvement of the land
- The money would be held in a trust or reserve to be used for the provision, or upgrade, of infrastructure in that zone
- Examples of infrastructure; upgrading of public open space to meet increased population needs; provision of transport and cycle ways

Advantages

- Targeted redevelopment
- Government and business to work in partnership
- Balances need to provide extra services and infrastructure to meet population growth and finding a source of funding that is not identified as a tax
- Differs from Land Tax as direct benefit is seen in the targeted area
- Is not inflationary
- Potentially easier to manage than a redevelopment authority

- Short to medium term zoning to enable other areas to be rejuvenated in long term
- Potential to be cost neutral to government

2. *Stamp Duty on Mortgages and Stamp Duty on Conveyances: Exemptions to include transferral of ownership to the main custodial parent upon divorce*

Aim

- Equity

Description

- Exemptions to include transferral of ownership to the main custodial parent upon divorce

Benefits

- Decrease financial burden on custodial parents and children upon divorce.

3. *Stamp Duty on Conveyances: Exemption for strata titled units contained within retirement villages*

Aim

- Equity

Description

- Exemption for strata titled units contained within retirement villages

Benefits

- Decrease financial burden for Seniors

4. *Establish a Joint Committee of State Tax Review and State Housing Strategy task forces to investigate and implement tax incentives, and reforms, to achieve affordable and appropriate housing outcomes.*

Aim

- Provision of affordable and appropriate housing
- Meet objectives of government projects such as *Housing Strategy WA*
- Ensure a co-ordinated approach between government departments
- Recognises the link between affordable and appropriate housing and taxation
- Equity

Description

- Establish a Joint Committee of State Tax Review and State Housing Strategy task forces.
- The Joint Committee will consider incentives to support the achievement of affordable and appropriate housing.
- The Joint Committee will ensure that tax incentives, or any proposed tax reforms, will not be counter to the achievement of affordable and appropriate housing.

Benefits

- Ensure a co-ordinated approach to housing by government departments.

- Ensure that any proposed tax reforms in the State Tax Review are not counter to the provision of affordable and appropriate housing.
- Ensure the cost effective implementation of the Housing Strategy WA
- Ensure that tax incentives and reforms will benefit both business and housing consumers

Recommendations

Shelter WA recommends that the Department of Treasury and Finance implement the following tax reforms as part of the State Tax Reform process:

1. Develop and implement the proposed Housing Incentive Tax Zones.
2. Expediently implement the proposed exemptions in Stamp Duty on Mortgages and Stamp Duty on Conveyances for the main custodial parent upon divorce.
3. Expediently implement the proposed exemptions in Stamp Duty on Conveyances for strata titled units contained within retirement villages.
4. Establish a Joint Committee of State Tax Review and State Housing Strategy task forces to investigate and implement tax incentives, and reforms, to achieve affordable and appropriate housing outcomes.

Conclusion

The proposed new tax initiative, Housing Incentive Tax Zones, will encourage affordable and appropriate housing stock to meet the future needs of West Australians. Tax exemptions for women upon divorce and for strata titled units in retirement villages will reduce ownership transfer costs. Finally, the establishment of a Joint Committee of the State Housing Strategy and the State Tax Review will facilitate the co-ordination of government to achieve affordable and appropriate housing outcomes.

As identified in the State Tax Review, *Guide for Public Submissions*, the initiatives identified will meet established government program outcomes, be equitable and not increase implementation costs to government.