

THE AUSTRALIAN Business WITH THE WALL STREET JOURNAL.

May 01, 2009 01:27am AEST

Victoria calls for end of stamp duty

Rick Wallace, Victorian political reporter | May 01, 2009

Article from: *The Australian*

THE states would scrap all stamp duties in exchange for a \$20 billion a year share of income tax revenue under a radical revamp of fiscal relations put to the Rudd Government's tax review.

The Victorian Government has proposed that the states scrap stamp duty on property, cars and other items in what it acknowledges would be the most significant tax reform since the GST.

It claims the abolition of stamp duties would stimulate investment and generate billions of dollars of additional company tax revenue for the commonwealth to help pay for the change.

Stamp duties are deeply unpopular among taxpayers because of the perception they have no justification or purpose and add significantly to the cost of housing and vehicles.

While these taxes account for a significant chunk of state revenue - more than 8 per cent in Victoria - they are volatile and difficult to forecast, particularly on property.

"There would be benefits in reducing or abolishing these taxes," the Victorian submission to the Henry review says. "In addition to other concerns, they are unpredictable, responding more than other taxes to volatility in specific markets.

"This makes them unsuitable as the basis for funding important public services, which are likely to be even more in demand in difficult economic times."

The Victorian Treasury estimates in the submission it would cost between \$15 and \$20 billion to abolish stamp duty - a burden the Brumby Government says the states cannot bear.

"Reduced or abolished stamp duties can only be realistically replaced with revenue currently collected by the commonwealth," the submission says.

"While this would represent the most significant shift in commonwealth-state financial relations since the introduction of the GST in 2000, it could significantly improve Australia's economic performance."

The submission says the shortfall could be made up by giving states access to some of the commonwealth tax base, such as personal income tax.

Victoria argues there would be no need for the commonwealth to increase income tax to pay for the reform because abolishing stamp duty would boost company and personal income tax revenue.

Forecaster Access Economics last year estimated that scrapping stamp duties would boost commonwealth tax revenue by up to \$4 billion a year, based on 2005/06 revenue data.

The proposal would see the states share income tax collected by the commonwealth, to avoid duplication, and returned to the states in which it was raised, to maximise accountability.

Victorian Treasurer John Lenders said Victoria had already implemented as much tax reform as it could without federal help.

"Since 1999 we have announced \$5.5 billion worth of tax cuts, abolished eight taxes and made major improvements to a range of other taxes," Mr Lenders said.

"But if we are to go further with our tax reforms and ensure we have enough to fund our schools, hospitals, police and other essential government services we will need a new financial relationship with the commonwealth."

Copyright 2009 News Limited. All times AEST (GMT +10).

*All times are EST. © MarketWatch, Inc. 2008. All rights reserved. Subject to the Terms of Use.
Designed and powered by Dow Jones Client Solutions. MarketWatch, the MarketWatch logo,
BigCharts and the BigCharts logo are registered trademarks of MarketWatch, Inc. Dow Jones is the
registered trademark of Dow Jones & Company, Inc. Intraday data delayed at least 15 minutes.
"Intraday data is provided by Interactive Data Real Time Services and subject to the Term of Use."
FXQuote™ provided by GTIS, an Interactive Data Company "Historical and current end-of-day data
provided by Interactive Data Pricing and Reference Data". FTSE (Footsie) is a trade mark of the
London Stock Exchange and the Financial Times and is used by FTSE International under license.*