



Victorian Automobile
Chamber of Commerce
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28 January 2004

Mr Gary Banks
Presiding Commissioner and Chairman
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Banks

FIRST HOME OWNERSHIP DISCUSSION DRAFT

The Victorian Automobile Chamber of Commerce (VACC) wishes to provide a brief submission to the Productivity Commission, regarding the aforementioned discussion draft.

VACC is the peak Automotive Employer Association in Victoria, representing over 4500 small and medium size businesses. VACC is a member of the Motor Trades Association of Australia (MTAA).

The majority of VACC members own and run automotive trade businesses, and thus any tax changes resulting from your inquiry into first home ownership would have a discernible impact on their businesses. Therefore the ideas and options put forward by the Productivity Commission in your report, 'First Home Ownership', are of utmost importance to all VACC members.

VACC is particularly concerned by the proposal outlined on page 77, to reduce stamp duty by placing greater reliance on payroll tax and the GST. While your report posits that this method would create a more "efficient method of taxation", there is no justification given for this proposition. Replacing stamp duty with increases in the scope or rate of payroll tax, would amount to a tax on businesses and on jobs, and thus VACC strongly opposes this change.

Small businesses in Victoria, which constitute 90% of VACC members, are currently exempt from payroll tax, and if these exemptions were removed, it would cause significant hardship. Furthermore, the proposal (on page 21 of the report overview) to increase land tax as an alternative to stamp duty, would once again constitute an unfair burden on businesses should land tax on business premises increase.

The suggestion to place further reliance on the GST to reduce the reliance on stamp duty, is similarly flawed. VACC is completely opposed to any increase in the GST, as it would stifle consumption and impact on retail sales. This would have a disastrous impact for businesses in the Retail Automotive Industry.

The Australian Chamber of Commerce and Industry (ACCI), also opposes any increase in the rate of GST, as outlined in their pre-budget submission to Treasury (October 2003). The GST already constitutes a problem for many small businesses; indeed VACC's most recent quarterly survey of members indicates that taxes and charges are a performance limiting factor for 50% of our members, and thus further increases in the GST would put further pressures on small businesses.

On page 77 of the report, the Productivity Commission notes "as stamp duties add only marginally to the price of housing, their removal could not be expected to have a large effect on housing affordability." Therefore VACC questions the value of proposals to increase taxes and charges on business, when the effect of the changes are of marginal benefit to first home buyers.

VACC appreciates the opportunity to comment on these issues that are of vital importance to our members. We welcome the chance to participate in the Productivity Commission consultative processes.

Please feel free to call me on (03) 9829 1142 if you have any queries or require any further information.

Kind regards

A handwritten signature in black ink, appearing to read "David Russell", with a long, sweeping horizontal flourish extending to the right.

DAVID RUSSELL
SENIOR MANAGER
GOVERNMENT & PUBLIC AFFAIRS