

The Effects of Housing Transaction Taxes on Purchases, Mobility and Prices

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Motivation

- Stamp duty (transfer duty): housing transaction tax as a function of the price of the property.
- Highly inefficient tax that adversely affects economic growth and people's welfare.
- Imposes cost on buyers and moves: equivalent to around 5 months of a person's take-home income.
- Say a household plans to sell one home at \$750 000, buy another at \$800 000, and that stamp duty is 5.4% (the current Victorian rate). The purchase cost to the household before stamp duty is \$50 000, so the \$43 000 stamp duty is actually an 86% tax rate on the household's net spending.
 - Affects property markets.
 - Affects productivity growth.
 - Job switches are associated with wage and productivity gains.
 - Productivity slowdown due to decline in job switching.
 - Switching jobs require moving.

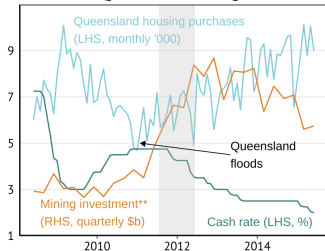
Research Question

- How does a change in stamp duty affect home purchase and people's movement?

Research design I

- A simple regression of stamp duty tax on home transaction volume suffers from many econometric issues.
 - Housing purchases and people movement have other strong drivers: mortgage rates, labour market conditions, extreme weather events.
- A policy change as a natural experiment:
 - Queensland hiked stamp duty rates for owner occupiers in 2011 and stayed high for one year.

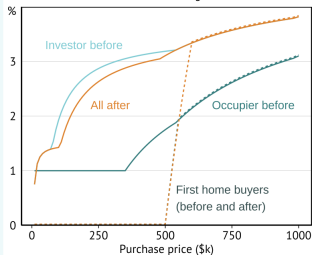
Figure 1: Macroeconomic influences on Queensland housing



* Grey area is period of stamp duty rise for owner occupiers.
** Australia wide, in current prices. ABS series A3517252K.
Sources: ABS; Proptrack; RBA

Figure 2: Queensland stamp duty rates

Before and after 1 August 2011



Research design II

- Compare the transaction volume and moves in each SA3 region.
- Difference-in-Differences (DD): comparing Queensland with other states (explore variation across time and location of purchases).
- DDD: explore variation across time, location and investment purchases.
- Matching and Synaesthetic control models to compare similar areas.

Data

- Property transaction data: 2009-2012 (three years of pre and one year of post policy change)
- PLIDA for people movement (if people change addresses at June 30).

Findings

- The stamp duty rise caused 39 fewer occupier purchases per SA3 on average, or 3 205 throughout Queensland.
- An elasticity of -7.2% for each 1 percentage point change in stamp duty.
 - If NSW removed stamp duty, about 100 000 additional owner occupiers would move home each year – 25% more than currently move.
- The number of people moving dropped by around 9%.

My thoughts

- Pretty good analysis given the data limitation.
- Placebo test: why post policy change period is not included in the analysis?
- Common trend assumption robustness check: use Rambachan and Roth (ReStud 2023) model.
- Examine the effects of decrease in stamp duty after 2012 in Queensland
- Examine the effects of NSW 2022 changes.

Stamp duty in other parts of the world

- Stamp duty originating in Holland in 1624.
- Sweden (1.5% for individual and 4.25% for legal entities), UK, Hong Kong and Singapore (based on property value).
- New Zealand does not have stamp duty, but raises revenue thorough higher GST (15%).
- Other alternatives: land taxes, inheritance taxes, generation skipping transfer tax (GSTT) (to avoid bequeathing property to grand children).