

## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party Proposal No: C1088

**Date Referred:** 12/1/2023 **Date Published:** 20/03/2023

**Proposal Title:** Further compliance investment for land tax and transfer duty

**Cluster:** Department of Customer Service

# **General Government Sector Impacts**

		2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)			10,000	10,000	10,000	30,000
Depreciation						-
Less:	Offsets					-
	Revenue		45,000	90,000	90,000	225,000

Net Operating Balance:	-	35,000	80,000	80,000	195,000

Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	ı	-	-	

# **Total State Sector Impacts**

Net Lending/(Borrowing):	35,000	80,000	80,000	195,000
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# Notes and costing assumptions:

This policy proposes to spend \$30 million, to improve land tax and stamp duty compliance, on the same terms and proportional to an existing allocation of \$60 million for land tax and stamp duty compliance.

The measure is expected to improve the Budget position by \$195 million in the three years to 2025-26.

## **Background**

The 2022-23 Budget announced land tax and stamp duty compliance measures, increasing expenditures by \$60m to deliver an additional \$568m of revenue over four years:

Current policy	2022-23	2023-24	2024-25	2025-26	Total
Expenses (\$m)	17.5	22.5	10	10	60
Revenue (\$m)	100	125	170	173	568

Part of the initial investment is being used in system improvements to improve compliance, specifically targeting the next 12 months of revenue. Revenue NSW considers it would be very

#### Notes and costing assumptions continued:

difficult to invest further in this sort of system improvement, noting in particular challenges in recruiting subject matter and digital experts, and an already existing program of transformation in systems and data. For this reason, the PBO considers it is not feasible to exactly match the expected ratio between expenses and revenue forecast under the current policy.

Stepping away from revised systems and data, Revenue NSW generally expects a return of around 10:1 for new compliance staff. Accounting for diminishing returns to these activities, the PBO assumes that additional compliance expenditure will generate a return of around 9:1.

### Methodology

Focusing on the proposal to spend an additional \$30m on compliance activities over the forward estimates, the PBO assumes the expenditure begins in 2023-24 and it is devoted to additional compliance staff, rather than data or system upgrades. Accordingly, the expenditure is assumed to follow a constant annual profile of \$10m per year over three years.

On the basis of a 9:1 return, additional revenue of \$270m could be expected over three years, or \$90m per year. However, the PBO assumes there is a delay between hiring new staff and the generation of additional revenue. Accordingly, it is assumed the additional revenue is halved in the first year, to \$45m, followed by an additional annual revenue stream of \$90m per year.

Proposed policy	2022-23	2023-24	2024-25	2025-26	Total
Expenses (\$m)		10	10	10	30
Revenue (\$m)		45	90	90	225