

Appendix A: ACT Taxation Review

1. Stamp Duty Reform Options: Distributional Analysis for the ACT Taxation Review. Prepared by Ben Phillips, NATSEM.

During ACT Taxation Review, NATSEM was engaged to model the distributional impacts of ACT property tax system and compare these with a number of alternative regimes. The report analyses the impact of a reduction or elimination of stamp duty combined with increases in general rates to offset any potential loss in revenue.

2. A Framework for the setting of taxes in the ACT. Prepared by Professor Des Nicholls, ANU.

A Framework for the settings of taxes in the ACT was prepared by Professor Des Nicholls. This report proposed a framework for setting taxes in the ACT encompassing the principles of efficiency, equity, simplicity, transparency and sustainability. The framework includes the proposed broadening of the application of land tax to apply to all residential dwellings.

3. ACT Taxation Review: Appendix H: Specifications of i-STAR model

ACT Treasury commissioned a regional economic model to support the analysis which is known as ACT i-STAR. This excerpt from the review report details the specification of the model.

4. ACT Taxation Review: Option 1: Levy a broad-based land tax on all new property transactions (page 141)

This model analyses the revenue impact of abolishing conveyance duty immediately and applying a land tax on only new property transactions after the policy change. This means a broad-based land tax is levied when a property transacts next time. The transition period is assumed to be over 20 years.

To capture the whole transition period, Table 4 illustrates conveyance revenue paths under the base model and Option 1 over a 25-year period.

5. ACT Taxation Review: Option 2a: Reduce conveyance duty rates and maintain nominal revenue (page 142-145)

Under Option 2a, conveyance duty rates would be reduced, but residential conveyance revenue would remain at the same level, given the effects of changes in property values and total transactions. The conveyance duty rates would be gradually adjusted to increase progressivity over a 10 year timeframe.

The analysis was performed on the unit record transaction data from Territory Revenue System (TRS) and ACTPLA system. The attached charts (3-5) and tables (2-3) are the summary results from the analysis.

6. ACT Taxation Review: Option 2b: Abolish conveyance duty rates over the reform period of 10 years (page 146-148).

Under Option 2b, conveyance duty would be completely abolished at the end of the 10 year period. The conveyance revenue received by each property value quintile would be reduced significantly over the transition period.

The analysis was performed on the unit record data. The attached charts (7-9) and tables (4-5) are the summary results.

7. ACT Taxation Review: Stamp Duty scenarios (overview of options included in Tax Review)

Table 6 provides an overview of the long-run assumptions and aggregate level analysis of Option 2 and Option 3 in the Tax Review paper. This model shows the initial idea when the tax reform system was designed. The final reform options were modelled based on the observed transactions in 2010-11, and this model provided a quick check of those detailed analysis.

Chart 1: ACT tax review - Conveyance duty Option 1 - revenue over a 25 year period

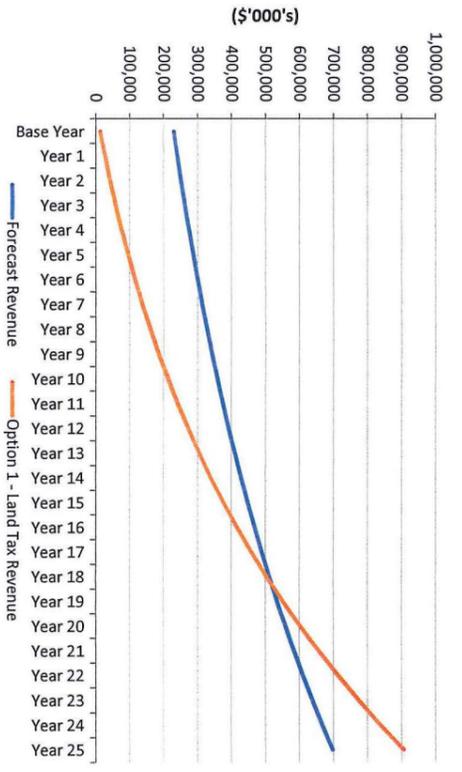


Table 2: Conveyance duty Scenario 2a - duty rates

| Thresholds (\$) | Current | Year 5 | Year 10 |
|----------------------|---------|--------|---------|
| up to 100,000 | 2.00% | 1.75% | 1.25% |
| 100,001 to 200,000 | 3.50% | 1.75% | 1.25% |
| 200,001 to 300,000 | 4.00% | 2.75% | 1.50% |
| 300,001 to 500,000 | 5.50% | 4.00% | 2.50% |
| 500,001 to 750,000 | 5.75% | 5.00% | 3.75% |
| 750,001 to 1,000,000 | 5.75% | 5.75% | 5.25% |
| 1,000,001 and over | 6.75% | 7.00% | 7.25% |
| Revenue (\$ million) | 230 | 230 | 230 |

Chart 2: Conveyance duty Scenario 2a - effective duty rates

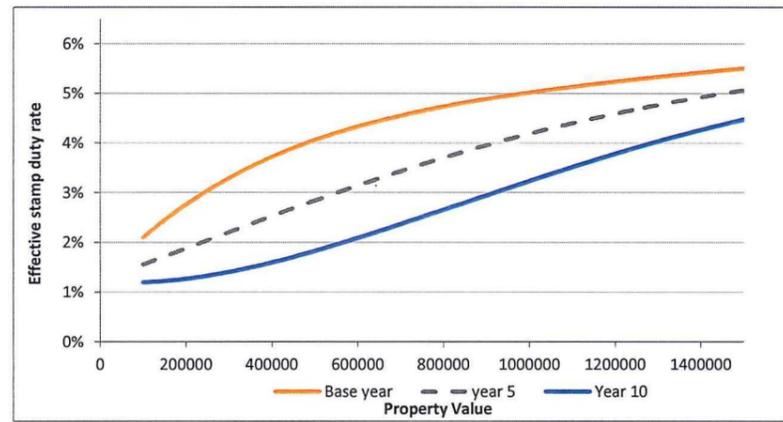


Chart 3: Conveyance duty Scenario 2a - cumulative distribution of Conveyance Revenue

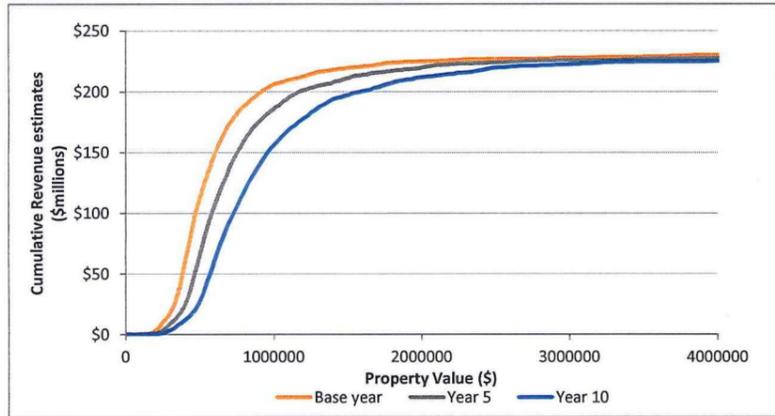


Chart 4: Conveyance duty Scenario 2a - Revenue in the forward ten years

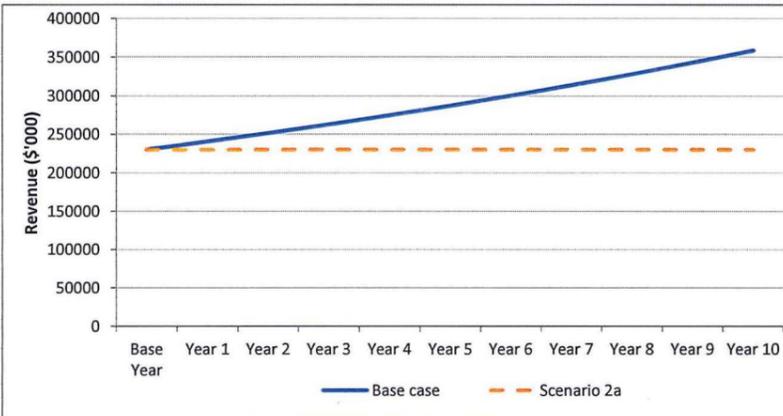


Chart 5: Conveyance duty Scenario 2a - Proportion of tax collected from each property price quintile

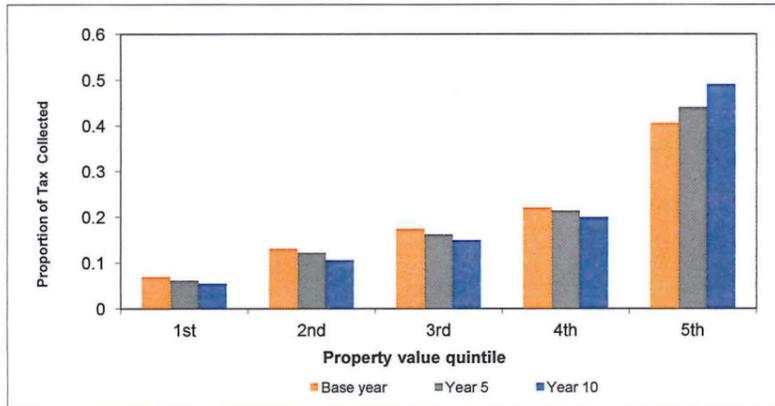


Table 3: Conveyance duty Scenario 2a - proportion of tax collected from each quintile

| Proportion | Base year | Year 5 | Year 10 |
|------------|-----------|--------|---------|
| 1st | 7.0% | 6.2% | 5.5% |
| 2nd | 13.1% | 12.2% | 10.6% |
| 3rd | 17.4% | 16.2% | 14.9% |
| 4th | 22.0% | 21.4% | 20.0% |
| 5th | 40.6% | 44.0% | 49.1% |

ACT Taxation Review: Conveyance duty Option 2 - Scenario 2b Abolish conveyance duty

Table 4: Conveyance duty Scenario 2b - duty rates

| Thresholds (\$) | Current | Year 5 | Year 10 |
|----------------------|---------|--------|---------|
| up to 100,000 | 2.00% | 1.00% | 0% |
| 100,001 to 200,000 | 3.50% | 1.00% | 0% |
| 200,001 to 300,000 | 4.00% | 1.50% | 0% |
| 300,001 to 500,000 | 5.50% | 2.50% | 0% |
| 500,001 to 750,000 | 5.75% | 3.25% | 0% |
| 750,001 to 1,000,000 | | 4.00% | 0% |
| 1,000,001 and over | 6.75% | 5.25% | 0% |
| Revenue (\$'million) | 230 | 143 | 0 |

Chart 6: Conveyance duty Scenario 2b - effective duty rates

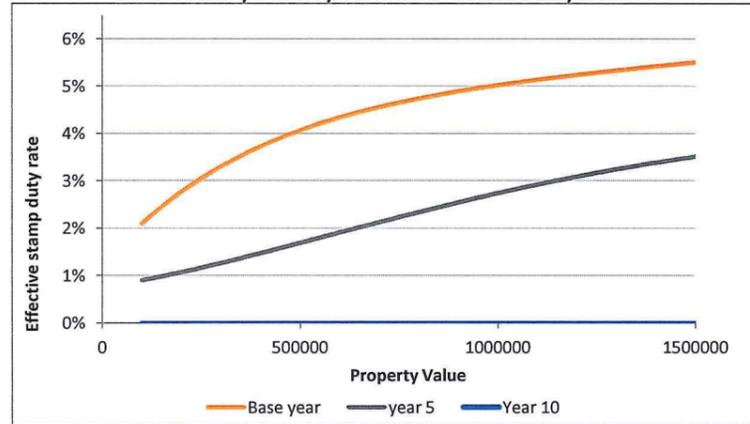


Chart 7: Conveyance duty Scenario 2b - cumulative distribution of conveyance revenue

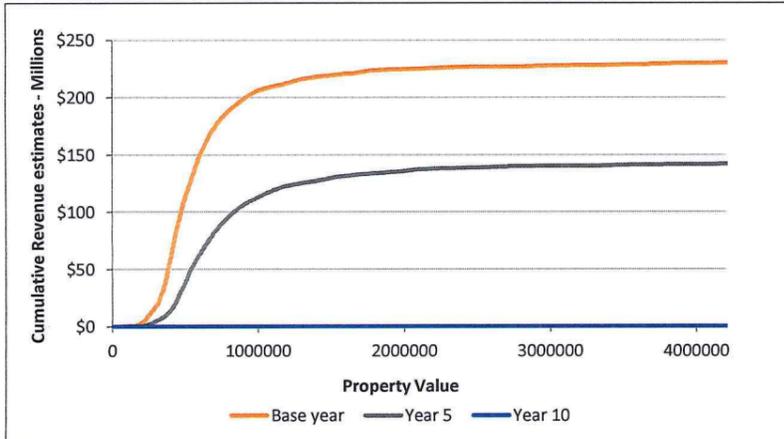


Chart 8: Conveyance duty Scenario 2b - Revenue in the forward ten years

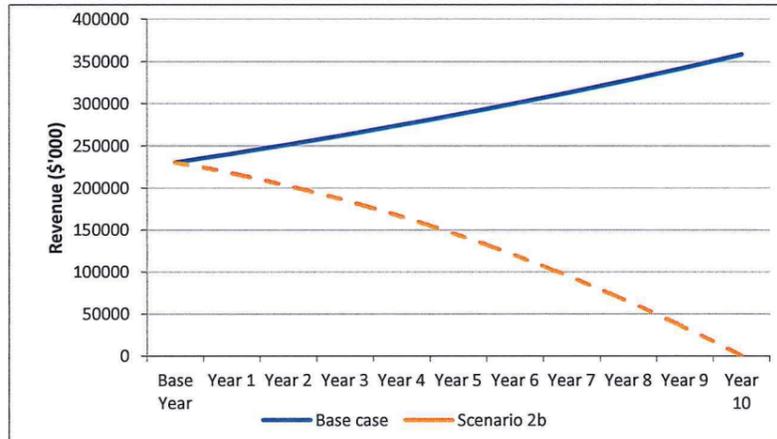


Chart 9: Conveyance duty Scenario 2b - Proportion of tax collected from each quintile

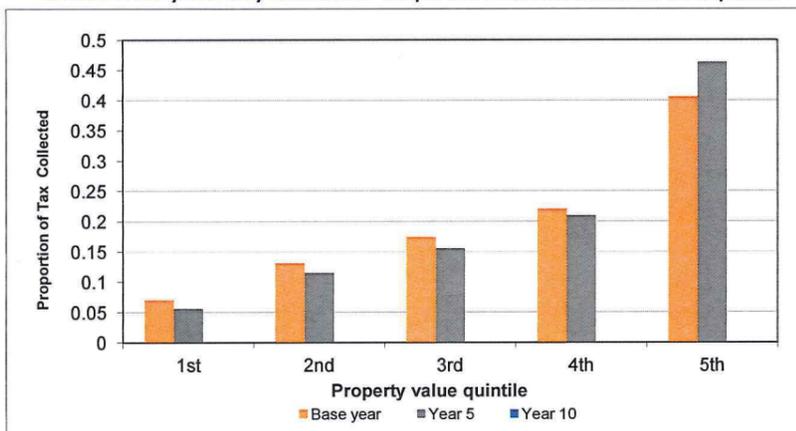


Table 5: Conveyance duty Scenario 2b - proportion of tax collected from each quintile

| Proportion | Base year | Year 5 | Year 10 |
|------------|-----------|--------|---------|
| 1st | 7.0% | 5.7% | 0.0% |
| 2nd | 13.1% | 11.5% | 0.0% |
| 3rd | 17.4% | 15.5% | 0.0% |
| 4th | 22.0% | 20.9% | 0.0% |
| 5th | 40.6% | 46.4% | 0.0% |

Table 6: An overview of conveyance duty Scenarios

| Parameters | |
|-----------------------|------|
| Property Value Growth | 3.5% |
| Transaction Growth | 1.0% |
| Household Formation | 1.4% |
| Population Growth | 1.3% |
| Growth in Households | 2.7% |
| Wage Price Index | 4.5% |

| Base Projections | Base Year | Year 5 | Year 10 |
|--------------------------------|-----------|-----------|------------|
| Total Transactions | 14,300 | 15,029 | 15,796 |
| Total Value (\$'000) | 6,742,080 | 8,415,938 | 10,505,365 |
| Value per Transaction (\$'000) | 471 | 560 | 665 |
| Total Duty (\$'000) | 230,000 | 287,102 | 358,381 |
| Tax per Transaction (\$'000) | 16.1 | 19.1 | 22.7 |
| Average Tax Rate | 3.4% | 3.4% | 3.4% |
| Number of Households | 132,000 | 150,942 | 172,603 |
| Average General Rates (\$) | 1,303 | 1,624 | 2,024 |
| Average Household Income (\$) | 104,000 | 129,603 | 161,509 |

| Scenario 2a: Maintain Nominal Revenue | | | |
|---------------------------------------|---------|---------|---------|
| Total Duty | 230,000 | 230,000 | 230,000 |
| Tax per Transaction | 16.1 | 15.3 | 14.6 |
| Average Tax Rate | 3.4% | 2.7% | 2.2% |
| Revenue Foregone | 0 | 57,102 | 128,381 |
| Total Transactions | 0 | 15,563 | 16,784 |
| Stimulated Revenue | 0 | 8,159 | 14,389 |
| Revenue Replacement | 0 | 48,943 | 113,992 |
| Replacement Cost per Household | 0 | 324 | 660 |
| Average Household Rates | 1,303 | 1,948 | 2,684 |
| Rates Relative to Income | 1.3% | 1.5% | 1.7% |

| Stimulated Transactions Modelling | | | |
|-----------------------------------|-----------|--------|---------|
| | Base Year | Year 5 | Year 10 |
| Duty to Income Ratio | 0.155 | 0.118 | 0.090 |
| Change in Duty to Income | - | 23.6% | 41.7% |
| Base Transaction to Stock | 0.108 | 0.100 | 0.092 |
| Change in Transactions to Stock | - | 3.5% | 6.3% |
| Stimulated Transactions | - | 533 | 988 |

| Scenario 2b: Abolish conveyance duty | | | |
|--------------------------------------|---------|---------|---------|
| Total Duty (\$'000) | 230,000 | 143,551 | 0 |
| Tax per Transaction | 16.1 | 9.6 | 0.0 |
| Average Tax Rate | 3.4% | 1.7% | 0.0% |
| Revenue Foregone | 0 | 143,551 | 358,381 |
| Total Transactions | 0 | 16,210 | 18,166 |
| Stimulated Revenue | 0 | 11,272 | 0 |
| Revenue Replacement | 0 | 132,279 | 358,381 |
| Replacement Cost per Household | 0 | 876 | 2,076 |
| Average Household Rates | 1,303 | 2,500 | 4,100 |
| Rates Relative to Income | 1.3% | 1.9% | 2.5% |

| Stimulated Transactions Modelling | | | |
|-----------------------------------|-----------|--------|---------|
| | Base Year | Year 5 | Year 10 |
| Duty to Income Ratio | 0.155 | 0.074 | 0.000 |
| Change in Duty to Income | - | 52.3% | 100.0% |
| Base Transaction to Stock | 0.108 | 0.100 | 0.092 |
| Change in Transactions to Stock | - | 7.9% | 15.0% |
| Stimulated Transactions | - | 1,180 | 2,369 |

| Scenario 3: HBCS Expansion | | |
|--------------------------------|--------|--------|
| Revenue foregone | 12,492 | 33,935 |
| Revenue Replacement | 0 | 21,443 |
| Replacement Cost per Household | 0 | 162 |
| Average Household Rates | 1,303 | 1,465 |
| Rates Relative to Income | 1.3% | 1.4% |