



## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

**Referred by:** Australian Labor Party      **Proposal No:** C1080  
**Date Referred:** 10/01/2023      **Date Published:** 20/03/2023  
**Proposal Title:** Labor's First Home Buyers Stamp Duty Policy  
**Cluster:** Cross-Cluster

### General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)					
Depreciation		247	247	247	741
Less: Offsets					-
Revenue	(31,100)	(125,300)	(300)	(12,300)	(169,000)
<b>Net Operating Balance:</b>	<b>(31,100)</b>	<b>(125,547)</b>	<b>(547)</b>	<b>(12,547)</b>	<b>(169,741)</b>

Capital Expenditure	989	-	-	-	989
Capital Offsets					
<b>Net Capital Expenditure:</b>	<b>989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>989</b>

<b>Net Lending/(Borrowing):</b>	<b>(32,089)</b>	<b>(125,300)</b>	<b>(300)</b>	<b>(12,300)</b>	<b>(169,989)</b>
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### Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	<b>(32,089)</b>	<b>(125,300)</b>	<b>(300)</b>	<b>(12,300)</b>	<b>(169,989)</b>
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### Notes and costing assumptions:

Under existing legislation:

- first home buyers are exempt from duty up to \$650,000
- first home buyers receive duty concessions from \$650,000 to \$800,000
- First Home Buyer Choice (FHBC) allows first home buyers to choose to pay stamp duty or property tax for purchases up to \$1.5 million.

The policy proposal examined in this costing would revise these arrangements to provide:

- first home buyers are exempt from duty up to \$800,000
- first home buyers receive duty concessions from \$800,000 to \$1 million
- First Home Buyer Choice is abolished.

The new policy would commence from 1 July 2023.

The expected cost of this policy is \$170 million in the four years to 2025-26.

## Notes and costing assumptions continued:

### Baseline data

The proposed policy has been costed consistent with Treasury's Half Yearly Review forecasts. Changes since the 2022-23 Budget include lower home prices, lower sales volumes in 2022-23 and 2023-24 and higher land values in 2022-23. First Home Buyer Choice, including stamp duty forgone and property tax raised, is now forecast to cost \$581 million over four years, which is \$83 million less than expected in the 2022-23 Budget.

Under existing policy, it is expected that an annual average of 6,150 first home buyers will choose the property tax.

- For dwellings between \$800,000 and \$1.5 million around 65 per cent of first home buyers are expected to choose the property tax.
- For dwellings between \$650,000 and \$800,000 around 22 per cent of first home buyers are expected to choose the property tax.
- For dwellings below \$650,000 no first home buyers are expected to choose the property tax (note that a lower price threshold applies for land purchases where a first home will be built, so the property tax may be chosen for some land purchases below \$650,000).

### First home buyer volumes

The following table estimates first home buyer volumes under the current and proposed policies.

<b>First home buyer numbers (baseline)</b>				
purchase price	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
\$0 to \$650,000	10,567	21,558	27,540	28,115
\$650,000 to \$800,000	4,566	6,039	8,659	9,783
\$800,000 to \$1million	2,178	2,774	3,937	4,579
\$1m to \$1.5million	1,467	2,066	2,855	3,182
Above \$1.5 million	505	788	1,165	1,376
<b>Total</b>	<b>19,283</b>	<b>33,225</b>	<b>44,156</b>	<b>47,035</b>
<b>First home buyer numbers (proposed policy)</b>				
purchase price	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
\$0 to \$650,000	10,567	21,357	27,536	28,141
\$650,000 to \$800,000	2,647	9,757	8,593	9,813
\$800,000 to \$1million	1,616	3,291	3,827	4,585
\$1m to \$1.5million	1,825	1,262	2,775	3,186
Above \$1.5 million	505	788	1,165	1,376
<b>Total</b>	<b>17,160</b>	<b>36,455</b>	<b>43,896</b>	<b>47,101</b>
<b>Increase in FHB numbers</b>				
purchase price	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
\$0 to \$650,000	-	(201)	(4)	26
\$650,000 to \$800,000	(1,919)	3,718	(66)	30
\$800,000 to \$1million	(562)	517	(110)	6
\$1m to \$1.5million	358	(804)	(80)	4
Above \$1.5 million	-	-	-	-
<b>Total</b>	<b>(2,123)</b>	<b>3,230</b>	<b>(260)</b>	<b>66</b>

In the \$0 to \$650,000 price bracket, around 200 purchases of vacant land are brought forward in time by First Home Buyer Choice. Cancelling FHBC reverses this effect, resulting in around 200 fewer transactions in 2023-24.

## Notes and costing assumptions continued:

In the \$650,000 to \$1,000,000 range, transaction volumes increase markedly in 2023-24.

- Most first home buyers planning to purchase in 2022-23 under the baseline policy would now prefer the rules that would apply in 2023-24. Around 3 months' worth of this group's transactions will be delayed until 2023-24.
- Because the new policy is preferred by most purchasers in this bracket, it brings forward the timing of purchases from 2024-25 into 2023-24. This creates a reduction in demand in 2024-25, which is offset by the pull-forward of demand from 2025-26, and so on ad infinitum. The main effect is a bunching of additional transactions in 2023-24.
- The proposed policy is not preferred by around a quarter of first home buyers in the \$800,000 to \$1 million range who, given the choice, would prefer the property tax. This group will continue with their planned property tax opt-in in 2022-23. In subsequent years, First Home Buyer Choice brings forward purchases by this group, so cancellation of First Home Buyer Choice pushes back the timing of purchases by this group. This partially offsets the effects in 2023-24 noted in the two bullet points above.

In the \$1 million to \$1.5 million range, the proposed policy is less advantageous for first home buyers than the current policy. A group of transactions will be brought forward from 2023-24 into 2022-23 in order to take advantage of First Home Buyer Choice while it is still available. This results in fewer transactions in 2023-24.

Small variations in transaction volumes in 2024-25 and 2025-26 reflect the effect of transactions being shifted in time between years, combined with different underlying transaction volumes because of market cycles.

### Revenue effects

Over the forward estimates, the annual revenue cost of the proposed policy peaks in 2023-24 because of the shifts in timing of first home buyer purchases, notwithstanding the expected overall weakness of the market in that year.

Forgone revenue increases again in 2025-26 when the overall property market is expected to return to more normal levels of transaction volumes. Positive price growth is also expected to return from 2024-25, which adds to the cost of the policy.

(' \$000)	2022-23	2023-24	2024-25	2025-26
Stamp duty loss caused by higher thresholds	-46,000	-233,000	-180,000	-216,000
Stamp duty gain from fewer people choosing property tax	15,700	118,800	200,900	236,200
Net stamp duty revenue	-30,300	-114,200	20,900	20,200
Property tax	-800	-11,100	-21,200	-32,500
<b>Revenue</b>	<b>-31,100</b>	<b>-125,300</b>	<b>-300</b>	<b>-12,300</b>

### Implementation and Operating Costs

The systems changes associated with increasing thresholds for duty concessions is expected to be around \$1 million, to be incurred in 2022-23 and depreciated over four years. The PBO does not consider that closing off FHBC to new applicants would require additional capital expenditure. The PBO considers around \$1 million to be a reasonable estimate of the incremental capital costs associated with the proposed policy.

**Notes and costing assumptions continued:**

The property tax would continue for properties that have already opted-in during 2022-23. The costs of operating the property tax in parallel with stamp duty concessions already forms part of the budgeted operations of Revenue NSW. The proposed change in concession thresholds does not alter policy complexity.

The proposed policy is expected to increase first home buyer volumes by a small amount (up to 10% in 2023-24, and an average of 0.6% over four years). The PBO notes that Revenue NSW staffing is not typically varied as a function of the state of the property market, and expects that these increased volumes could be absorbed within existing resources. Accordingly, the PBO considers the change in policy will not alter the operating costs of Revenue NSW.