IPTI Xtracts

Property Tax and Assessment News from Around the World

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Government inaction on taxing land windfalls is hurting Australians, Liberal MP says

Liberal MP John Alexander has criticised his own government for failing to properly capture the windfall profits flowing to developers around major infrastructure projects, warning without a new policy future generations will be left with ever-growing budget debt.

The NSW MP, who is chair of the House of Representatives Infrastructure and Transport committee, said the federal budget would suffer ongoing budget problems if the government ignored calls for a form of a windfall gains tax on major infrastructure works like Sydney's Western Sydney airport.

Windfall gains are those which normally accrue to landowners who own undeveloped property that grows sharply in value because of rezoning or nearby new infrastructure such as light rail or a railway station.

In its state budget last week, the Victorian government revealed plans for a windfall gains tax of up to 50 per cent. It will apply to land that is rezoned.

Infrastructure Australia and several parliamentary inquiries, including those chaired by Mr Alexander, have backed forms of value capture or windfall gain taxes to help fund major infrastructure projects.

He said the Victorian windfall tax was flawed because it was not directly linked to infrastructure, but it was caused by the federal government's unwillingness to back proper reform to windfall gains.

"This inefficient Victorian tax is a direct and inevitable result of federal inaction," he said.

"Taxes like Victoria's are what you get when federal governments sit on their hands over this issue and refuse to consider a fairer federal version of it, one that can be applied broadly across Australia, and solely linked to infrastructure funding."

"The federal government must work with the states for the benefit of all Australians."

Mr Alexander said taxpayer-funded infrastructure such as the Western Sydney airport at Badgery's Creek was delivering windfalls worth billions of dollars to a "select few".

The Auditor-General has criticised the federal government for purchasing land at the end of the airport's planned second runway for $33 million, only for it to be valued at $3 million less than a year later.

However, Auditor-General Grant Hehir told an estimates hearing this week he had never said the 12.26-hectare wedge of dairy farm formerly owned by Leppington Pastoral Company was "a $3 million property" and "the price they would have paid may have been significantly more than [the valuation]" but the department had failed to rationalise the difference.

A separate investigation of the land deal commissioned by the department and released on Monday said the department could have sought to negotiate a lower price for the land but likely wouldn't have been able to pay only $3 million.

Mr Alexander said with a string of committees and agencies calling for a form of windfall tax, it was time for the federal government to act.

"Now, more than ever as we embark on massive spending on more infrastructure, we must have a mechanism for recouping the uplift in land prices to repay taxpayers and bring fairness to our tax system," he said.

"The federal budget has blown out, it's on us to ensure future generations aren't saddled with unfair debt and interest burdens when there are alternatives sitting right there on the table today for our consideration."

The budget this month showed the four largest consecutive deficits on record with gross debt to reach $1.2 trillion by 2024-25. Debt is forecast to remain at 50 per cent of GDP out to at least 2031-32.

The government has said it will pay down the debt by "growing the economy", ruling out increased taxes.

The lesson for Australia out of Victoria's property tax hikes: two out of three ain't bad

Victorian treasurer Tim Pallas's three-pronged strategy to raise an extra A$2.7 billion in property taxes over the next four years is a case of two out of three ain't bad.

Land tax ✅

First, Pallas will raise $1.5 billion over four years by lifting land taxes on landholdings worth between $1.8 and $3 million by 0.25%, and by 0.3 percentage points on landholdings worth more than $3 million.

This is a good move. Taxes levied on the value of landholdings are among the most efficient states can impose. And land taxes offer a more sustainable and less-volatile tax base than stamp duties on property transactions.

Windfall gains levy ✅

Second, developers and landowners who reap windfall gains when their property is rezoned will be hit with a 50% levy if the gain is $500,000 or more, with the tax phasing in from windfalls above $100,000. The new levy will not apply to growth-zone land where developers already pay the Growth Areas Infrastructure Contribution charge.

Again, this is a good move. It should reduce incentives for corruption when planning applications are decided.

As a tax, collecting unearned windfall gains is extraordinarily efficient, so efficient it shouldn't even be called a tax but a charge for a change in allowable land use, which is what it is.

The new re-zoning charge won't raise much in the short term: just $124 million over four years.

But the next time there is a major rezoning — think of the bonanzas that have flowed to land holders from previous rezonings in Melbourne's Fisherman's Bend and the Docklands — it will deliver taxpayers hundreds of millions if not billions.

The property lobby has been quick to claim that charging for rezoning windfalls will deter higher-density development in Melbourne, or increase prices. Both claims should be ignored.

Capturing a share of rezoning windfalls won't deter developers. Instead it could make it easier to solve Melbourne's housing crisis while reducing incentives for corruption in planning decisions.

Planning rules make it hard to build more housing in inner suburbs. Zoning for higher density is necessary, but unpopular. Local residents partly object because they think developers are getting a free kick.

The Victorian treasurer's decision to make the winners pay for some of their winnings will make the process fairer and less divisive.

It's a myth that charges for changes in land use raise home prices. Australian evidence suggests those lucky enough to own land before it is rezoned pay the charges rather than pass them on to eventual homebuyers, which might be why they object.

And future developers will pay less for their land, because the expectation of windfall gains won't be built into the price.

The ACT Government has charged 75% for land value uplift for three decades without scaring away developers.

But the third prong of the Pallas plan — lifting stamp duty from 5.5% to 6.5% on properties that sell for more than $2 million — is a step in the wrong direction.

More stamp duty ✕

Stamp duties are among the most inefficient and inequitable taxes Australia has.

They discourage people from moving to housing and cities that better suit their needs, and they are inequitable discourage people from moving to better jobs.

And the revenue they provide is volatile: any slowdown in property sales — as happened during COVID took hold – punches a big hole in state budgets.

Few Victorians will be affected by this tax hike: less than 5% of all Melbourne homes (and just 0.5% of regional Victorian homes) went for $2 million or more last year, according to Corelogic.

Someone buying a $2.5 million home will pay just an extra $5,000 in stamp duty.

But Pallas should be looking to replace stamp duty with broad-based land taxes, as NSW is planning to do.

Tax hikes are rarely popular. But they will become increasingly necessary as states try to repair their budgets after the COVID crisis.

In the quest for a better tax system, Pallas has just taken two steps forward, and one step back.

New property taxes rejected by industry but applauded on behalf of the community

A 50 per cent tax on rezoning windfalls above $500,000 is among some of the tax hits to property that is driving the industry to distraction, but planners say the move is well overdue and sends some of the private benefit from rezoning back to the community.

Property industry representatives have jointly condemned proposed changes to Victoria's tax laws they say will threaten jobs and housing affordability.

Victorian Treasurer Tim Pallas revealed the upcoming state budget would introduce an increase on the amount of land tax payable on properties worth over $1.8 million.

Under the changes land tax will increase by 0.25 per cent for taxable land holdings between $1.8 million and $3 million, and 0.30 per cent for those in excess of $3 million.

The Property Council of Australia, Housing Industry Association, Urban Development Institute of Australia (Victoria) and the Real Estate Institute of Victoria jointly condemned the changes and called for better consultation with industry.

With the economic recovery from COVID-19 still underway they said the changes could cause a "flight" from the property industry impacting jobs, investment and housing affordability.

They say the property and construction industry employs one in four Victorians and already contributes over half the state's total tax revenue.

"It is unfair to be taxing landowners further on property when Victoria already has the highest stamp duty rates in the country," Fiona Nield, Victorian executive director, Housing Industry Association said.

The changes also include a new windfall gains tax for properties whose value is boosted by a council rezoning. The tax will only apply to properties where the value is boosted by more than $100,000, and include a 50 per cent tax on windfalls above $500,000.

"The new windfall gain tax is particularly concerning and appears to take a disproportionate share of property value from landowners that are in fact helping to support the growth in housing supply that helps keep affordability in check across regional Victoria," Ms Nield said.

Mr Pallas insisted the changes would only affect a small portion of Victorians who pay land tax, which is not paid on owner-occupied homes.

"There needs to be a balance between those wanting to buy their first property and large property investors who continue to profit from soaring property values," Pallas said.

Professor of Urban Policy and director of the Centre for Urban Research at RMIT University Jago Dodson says the windfall tax was well overdue.

"I think the tax is a good step forward," Professor Dodson said. "The approval of a rezoning confers a property right to the owner of the land in terms of the development they can undertake on that land and it comes about as an action of the state and it's only reasonable that the state retains some of the benefit for the wider community."

Leah Calnan, president of Real Estate Institute of Victoria said the property land tax changes could also affect self-funded retirees who rely on property investment as their sole income

"These ill-considered and poorly conceived taxes could cause a flight from the property sector by thousands of self-funded retirees. They show a fundamental misunderstanding of the real estate market, and the contribution it makes to the economy," Calnan said.

"At a time when commercial property landlords are struggling to find tenants, especially in Melbourne's treasured CBD, the increased taxes will put an extra burden on the commercial sector, which was one of the strongest supporters to Victoria's COVID-19 lockdowns."

Value capture could be a possibility

Professor Dodson said the windfall tax was comparable to value capture mechanisms, when the state undertakes valuable infrastructure that increase the value of nearby land.

The issue is the subject of "long-standing debate in urban planning circles going back to the early 20th century".

"There's a growing view that the state is entitled to claw back some of that value enhancement for the community, otherwise, it transfers public value to private interests.

"This is heavily contested by landowners who object to value capture. But from a public interest point of view they are very appropriate mechanism to use."

Could the windfall tax open up the possibilities of value capture?

"Absolutely," Professor Dodson said. "Especially at a time when state budgets are straightened, states need to be more aware of the value they generate [with infrastructure investment] that ought to be retained."

He said the rezoning of Fishermans Bend from industrial to residential and commercial was a major missed opportunity given the amount of infrastructure the precinct needs to make it a viable urban development.

In the long run he said it would reduce the price of land because the expected value uplift from rezoning would not be as big.

"Speculators on land take a risk and Victoria has a long and sorry record on land speculation."

He expected the taxes would be fiercely fought but that essentially the industry was sophisticated enough to understand it was beneficial overall.

Professor Dodson said that these types of tax changes would normally be flagged long before any announcement but that given the buoyant property market the current announcement was probably good timing.

"It's good to see the Victorian government combine what makes good economic sense with what makes good social sense. It shows it's looking out for the community and sign of a government that's confident of its agenda and the policy it's rolling out."

Metro West station to be built on land owned by The Star casino

Gambling giant The Star says construction of a Metro West train station on land the company owns in inner Sydney will jeopardise its plans for a 140-metre tower near its casino in Pyrmont.

NSW Premier Gladys Berejiklian confirmed on Wednesday a station for the government's flagship Metro West rail line would be built between Pyrmont Bridge Road and Union Street in Pyrmont – close to The Star's casino – as the cost of the project firms at $27 billion. Another station would be constructed at Hunter Street in the CBD.

The Star last year proposed building the high-rise complex on the Union Street site south of the casino, and a 110-metre tower at the northern end of its existing site at Pyrmont.

A spokesman for The Star said the casino operator had first learned of the confirmed location for the Metro West stop when staff were notified of a property acquisition process via email on Wednesday morning.

"This leaves at grave risk a Star masterplan which would help deliver an additional $1 billion in tourism assets and infrastructure via two hotels, new dining and entertainment precincts and around 2000 jobs," the spokesman said.

"We will seek urgent engagement with government to determine if and how our plans can be progressed in tandem with the Metro station development."

The Star had been planning to submit a masterplan to go on exhibition later this year.

The casino operator's revised plans for two towers were prepared less than a year after an independent panel rejected its $530 million proposal for a 237-metre tall tower at the site.

Transport Minister Andrew Constance said on Wednesday the government aimed to complete the Metro West project, which will link the CBD to Parramatta and Westmead, by 2030.

Asked whether the project would cost $27 billion, Mr Constance said: "It is a major project – it will be around that sort of ballpark number. This is big, it's huge, it's going to be the project of the 2020s. We don't know the final price until we actually go to market."

The Herald revealed in February that the government had been warned the cost of building the Metro West would blow out to almost $27 billion, close to $3 billion more than early forecasts.

Internal government documents also warned last year the project risked running three years late, with a completion date of 2033.

The entrances to the station in the CBD will be built on the corner of Hunter and George streets, as well as Bligh and O'Connell. An underground connection will also be built to link Barangaroo to Martin Place.

Commuters would be able to travel between the CBD and Pyrmont stations in two minutes, Mr Constance said, adding that 11 properties would be acquired in the city and two in Pyrmont.

The government in December approved the station at Pyrmont and indicated a value capture scheme would be applied for some commercial property owners, other than small businesses, that benefit from the increased land values to make an annual payment to offset the cost of the station.

"One of the things we are flagging of course for the peninsula of Pyrmont is obviously a contribution given it is going to massively increase the value of properties in those areas, it's only fair that we share in that value," Mr Constance said.

The project is forecast to double the rail capacity between Parramatta and the CBD. Stations will also be constructed at Olympic Park, North Strathfield, Burwood North, Five Dock and The Bays precinct.

The first major tunnelling is expected to begin before the end of 2022. The contract is set to be awarded by the middle of this year.

Mr Constance and Ms Berejiklian said they would welcome federal funding. "I don't think any state premier would knock back any additional funding, but we have always learned in NSW to make sure we're resilient and take care of our needs," Ms Berejiklian said.

Rezoning tax will help remove incentive for corruption from dodgy developers

The Victorian Greens have welcomed reports that the state government will introduce a land rezoning tax in next week's Budget, after the Greens proposed it at the last state election.

Our current planning system is too vulnerable to corruption because of windfall gains.

As recent IBAC investigations have made clear, the system sees developers jump into the pockets of government, and secure huge windfalls when land rezoning results in a massive increase in the value of land.

This tax could disincentivise developers from making dodgy deals by ensuring they no longer make massive unearned profits.

The Greens believe these windfall gains should instead be shared with the community, with additional revenue invested in public transport, schools and other infrastructure.

Leader of the Victorian Greens, Samantha Ratnam, said that this simple mechanism would go to the heart of the corruption IBAC is investigating.

She added it was high-time developers stopped jumping into the pockets of the government through donations and lobbying for favourable rezoning decisions, and that this tax would help remove the incentive for corruption.

In the lead up to the 2018 state election, the Greens proposed a Windfall Rezoning Tax that would have been levied at 75% of the difference between the officially assessed land value before the rezoning compared to the land value afterwards.

According to the Parliamentary Budget Office the Greens policy would have made the government approximately $1.5 billion dollars over the forward estimates.

As stated by Leader of the Victorian Greens, Samantha Ratnam MLC:

“When land rezoning results in a massive increase in the value of land, developers pocket huge windfalls and Victorians miss out.

“It’s time for the government to stop rigging the economy to benefit large scale landowners and property developers with connections, and instead capture the value from rezoning so it works for the interests of all Victorians.

“This tax is an important first step. By taking away the incentive of windfall gains, let’s hope it helps stop the flow of corrupting donations and stops developers trying to game the system in their favour.

“The Greens have been calling for a tax like this for years, and we’re glad the government has finally listened.”

Victorian property investors hit with land tax, stamp duty increase in state budget

Victorian Treasurer Tim Pallas says next week's state budget will include tax increases and public sector savings as the government takes the "hard and necessary actions" needed to rebalance the books.

Key points:

- A premium stamp duty will be introduced for property transactions above $2 million
- Mr Pallas said the changes were about making Victoria's tax system "fairer and more progressive"
- The cost of fines will begin to rise again from July 1, after a freeze introduced at the start of the pandemic
- Mr Pallas said $2.7 billion would be raised by a suite of measures including an increase to land tax for taxable properties worth more than $1.8 million.

The Treasurer said the "modest" increase would only affect a fraction of the 10 per cent of Victorians who pay land tax, which is not paid on owner-occupied homes.

"All up, we invested $49 billion in the last budget to support families and businesses through the pandemic using our balance sheet," Mr Pallas said.

"Now, we're taking all the hard and necessary actions to make our tax system fairer and more progressive."

The changes will see the land tax increase by 0.25 per cent for taxable land holdings between $1.8 million and $3 million, and 0.30 per cent for taxable land holdings in excess of $3 million.

A new windfall gains tax will be also introduced for properties whose value is boosted by a council rezoning.

The tax will only apply to properties where the value is boosted by more than $100,000, with a 50 per cent tax on windfalls above $500,000.

Mr Pallas said the move would claw back around $40 million a year from developers and speculators who made huge profits after a local council's "stroke of a pen" to rezone industrial land for residential use.

"There needs to be a balance between those wanting to buy their first property and large property investors who continue to profit from soaring property values," he said.

A premium stamp duty will also be introduced, with property transactions above $2 million attracting a $110,000 duty plus 6.5 per cent of the dutiable value in excess of $2 million.

Property industry decries 'greedy tax hike'

Real Estate Institute of Victoria president Leah Canlan said the proposed changes were the latest in a long line of hits to the property sector during the pandemic.

"Commercial property management and residential property management have been decimated," she said.

"There's high vacancy, there's lots of unpaid rent and this is just another effective tax that those property investors now have to manage.

"We don't want to see Victoria become the state no one wants to invest in and with additional taxes for the property sector, that's where we're heading."

Danni Hunter, the Victorian executive director of the Property Council of Australia, said the property industry already contributed more than half of the state government's tax revenue.

"This is a greedy tax hike on the industry that is building Victoria's recovery," she said.

Mr Pallas said the budget measures were not about trying to divide the community, but asking those who had the ability to contribute more to the state's recovery to do so.

"The property industry, who are making very substantial profits at the moment, do have … an obligation to the rest of the community around fairness and cohesion," Mr Pallas said.

Public sector facing $3.6 billion overhaul

The government will also revoke land tax concessions for private gender-exclusive clubs such as the Melbourne Club, which has all-male membership.

Mr Pallas said the concessions were intended for not-for-profit societies, rather than "increasingly anachronistic" elite clubs.

"We're not saying that they're illegal, we're simply saying you shouldn't get the gift of the taxpayer to conduct these bodies and certainly from our point of view the idea of male-only clubs, their time is well and truly passing," he said.

He said there were not expected to be large savings made in that move, which was more about sending a message to the community.

Mr Pallas also flagged part of the budget would involve $3.6 billion of measures to cut back-office public sector costs as well as spending on consultants and contractors.

When asked if public sector workers would lose their jobs, he said there would be some "workforce transition" and the government would work closely with the public sector and unions.

"It doesn't mean a smaller public service, but it does mean we will be redirecting the effort of the public service to the areas and priorities that the government sets," he said.

After a freeze during the pandemic, fines and penalties will begin to rise once again.

Mr Pallas said the fine for using a mobile phone while driving would increase by $49 to $545, while the first level speeding fine will rise by $20 to $227.

Government lays out private partnership to boost public housing

The government has also laid out how a private-public partnership will create hundreds of social housing units as part of its $5.3 billion public housing build.

Under the plan, 1,110 new homes will be built on government-owned land in Brighton, Flemington and Prahran — which the government said would replace 445 "outdated" social housing units at the sites which had already been demolished.

The homes will be a mix of 619 social housing dwellings, 126 affordable homes and 365 market rental homes, including 52 specialist disability accommodation dwellings.

The government will put in $50 million while a private consortium will provide $465 million upfront to construct the homes.

The consortium will have a lease on the sites for 40 years, collecting income from the rent and maintaining the properties.

The state government will repay the $465 million to the consortium during that 40-year period.

Planning Minister Richard Wynne said after that time, all the property and homes would return to government hands to become social housing.

"This is the first time that a government has implemented what is called a ground-lease model," he said.

"It's a very innovative proposal and one that I think changes the way that we in fact deliver social and public housing."

Mr Wynne said there would be "full consultation" with local communities on the design and he hoped to have construction underway before the end of the year.

Managing director of the Australian Housing and Urban Research Institute, Michael Fotheringham, said the model was "international best practice for increasing supply of social and affordable housing".

"This is a really good way to approach large-scale development, mixed-tenure development," Dr Fotheringham said.

But he said it was important to note that there was still a substantial amount of work required to meet the national demand for social housing.

"We have enormous unmet demand for social housing in this country," he said.

"Over the next 20 years we need hundreds of thousands of properties, social housing properties, so the Victorian government's approach is leading the nation at the moment … it's the sort of investment we need to see across the country, not just over the next four or five years, but for the next 20."

Victorian treasurer takes swipe at 'elitist' men's only clubs as budget lifts property taxes

Tim Pallas announces plans to strip single-gender social clubs of land tax concessions traditionally afforded to charities

The Victorian government has taken a swipe at exclusive men's only clubs, announcing plans to strip them of land tax concessions traditionally afforded to charities and social associations.

Victoria's treasurer, Tim Pallas, is preparing to deliver the state's 2021 budget next Thursday, and staring down an eye-watering bill from the devastating Covid-19 second wave. In order to raise revenue Pallas has announced new land tax measures, expected to bring in an extra $2.7bn over the next four years.

One of these new announcements is the removal of concessions to single-gender men's and women's social clubs like the Melbourne Club, Australian Club and Athenaeum Club.

These exclusive organisations, made up of invite-only members from the upper echelons of Melbourne society, are generally in prime CBD locations, but up until now have not had to pay regular land taxes as they enjoyed the same exemption as other non-for-profit social clubs.

"The days of giving elitist organisations like the Melbourne Club the luxury of a land tax concession are over," Pallas said on Saturday.

In his statement announcing the rule changes, Pallas said "for too long, private gender-exclusive clubs have benefited … while discriminating against half the population".

A spokesperson from Pallas's office confirmed to Guardian Australia the measure would also apply to exclusive women's only clubs like the Alexandra or Lyceum clubs, but would only target private member organisations, so bodies such as the Country Women's Association would be spared.

Single-gender societies, particularly the men's only clubs, have fallen out of favour in recent years. In March a group comprised of key supporters of the Melbourne Football Club was criticised after the ABC reported they were organising a season launch event at the Australian Club. This venue has exclusively male membership, although women are now allowed into the building as guests.

The then chief executive of Respect Victoria, Tracey Gaudry, slammed the decision, telling ABC it "sends a message to women and gender diverse players and fans that they are not unconditionally welcome".

Membership to these societies was also a contentious issue in last year's Victoria Bar Association elections, with several newly elected council members declining to answer questions surrounding membership to men-only clubs in a candidate questionnaire.

However, the Victorian governments move is largely symbolic with the new tax measure forecast to raise just $1m over the next four years, with the bulk of the $2.7bn in revenue to come from other rule charges targeting the top tier of landowners in the state.

Among these is a "windfall gains tax" on property developers who often make huge profits overnight when ex-industrial land is rezoned to allow for it to be turned into residential estates.

The new measure will raise $40m a year, with the money to be invested in public transport, schools and other community needs.

Pallas said this would make Victoria's tax system "fairer and more progressive" and was consistent with reforms being brought in by the US president, Joe Biden, to "mobilise new revenue from those in the best position to contribute".

Taxes on large land holdings will also increase to raise more than $380m a year. From 1 January 2021 the land tax rate will rise by 0.25 percentage points for taxable landholdings worth more than $1.8m and by 0.30 percentage points for those exceeding $3m.

Stamp duty on properties worth more than $2m will also increase, raising an extra $137m a year on average.

Asked by reporters if the government was unfairly taxing the rich, Pallas said those with the capacity to provide were being required to make a "modest contribution" for a more cohesive community.

"I've never been one to increase a tax simply for the thrill of it," he said.

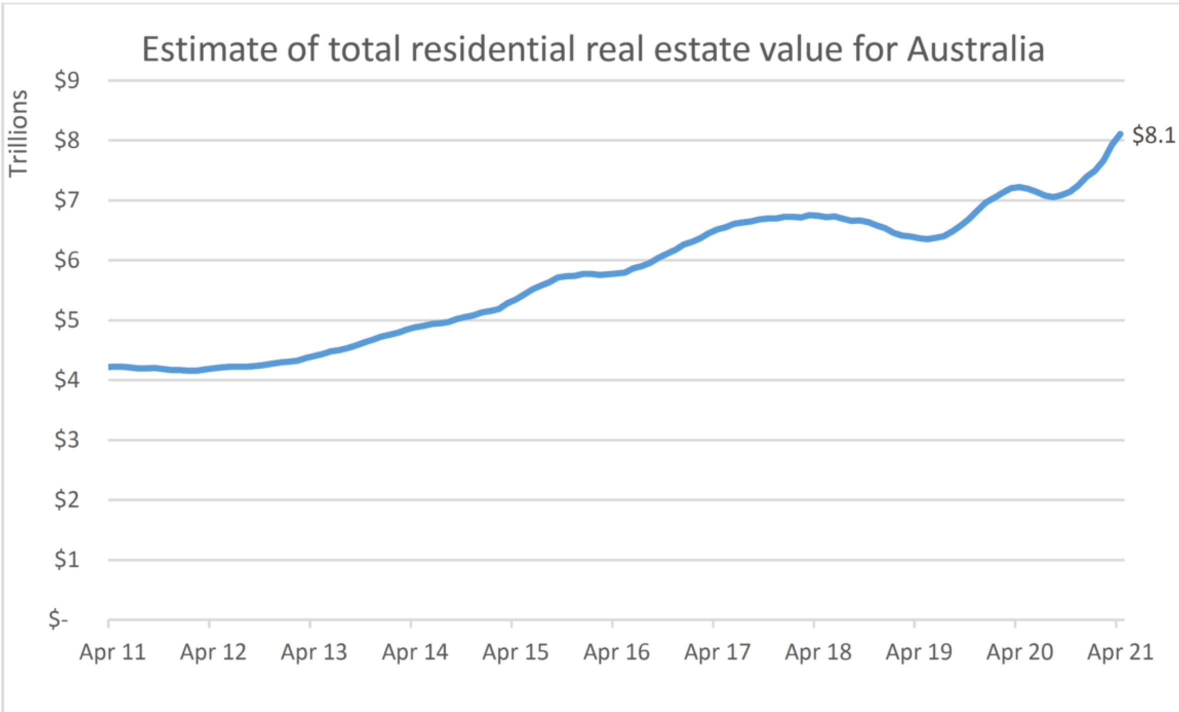
While the property industry was hit hard in the early phase of the pandemic – for which it received ample government support – there had since been a "massive bounce back" of wealth accumulation at the top end of the market, he explained.

The Melbourne Club and Alexandra Clubs declined to comment on the rule changes.

Australian housing market reaches new peak and surpasses $8 trillion valuation

CORELOGIC TODAY ANNOUNCED ITS ESTIMATE OF THE TOTAL VALUE OF RESIDENTIAL REAL ESTATE IN AUSTRALIA HAS REACHED A NEW HIGH OF $8.1 TRILLION.

The surge in value follows the recent broad-based capital gains witnessed across the country, with many markets now at new peak levels.



Source: CoreLogic

CoreLogic data shows in the three months to April, national home values rose 6.8%, which is the highest quarterly dwelling growth rate since December 1988.
"The increase in the value of residential real estate has put Australian home owners in a strong equity position, with the RBA estimating just 1.3% of housing loans to be in a negative equity position at the start of 2021.

However for many Australians looking to get a foot on the property ladder, the continued strength in the market is putting home ownership further out of reach despite record low mortgage rates. Wages growth simply isn't keeping pace," says Ms. Owen.

Sydney and Melbourne property prices slow after record-breaking boom

Buying a house in Sydney and Melbourne is now tens of thousands of dollars more expensive than it was just a month ago but there are signs the strongest property boom in decades is slowing.

Property prices increased 1.8 per cent nationally in April with every capital city and region recording growth, CoreLogic data released on Monday morning shows. This was down from a three-decade high 2.8 per cent price increase in March.

Sydney's median house price increased to $1,147,352 in April, up from $1,112,671 in March, while Melbourne's median house price surged to $869,676 from $859,097 over the same period. This time last year Sydney's median house price was $1,026,418 and Melbourne's was $818,806.

The rapid rise in property prices has prompted warnings about housing affordability from economists and MPs. Last week, federal Housing Minister Michael Sukkar said the state governments needed their "feet held to the fire" to address rising house prices and it was not up to the Commonwealth to fix the issue although he acknowledged it was a problem.

The slowing growth rate may help relieve some of these concerns. The latest data from the Australian Bureau of Statistics shows first home buyer borrowing activity has started to decline.

CoreLogic research director Tim Lawless is expecting the slowdown to continue.

"The slowdown in housing value appreciation is unsurprising given the rapid rate of growth seen over the past six months, especially in the context of subdued wages growth," Mr Lawless said. "With housing prices rising faster than incomes, it's likely price sensitive sectors of the market, such as first home buyers and lower income households, are finding it harder to save for a deposit and transactional costs."

Sydney house prices increased 2.8 per cent over April, while apartment prices edged 1.3 per cent higher. Melbourne house and apartment prices increased 1.4 per cent and 1 per cent respectively.

In March, Sydney's house prices surged 4.3 per cent while Melbourne recorded 2.6 per cent house price growth. CoreLogic now expects property values to continue rising this year and in early 2022 but at a slower pace.

Brisbane house prices increased 1.8 per cent over April, Canberra increased 2.1 per cent and Adelaide increased 2.2 per cent. Darwin, Hobart and Perth house prices increased 2.7 per cent, 1.1 per cent and 0.9 per cent respectively.

Coalition backbenchers have become more vocal over the past 12 months about the issue of rising property prices, prompting Liberal MP Tim Wilson to launch a campaign proposing first-home buyers should be able to withdraw tens of thousands of dollars from their super funds to fund a deposit.

Labor spokesman for housing Jason Clare told the ABC on Saturday there was "no one single thing" causing the problem of housing affordability. He said land supply, planning and tax policy were all part of the mix of issues and if the opposition won government he would organise a meeting between federal, state and local governments to tackle the issue.

"What we need to do is make sure that homes are more accessible," he said. "So we do need to see more supply being opened up."

Tax experts call on Commonwealth to back NSW stamp duty reform

The federal government should offer financial incentives to state and territory treasurers to help scrap stamp duty, say tax experts, backing calls from the NSW Treasurer to help the state axe the tax.

Since political appetite for broadening the GST base and wholesale tax reform has evaporated, EY chief economist Jo Masters and University of Melbourne professor Miranda Stewart called on the federal government to support NSW's difficult reform, which is designed to free up housing stock and boost economic activity.

"Stamp duty and payroll tax are some of the least efficient taxes that we have in our system, but very difficult and costly for states to reform," Ms Masters told the Blueprint Institute's event in a panel discussion on tax policy, moderated by The Australian Financial Review's editor-in-chief, Michael Stutchbury.

"But once you get one big state, the others will fall into line as well," she said.

NSW Treasurer Dominic Perrottet is consulting on gradually replacing stamp duty on property purchases with an annual land tax and lobbying federal Treasurer Josh Frydenberg to offer incentive payments to states that implement growth-friendly economic reforms.

Victoria's Treasurer Tim Pallas ruled out axing stamp duty last year, citing fears "major trauma" would hit the community if it replaced stamp duty with a land tax to boost the state's revenue base.

The financial trouble states face when abolishing the tax was exactly why the federal government needed to step up, said Professor Stewart, from the Melbourne University Law School.

"Federal government financial support would be an explicit recognition that the states have these substantial expenditure responsibilities," Professor Stewart said, pointing out the renewed appreciation of state services during the pandemic.

"I would have thought that would be a really good productivity reform for the nation that would help recovery out of COVID."

Impact on GST for NSW

But she added that there could still be a case to keep stamp duty for more expensive dwellings "because of the way our market is operating in the cities".

Under the model that NSW is considering, future home buyers would be given the choice to pay a large one-off stamp duty (currently $40,000 in NSW and $55,000 in Victoria for a $1 million home), or opt to pay land tax of a few thousand dollars each year based on the value of the property's unimproved land.

But the diverse way the $63 billion GST pool is distributed among the states and territories means it is possible NSW could lose out.

If a cut in stamp duty leads to an increase in property sales, NSW could be deemed to have a stronger theoretical capacity to raise revenue and a lower GST requirement.

"In the absence of steps to mitigate the impact of the reform on GST distributions, the state would be assessed to have a lower GST requirement," the grants commission noted in a paper published earlier this month.

The GST was the last wholesale tax reform in Australia more than two decades ago. Attempts at broadening the GST's base and raising the rate have become politically impossible since it was introduced.

There was consensus amongst the panellists – which included former federal liberal opposition leader and ANU professor John Hewson and Blueprint chief economist Steven Hamilton – of the need to broaden the base and increase the GST but the rate, and what should be taxed, was a sticking point.

Mr Hamilton said he "would love to see a 20 per cent GST on everything. And we could radically reduce income taxes", but Professor Stewart's limit was closer to 12 per cent.

Time's up for taxation system

Professor Hewson, whose political career was blighted by the GST, said any debate about raising and expanding it needed to be considered against the backdrop of what governments need to fund.

"I think to start on this, you've got to recognise the context in which you're doing it, and you've got to have an understanding of the appropriate level of government spending," Professor Hewson said.

"And that's changed a lot in the last 12 months – the shift between the Commonwealth and state's responsibilities – and the tax system itself is inefficient, it is complex, and it is easily inequitable and it's probably vulnerable in terms of its sustainability.

"They're the main weaknesses that you've got to look at in the context of what you're trying to fund. We keep separating those two debates."

Sydney's median house prices hit record high of more than $1.3 million

A "rapid" acceleration in price growth, mostly driven by upper-end homes, has seen Sydney's median house price rocket to a new record of more than $1.3 million.

Key points:

There is no area of Sydney that has escaped the pricing heat up
The trend towards larger properties is continuing so upsizing may be difficult
A slowdown is expected as new listings enter the market

Massive quarterly gains in the eastern suburbs, Northern Beaches, Baulkham Hills and the Hawkesbury are behind the quarterly median price rise of more than $100,000.

Over the year, Sydney house prices have jumped by 12.6 per cent to $1,309,195.

Domain's Senior Research Analyst, Nicola Powell said it had been a "rapid acceleration" in prices.

"It's the fastest acceleration of house prices over a single quarter since our Domain records began in 1993," she said.

"We've got double digit annual gains and that's the steepest rise since mid-2017.

"Previously we'd seen very much the low end of the market supporting price growth ... now we're starting to see the upper end of the market is leading."

Dr Powell said no area of Sydney escaped the pricing boom, and every region had hit record highs.

The median house price of more than $1.3 million is backed up by SQM research.

SQM research managing director Louis Christopher said it had been an "extraordinarily" strong quarter.

"It was ... driven by a multitude of factors, particularly government stimulus," he said.

"From the outset of this current recovery and effectively, current housing boom, there's been great demand for freestanding houses.

"People have been looking for larger properties because they've been working from home, and that trend is still with us."

Slowdown could be on the way

With strong growth for more expensive homes, the cost of upsizing could prove difficult for many buyers.

While first home buyers might benefit from falling interest rates, Dr Powell said the record prices make saving for a deposit even more challenging.

"First home buyers will struggle," she said,

"When we have rapidly rising prices, then when you throw in low wages growth, low interest on savings, that hurdle to save a lump sum deposit becomes extremely difficult."

Dr Powell said she expected the rate of quarterly percentage increases to slow.

"Affordability will bite, not only for first home buyers but also those looking to upsize," she said.

"What we will see as well is more new listings coming onto the market, which will help to alleviate the strong competitive conditions we've seen between buyers."

Mr Christopher said he was watching the market very closely.

"There are some indicators to suggest that perhaps the market is slowing a little but it's very early days," he said.