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Media Release

New Tax Grab on Homes in ACT Budget

The ACT Government has today, as part of the 2012 Budget, effectively moved to introduce a new tax on residential housing in the Territory says Property Council ACT Executive Director, Catherine Carter.

Ms Carter said the entire community should be extremely concerned about the dramatic increase in the cost of redevelopment in Canberra, which has come about because of significant new charges which will now apply to lease variations.

“The new change of lease tax which is to apply from 1 July this year and which is to become progressively more onerous each year, will devalue existing properties with redevelopment potential. Housing values in redevelopment areas such as inner north Canberra could drop by as much as $100,000 each.

“Furthermore, the cost of residential unit development in Canberra is set to significantly increase by up to $50-60,000 per unit in some areas. This cost will inevitably be passed onto new residents though higher prices, or stop new projects altogether – raising unit prices further because of the resulting shortage of supply.

“Despite two years of discussions with government, it is clear they have not heard or understood the clear message the property industry has been giving. Simply put, and as admitted by the government’s own consultants, the new tax will lead to a reduction in the value of existing properties, and an increase in unit prices.

“The uncertainty and distortion this will create in the market will be unprecedented. It is also clear that the ACT Government is undermining its own policy priority of achieving 50 percent infill development in existing areas, which means this new tax is an anti-sustainability measure as well.

“And while government appears to believe these new measures will result in more revenue for the Territory, this will not be the case as there will be significantly fewer transactions, leading to less stamp duty. On the expenditure side however, government will now need to spend more on additional roads, community facilities and infrastructure to provide for additional greenfield development.

“Property owners and investors recognise the importance of contributing to the community’s economic well-being through taxes. But this new tax increase will be between 300 and 10,000 percent depending on the project – and that is unreasonable.

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