

## **SUBMISSION TO THE TAX REVIEW**

### Recommendations

1. Stamp duty on land conveyancing should be abolished.
2. Motor vehicle registration annual fees should be abolished.
3. In the event that additional state government revenue is needed as a result of the implementation of recommendations 1 & 2 above, this could be collected by means of an increase in vehicle-fuel excise.

### Background

The tax system needs to address, among other things, the issue of climate change. This issue has the potential to cause immense damage to Australia and to other countries (Ref 1).

It seems clear that carbon dioxide emissions must be minimised (Ref 1). This means that, among other things, the consumption of motor vehicle fuel needs to be minimised.

### Conveyancing duty

The consumption of fuel could be reduced by abolishing conveyancing duty on real estate.

Conveyancing duty has the potential to inhibit home owners from living as close as possible to their place of work. It does this by making it more costly for a home owner to sell their existing residence and move to a house close to their place of work. In other words it distorts the market.

In Victoria, for example, the duty to be paid by the purchaser of real estate costing say \$500000 is \$21970; on \$1000000 the duty is \$55000 (Ref 2).

If conveyancing duty were to be abolished, this would make it less expensive for people to move in order to reside close to their place of work, thus reducing travel time and fuel usage. Road crash casualties would be reduced in proportion to the reduction in travel.

It might be argued that any gains achieved by this measure would be marginal. However the climate change threat is sufficiently serious that no potential countermeasure should be neglected. Management of the climate change problem is likely to require the implementation of many different countermeasures

There might also be some side benefits, eg it might be slightly easier for employers to recruit well-qualified staff. However the key issue is the environment.

Similar considerations apply to the purchase of non-residential property. Conveyancing

duty has the potential to distort the market and thus increase the amount of transport (and hence vehicle fuel) used in business.

The revenue currently raised from conveyancing duty is about 4% of total government revenue (Ref 3). This could be raised by some other means not harmful to the environment, eg by increasing the rate of fuel excise. Any increase in fuel excise would tend to further reduce vehicle usage with a corresponding reduction in carbon dioxide emissions.

#### Vehicle registration fees

Vehicle registration fees are collected as annual payments. Therefore they do not reflect the damage to the environment which arises from the day-to-day use of vehicles. Therefore vehicle registration fees should be abolished.

A better arrangement would be to collect this revenue in a way that reflected vehicle fuel usage (as a proxy for damage to the environment). Again this could be done by increasing the rate of fuel excise.

The amount collected from registration fees is a small proportion of total revenue (Ref 3). Therefore the corresponding required increase in fuel excise would be small.

#### Implementation costs

The administrative costs incurred in implementing these measures should be minimal compared with the reduction in carbon dioxide emissions and the efficiency gains.

#### References

1. Garnaut, R. The Garnaut climate change review final report, 2008.
2. State Revenue Office Victoria, website, October 2008.
3. Australian Government, The Treasury, website, September 2008.

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