

20 November 2009

By email: [edic@parliament.vic.gov.au](mailto:edic@parliament.vic.gov.au)

Executive Officer  
Economic Development and Infrastructure Committee  
Parliament House  
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Dear Sir/Madam,

### **Inquiry into State Government Taxation and Debt**

The Tenants Union of Victoria (TUV) welcomes the opportunity to provide its views on state government taxation and debt. This submission will focus on the effects of taxation and debt on the housing system.

The Tenants Union was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 18,000 private and public renters in Victoria each year. Our purpose is to improve the status and rights of tenants in Victoria.

The TUV believes that any reform to the state taxation regime and debt levels should be conducted with a view to ensuring government has the revenue necessary to provide services for the future and that revenue is raised fairly. The adequacy of state revenue should be measured against the need for improved economic and social infrastructure. Importantly, the costs associated with an aging population and infrastructure renewal should be met in an equitable fashion. Any alterations to state taxation and debt policy should strengthen future revenue rather than contribute to a depletion of revenue capacity. We believe that any reduction in existing taxes, such as stamp duties or land tax, must be directly off set by expanding other revenue sources.

We believe in a progressive taxation system based on a broad tax base, taxing income and capital gain and thus improving equity and efficiency. In order to improve the efficiency of the Victorian taxation system, we support shifting revenue sources away from narrowly based and unstable taxes toward broader taxes.

While taxation plays a key role in the housing system, we do not believe stamp duty poses a significant barrier to entry to home ownership. While there is some evidence to suggest a negative impact on residential mobility, creating a barrier to labour market opportunities, we believe the continued strong growth in the

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first home purchase segment of the market indicates stamp duty does not pose a strong barrier for households entering home ownership. An arguable positive externality is residential stability which is an important precondition for social inclusion. The impact of stamp duties on household tax bills and housing costs is complex. Given variable price elasticities for both buyers and sellers, attributing the economic incidence or cost of stamp duties to either party is significantly more complex than many stakeholders assert.

We strongly believe increased land tax levels can make a beneficial contribution to the Victorian housing system. We argue that a land tax regime capturing the capital improvement of property is an efficient and equitable method. We do not believe there is sufficient public policy justification for recent reductions in land tax rates or application. We recommend land taxes be reviewed with a view to identifying the most equitable and progressive method to provide revenue to the state of Victoria.

We believe any tax concessions to property investors must be linked to an increase in affordable private rental stock. Tax concessions must be capable of distinguishing between high rent stock and affordable stock for low income households. We recommend that any changes to stamp duties or land tax, for example tax rate reductions or extension of the principle place of residence rates to other purchases, only be directly linked to the purchase of rental dwellings in high demand areas in which the investor has made a legally binding undertaking to provide affordable rents.

We also believe the Government should consider hypothecating taxation levied on housing (or at least a fixed proportion of such taxation) to the delivery of affordable housing and programmatic responses to failures in the housing system, such as substandard private rental housing standards.

We welcome any further opportunity to be consulted on these issues. Should any such opportunities arise, please contact me on 03 9411 1413 or 0417 138 471.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T. Archer', with a horizontal line underneath.

Toby Archer  
Policy and Liaison Worker  
Tenants Union of Victoria