Chapter 9

Property and transaction taxation

Contents

9. PROPERTY AND TRANSACTION TAXATION

SUMMARY

Although Australia has a comparatively high reliance on property and transaction taxes (3.0 per cent of GDP) and is seventh highest of the OECD-30, in terms of the OECD-10, Australia's overall tax burden is much closer to the unweighted average (2.7 per cent).

Most property and transaction taxes in Australia are levied by sub-national governments — the State, Territory and local governments.

Australia's tax burden from taxes on immovable property is below the unweighted average of the OECD-10.

Of the OECD-10, Australia has the highest financial and capital transaction tax burden (includes taxes such as stamp duties on conveyances).

Australia's top rate for stamp duty on conveyances (7 per cent) is the equal second highest of the OECD-10.

Australia is the only OECD-10 country which does not levy either a recurrent wealth tax, or any estate, inheritance or gift taxes.

9.1 INTRODUCTION

Property and transaction taxes cover taxes levied on the use, ownership or transfer of property, including:

- taxes on immovable property, for example, land tax and municipal rates;
- taxes on net wealth;
- taxes on the change of ownership of property through inheritance or gift; and
- taxes on financial and capital transactions, for example, stamp duties on conveyances and cheques.

This chapter compares Australia's property and transaction tax burden with the other OECD-10 countries over these four sub-categories. Information on the comparison across the OECD-30 is included in Chapter 3.

As for other areas where the OECD data are disaggregated finely, there are classification issues which mean that particular care needs to be taken in making comparisons across countries (and through time).

A wide variety of taxes fall into the property and transaction taxes category and there is considerable diversity between countries in the implementation and design of these taxes.

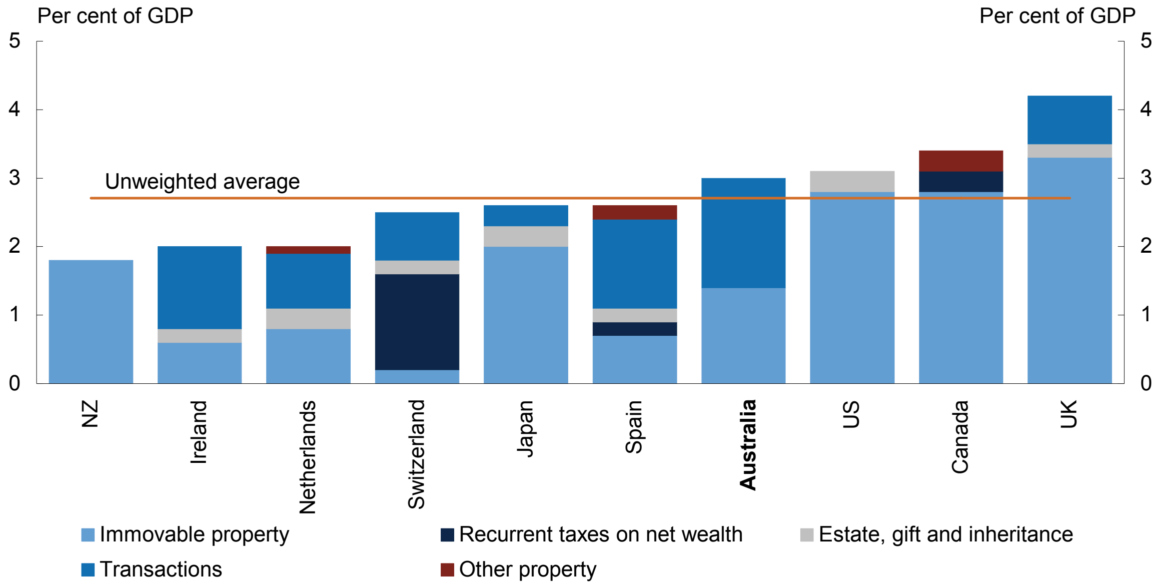
In Australia, virtually all taxes covered by this category are levied by the sub-national governments. In the other OECD-10 countries, the levels of government imposing these taxes differ. For the majority, sub-national governments are more reliant on these taxes than national governments as a source of revenue.

9.2 BROAD INTERNATIONAL COMPARISONS

As discussed in Chapter 3, Australia has a comparatively high reliance on property and transaction taxes (3.0 per cent of GDP) and is eighth highest of the OECD-30. In terms of the OECD-10, Australia's overall tax burden in this category is much closer to the unweighted average. Australia is fourth highest in terms of tax burden of the OECD-10 (see Chart 9.1).

Chart 9.1: Property and transaction tax burden

OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



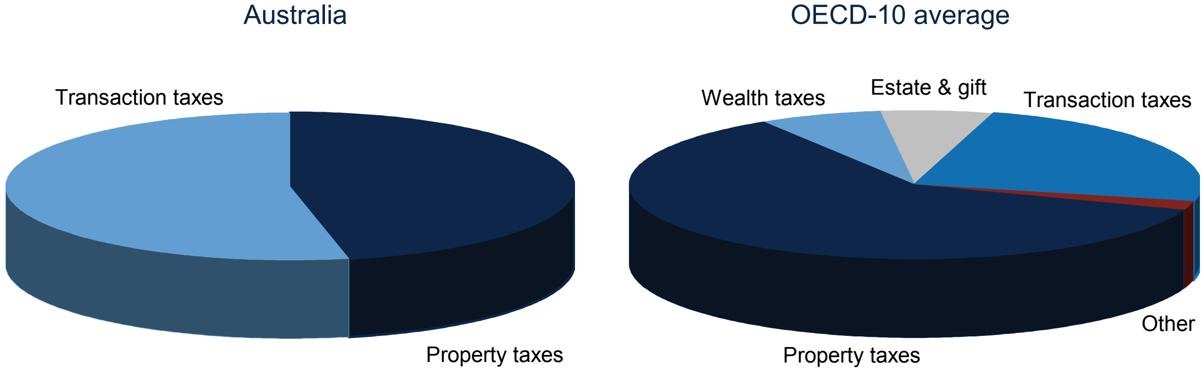
Source: OECD *Revenue Statistics*, 2005.

As is the case for all OECD countries, there is considerable diversity across the OECD-10 in the mix of property and transaction taxes.

As shown in Chart 9.2, the Australian mix is quite different from the average OECD-10 mix. Australia's proportion of the tax mix from immovable property taxes is below the average, whereas Australia's transaction tax burden is significantly above the average.

Australia does not have wealth taxes or estate, inheritance and gift taxes. The other OECD-10 countries all levy at least one of these types of taxes. (New Zealand imposes a gift tax, but the revenue collected from this tax is less than 0.01 per cent of GDP.)

Chart 9.2: Australia's property and transaction tax mix
OECD-10, 2003



Source: OECD *Revenue Statistics*, 2005.

9.3 Recurrent taxes on immovable property

Recurrent taxes on immovable property are defined by the OECD as taxes levied regularly in respect of the use or ownership of immovable property. Usually, these taxes are levied on land and/or buildings.

In Australia's case, the majority of revenue under this category is from local government rates. Land taxes levied by State and Territory governments are also a significant component.

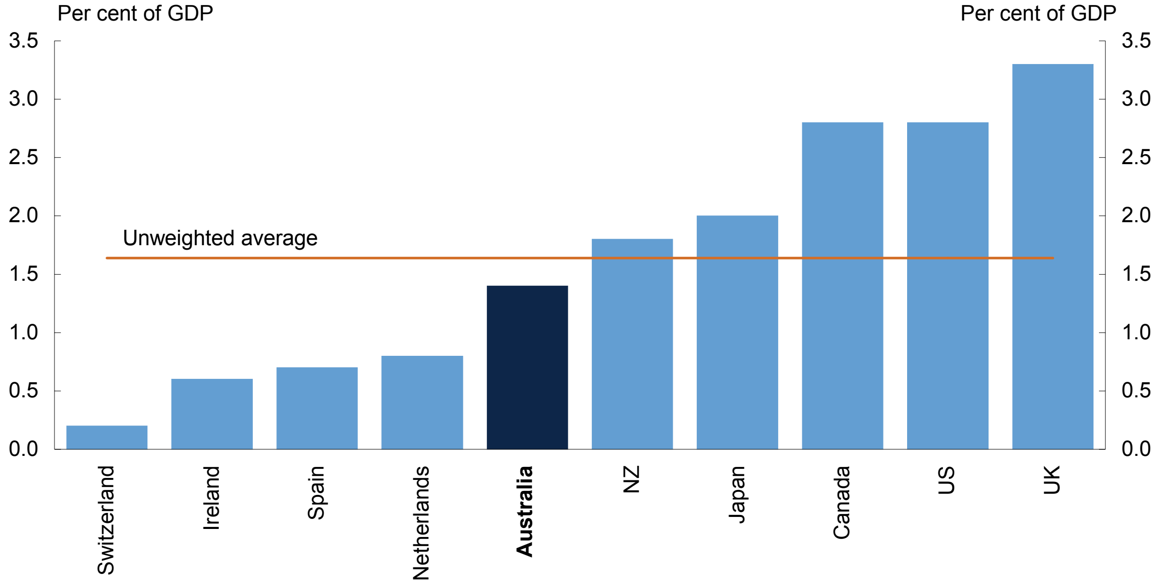
Taxes on immovable property do not include taxes on incomes flowing from property ownership (for example, rental income) or taxes on incomes flowing from the sale of property (for example, capital gains). These types of taxes are included in the relevant categories of income taxation revenue.

While Australia has the seventh highest immovable property tax burden (1.4 per cent of GDP) of the OECD-30, it is below the average of the OECD-10 (1.6 per cent).

Of the OECD-10, the United Kingdom has the highest reliance on immovable property taxes, and the United States, Canada, Japan and New Zealand are also relatively heavily reliant.

Chart 9.3: Taxes on immovable property

OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



Source: OECD *Revenue Statistics*, 2005.

Among the OECD-10, these types of taxes are generally levied by sub-national governments. As such, analysis of their characteristics is more difficult, because information on rates and bases is not as readily available and can vary widely within countries.

Table 9.1 summarises the number of these types of taxes levied in the OECD-10 and the different levels of government levying them. Table 9.2 summarises the tax bases used in the OECD-10. Comparable information on rates and bases is not readily available and the information in the following tables must be treated with caution as the detailed information has not been verified with the individual countries.

Table 9.1: Number of recurrent taxes on immovable property in the OECD-10 countries

	National government	State government	Local government
Australia	-	1	1
Canada	-	-	1
Ireland	-	-	1
Japan	-	-	3
Netherlands	-	-	1
New Zealand	-	-	1
Spain	-	-	1
Switzerland	-	1	-
United Kingdom	1	-	1
United States	-	1	1

Source: Various, see Chapter 1 (1.4.1).

Table 9.2: Immovable property tax bases utilized in the OECD-10 countries

	Land	Land and buildings/improvements	Buildings/improvements only
Australia	X	X	
Canada		X	
Ireland		X	
Japan		X	
Netherlands		X	
New Zealand	X	X	
Spain		X	
Switzerland(a)			
United Kingdom		X	X
United States(b)			

(a) Most canton levy land tax on the value of property as shown in the local land register.
(b) Methods for assessing the value of a property vary depending on the jurisdiction.
Source: Various, see Chapter 1 (1.4.1).

Appendix table 9.1.1 describes in more detail the various taxes levied on immovable property. Some of the key points that can be drawn from the analysis of these taxes are:

- the bases that the taxes are levied on and the bases of assessment vary between countries, between different taxes levied in a country and between different jurisdictions within countries; and
- exemptions are quite common and typically relate to how the property is used.

Overall, Australia's taxes on immovable property seem to be broadly comparable with many of the other OECD-10, but the OECD-10 overall tends to rely more on these taxes than the remainder of the OECD-30.

9.4 RECURRENT TAXES ON NET WEALTH

Recurrent taxes on net wealth are usually annual taxes based on a percentage of the taxpayer's financial and real assets after the deduction of financial liabilities.

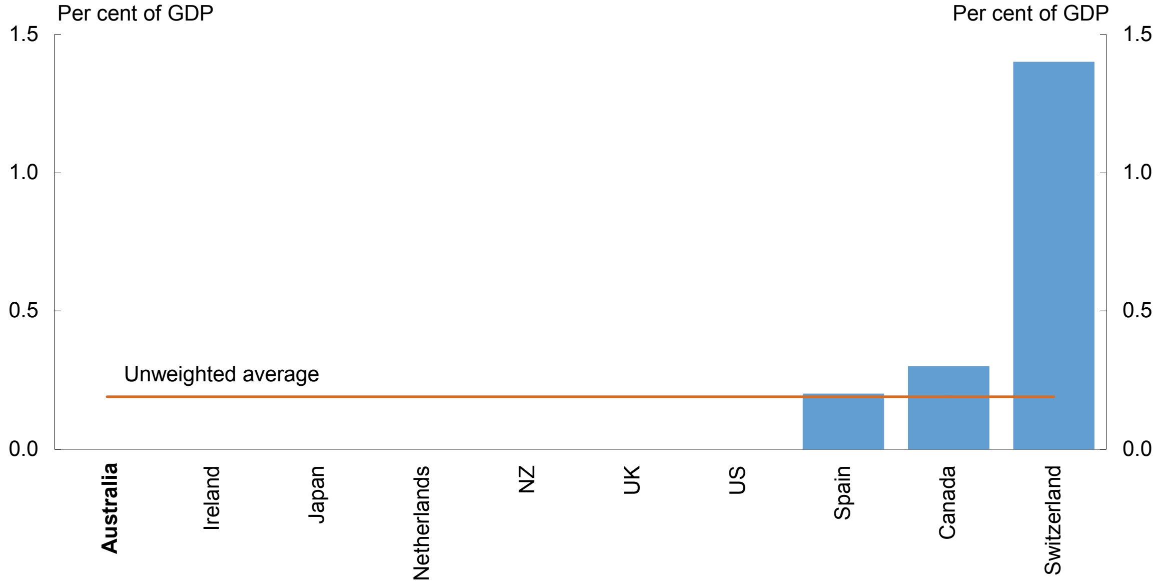
This type of tax is likely to have significant compliance costs for taxpayers requiring them to calculate annually the change in the total value of their assets and financial liabilities (such as outstanding loans). Records of these valuations and a system of verifying them are necessary.

Australia is one of seven OECD-10 countries that do not levy a recurrent net wealth tax. Only Canada, Spain and Switzerland levy this type of property tax.

Of these three countries, Switzerland relies the most heavily on these taxes (1.4 per cent of GDP), while for Canada and Spain they are a relatively small proportion of their tax mix.

Chart 9.4: Recurrent wealth tax burden

OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



Source: OECD *Revenue Statistics*, 2005.

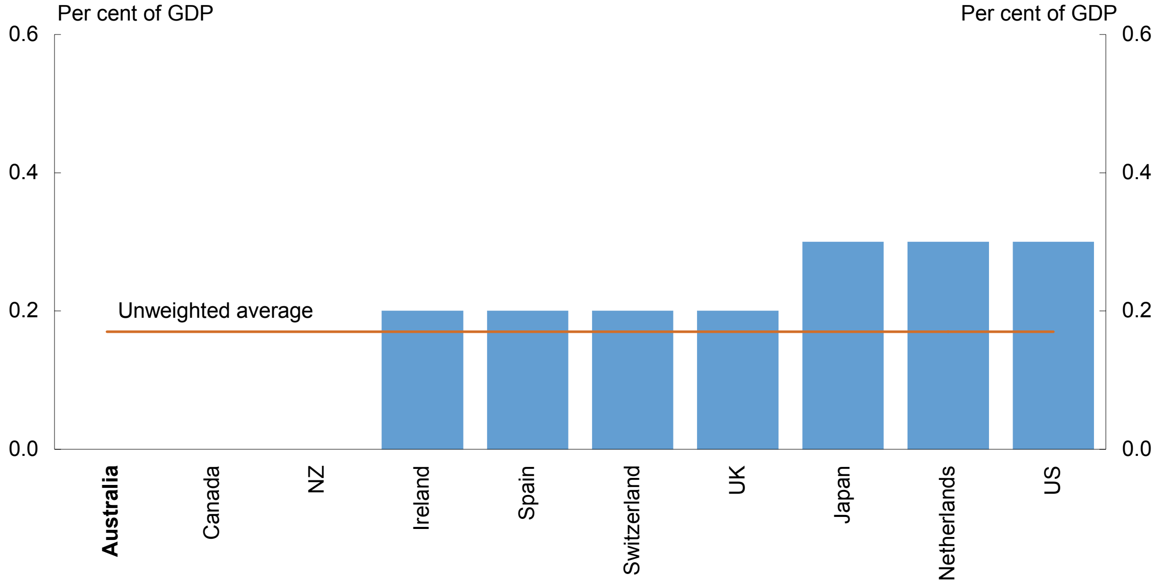
9.5 ESTATE, INHERITANCE AND GIFT TAXES

Australia is one of two OECD-10 countries that do not impose any estate, inheritance and gift taxes.

Of the OECD-10, Japan, the Netherlands and the United States rely most heavily on these taxes. Even for these countries, they are not a significant part of their tax base, accounting for around 0.3 per cent of GDP.

New Zealand collected approximately NZ$2 million from its gift tax in 2003, which is less than 0.01 per cent of its GDP.

Chart 9.5: Estate, gift and inheritance tax burden
OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



Source: OECD *Revenue Statistics*, 2005.

In Canada, these taxes are not directly levied, but they are effectively imposed through deemed disposition provisions in income tax legislation.

Table 9.3: Summary of estate, inheritance and gift taxes in the OECD-10 countries

	Estate/Inheritance tax	Gift tax
Australia		
Canada(a)		
Ireland	X	X
Japan	X	X
Netherlands	X	X
New Zealand		X
Spain	X	X
Switzerland	X	X
United Kingdom	X	
United States	X	X

(a) While Canada does not levy any estate, inheritance or gift taxes, they are effectively imposed through deemed disposition provisions in income tax legislation.
Source: Various, see Chapter 1 (1.4.1).

Table 9.4: Tax rates and examples of exemptions/concessions

	Rates	Examples of exemptions/concessions applied
Australia	n/a	n/a
Canada	n/a	n/a
Ireland	20 per cent (Capital acquisitions tax).	Gifts between spouses, gifts and inheritances to charities.
Japan	Rates vary depending on the value of the gift/inheritance. Rates vary between 10 per cent-50 per cent (Inheritance tax and Gift tax).	Properties received by a person engaged in religious, charitable, scientific or other activities of public welfare.
Netherlands	Levied at a progressive rate and depend on the relationship between the donor/donee. Rates vary between 5 per cent-68 per cent (Inheritance tax and Gift tax).	Deductions are allowed for spouses and children.
New Zealand	Levied at a progressive rate, varying between 0 per cent-25 per cent (Gift duty).	Gifts of less than NZ$2,000 in a year, gifts to charities and gratuities.
Spain	Vary as levied by sub-national governments. The default rate for all regions varies from 7.65 per cent to 34 per cent depending on the taxable amount.	Deductions available for family members.
Switzerland	Varies between cantons — most cantons levy inheritance and gift taxes.	In Zurich (for example), spouses, same sex couples and descendants are exempt.
United Kingdom	Nil rate up to £275,000, 40 per cent for chargeable transfers and 20 per cent for chargeable lifetime transfers (Inheritance tax).	Transfers between spouses, donations to charity and political parties.
United States	Ranges between 18 per cent and 46 per cent depending on the taxable amount (Unified Estate and Gift Tax System).	Bequests to charities, unlimited marital deduction is allowed for bequests to a surviving spouse.

Source: Various, see Chapter 1 (1.4.1).

Appendix table 9.1.2 describes in more detail the estate, inheritance and gift taxes levied in the OECD-10 countries. Some of the key points from the analysis of these taxes are:

- estate, inheritance and gift taxes tend to be levied progressively in relation to the value of the inheritance/gift received;
- exemptions/deductions/concessions are common, especially for family members; and
- exemptions generally apply to donations made to organisations perceived to act in the public interest (that is, charities, religious organisations and government/political entities).

9.6 Taxes on financial and capital transactions

Taxes on financial and capital transactions are defined by the OECD as taxes on transactions such as:

- the issue, transfer, purchase and sale of securities;
- cheques; and
- specific legal transactions such as validation of contracts and the sale of immovable property.

In Australia, examples of such taxes would include stamp duties on residential conveyances, non-residential conveyances, mortgages, leases, shares, rental arrangements and other products.

Australia has the highest reliance on transaction taxes such as stamp duties on conveyances (1.6 per cent of GDP) of the OECD-10 (unweighted average of 0.7 per cent).

Of the other OECD-10 countries, Spain (1.3 per cent) and Ireland (1.2 per cent) also rely relatively heavily on these taxes compared to the other OECD-10 countries.

Again, as noted earlier, there are classification issues when the OECD tax data are disaggregated.

Some sub-national governments in both Canada and the United States impose taxes on the transfer of real estate, but revenues from these taxes are not reported under this sub-category.

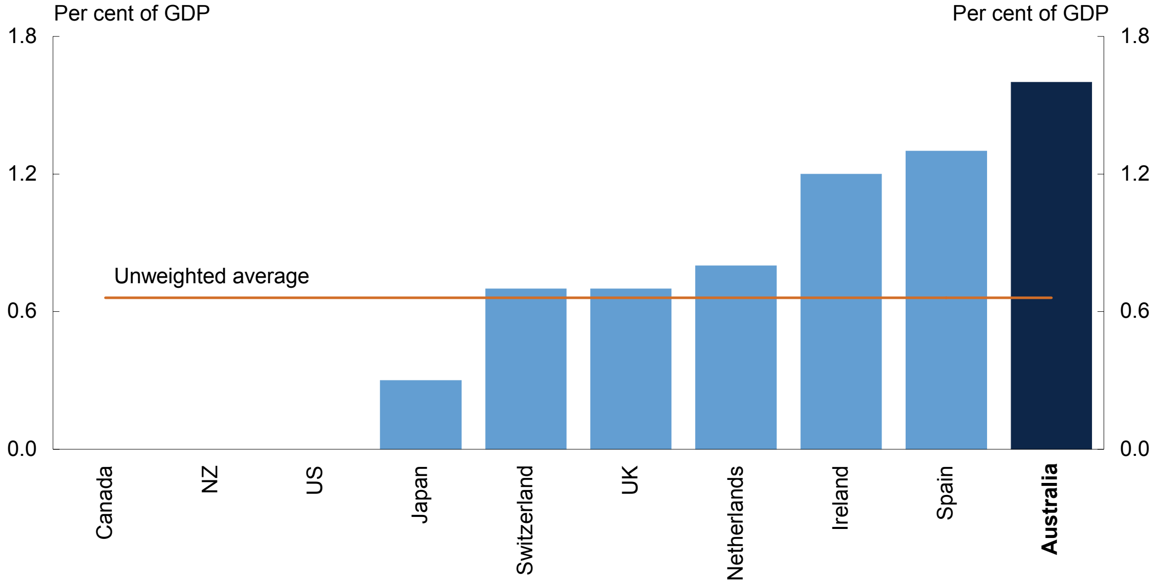
- For Canada, revenues from land transfer taxes are reported under the 'other (non-recurrent) property tax' category in the OECD's *Revenue Statistics 2005 Edition* (4520). Statistics Canada has advised that land transfer taxation revenue totalled C$1.9 billion in 2004 (around 0.1 per cent of GDP).

- For the United States, revenues from real estate transfer taxes are reported under another category in the OECD's *Revenue Statistics 2005 Edition* — 'recurrent taxes on the use of goods or on the permission to perform activities' (5213). Revenue collections from document and stock transfer taxes for state governments only were US$7.9 billion in 2004 (around 0.1 per cent of GDP).

New Zealand imposes two financial and capital transaction duties — cheque duty and an approved issuer levy (approved issuers are required to pay a levy for the right to issue securities that are subject to a zero rate of non-resident withholding tax). For 2003, New Zealand reported revenue collections of NZ$56 million (less than 0.1 per cent of GDP) under this sub-category.

Chart 9.6: Transaction tax burden

OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



Source: OECD *Revenue Statistics*, 2005.
Note: Revenues from Bank Accounts Debits tax (BAD tax) is included in the total figure for Australia. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all States and Territories abolished BAD tax by 1 July 2005 (New South Wales abolished BAD tax on 1 January 2002).

The most significant component of this category of taxes for Australia is the State and Territory stamp duties on conveyances (taxes on the sale of land and buildings).

- In 2003-04, around 80 per cent of the revenue from taxes on financial and capital transactions was attributable to stamp duties on conveyances for Australia. Revenue collections from stamp duties on conveyances vary with property values and with the level of market activity, so this revenue source can be subject to greater variability than other sources.
- Revenue from stamp duties on conveyances of real property makes up the majority of conveyance duty revenue collections for the Australian States and Territories.

Apart from New Zealand, all other OECD-10 countries levy taxes on the transfer of real estate.

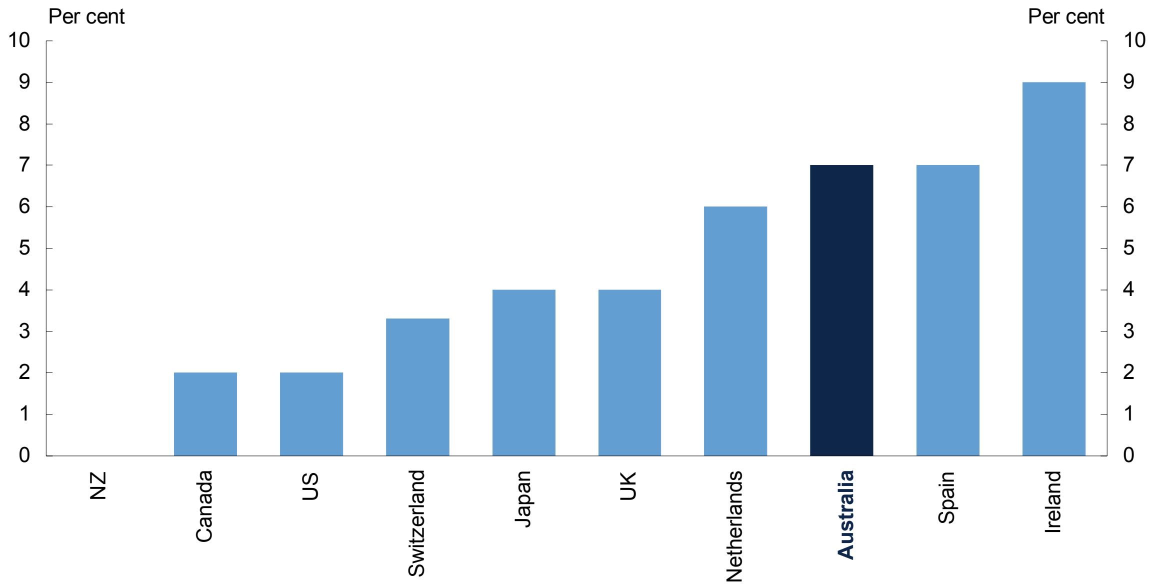
Appendix table 9.1.3 provides some details of these taxes in the OECD-10. Again, comparable information on these types of taxes is not readily available and the information in this table must be treated with caution as it has not been verified with the individual countries.

Table 9.5: Level of government levying taxes on the transfer of real estate

Australia	State
Canada	Provincial and Local
Ireland	National
Japan	National and Local (prefectures)
Netherlands	National
New Zealand	n/a
Spain	Local (Autonomous Communities)
Switzerland	Canton and Local (Communes)
United Kingdom	National
United States	State and Local (County)

Source: Various, see Chapter 1 (1.4.1).

Chart 9.7: Top tax rate applied on the transfer of real estate
OECD-10, 2005



Source: Various, see Chapter 1 (1.4.1).

Australia's top rate for stamp duty on conveyances (7 per cent) is the equal second highest of the OECD-10.

- The top conveyance duty rate of 7 per cent is the marginal rate applying to residential conveyances over A$3 million in New South Wales.

In addition to stamp duty on conveyances, the Australian States and Territories also levy a number of other financial transaction taxes, including stamp duties on mortgages, leases, shares and rental arrangements. Nearly all other OECD-10 countries also levy taxes on one or more of these transactions (Appendix table 9.1.4).

The goods and services tax (GST) was intended to replace a majority of these financial and capital transactions taxes in Australia. In 2005, the Australian Government proposed a timetable for the elimination of the remaining State and Territory taxes listed in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the agreement which provides for all GST revenue to be paid to the States and Territories).

- These taxes are stamp duties on mortgages, leases, cheques, shares, rental arrangements and business conveyances.

At the time of writing this report, complete agreement has not been reached between the Australian Government and all the States and Territories on the timetables for abolishing these taxes.

- Nonetheless, some States and Territories intend to abolish a number of these taxes over the next few years.

It is possible that in many OECD countries other general taxes, like VAT or capital gains tax, are applied to these transactions. For example, tax rates on the transfer of real estate in other countries might be quite low as other taxes that apply to the same base are relatively high, or taxes may be calculated on a VAT inclusive price. In addition, the interactions between these taxes could vary significantly from country to country and they have not been fully explored here. As a result, the total tax burden on financial and capital transactions may vary significantly from the revenue collections of financial and capital transaction taxes in OECD countries.

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APPENDIX 9.1: TAXES ON IMMOVABLE PROPERTY

Country	Tax	Rate	Base	Exemptions	Level of government	Other
Australia	Land tax	Rates are progressive and vary across jurisdictions.	Land — unimproved value.	A principal place of residence is generally exempt, as is land used for primary production. Land owned by religious bodies and schools.	State	Generally, liability rests primarily with the owner at a particular point in time.
	Rates	Vary across jurisdictions.	Varies across jurisdictions — land or land and improvements.	Vary across jurisdictions — common exemptions include publicly owned land, public hospitals, libraries, cemeteries, charities, church lands, universities, schools and foreign embassies.	Local	
Canada	Property tax	Rates vary by class of property and from municipality to municipality.	Land and improvements.	Exemptions include churches, cemeteries, Indian lands, public hospitals, charitable institutions and educational institutions.	Local	
Ireland	Rates	Fixed every year by local authorities as a multiple of the rateable value of the property.	Land and improvements — taxable value is based on annual rental value of the rateable property.	Domestic and agricultural property is outside the scope of the tax. Common exemptions include property used exclusively for the purpose of public religious worship, art galleries, museums, and libraries, property used for educational purposes, burial grounds or crematoriums.	Local	A local tax on the occupation of immovable property for non-residential is payable by the occupier.
Japan	Property tax	The standard rate is 1.4 per cent, maximum rate is 2.1 per cent.	Land, buildings and depreciable business assets. The tax base for land and buildings is their value assessed by municipalities, based on market prices.	Standard exemptions are available for land (of value up to ¥300,000) and housing (value up to ¥200,000). Property used as public roads or cemeteries, or for educational, religious, or social welfare is exempt.	Local	
	City planning tax	Maximum of 0.3 per cent.	Imposed on the owners of land and buildings located within an urban promotion area. Appraised value for property taxes is used.		Local	May be imposed by cities, towns and villages undertaking projects under the City Planning Law.
	Land development tax	At the discretion of local authorities.	Imposed on developers of land and is based on the developed area.		Local	

Appendix 9.1: Taxes on immovable property (continued)

Country	Tax	Rate	Base	Exemptions	Level of government	Other
Netherlands	Immovable property taxes	Rate differs for each municipality. Different rates may apply for commercial property and private property.	Land and improvements.	Exemptions include natural sites, public roads, public waterways, property mainly used for public worship, foreign embassies and consulates, public gardens, public parks, cemeteries, and crematoriums.	Local	The tax consists of: (1) a part levied on owners of immovable property; and (2) a part levied on the users of immovable property.
New Zealand	Rates	Varies depending on the type of rate imposed.	Varies — there are four systems of general rating. They include by capital (land and improvements) value, by unimproved land value, by the annual rental value of the property and by the area system.	Exemptions include property used for religious, charitable and educational purposes; heritage property; community land; and Maori and burial grounds.	Local	
Spain	Taxes on real estate	General tax rates are 0.4 per cent for urban property and 0.3 per cent for rural property, but higher rates may apply.	Land and buildings.	Exemptions include property owned by the church and Red Cross; diplomatic premises; schools.	Local	The taxable base is the cadastral value. The cadastral value is updated every eight years with reference to the market value of the property, including the value of land and buildings.
Switzerland	Land tax	Rates vary between 0.3 per cent and 4 per cent.	The application of the tax can vary across jurisdictions. Non-farm properties are usually assessed with respect to their market value, whereas farm and forestry properties measure their earning power.		Canton/Local	Primarily a communal (local) tax.
United Kingdom	Business rates	For the year ending 31 March 2006, the rate is 42.2 per cent in England (similar rates apply in Scotland and Wales).	Land and improvements (commercial only).	Exemptions include agricultural land and buildings; places of public worship; properties occupied by charitable and sporting organisations; and diplomatic premises.	National	The tax is payable by the occupier. Rateable values, which are assessed every five years, are currently based on market rents on 1 April 2003.

Appendix 9.1: Taxes on immovable property (continued)

Country	Tax	Rate	Base	Exemptions	Level of government	Other
United Kingdom (continued)	Council tax	Rates are set by each local government.	Buildings (residential only).	Exemptions include properties that are owned by charity, kept for occupation by ministers of religion, occupied by students; and occupied or managed by an educational establishment or charitable body.	Local	The tax is payable by the occupier.
United States	Real estate taxes	Varies across jurisdictions.	Methods for assessing the value of a property vary depending on the jurisdiction.		Local	

Source: Various, see Chapter 1 (1.4.1).

Appendix 9.2: Estate, inheritance and gift taxes

Country	Tax	Rate	Base	Exemption	Level of government	Additional information
Australia	Australia does not impose estate, inheritance or gift taxes.					
Canada	No Canadian jurisdiction imposes a gift or inheritance tax per se. They are effectively imposed through deemed disposition provisions in income tax legislation.					
	Deemed disposition through a gift	As per income tax rate.	A person who gifts property to another is deemed to have received proceeds equal to its fair market value. The deemed proceeds may cause the donor to recognise income, recaptured depreciation or capital gains.	Depends on the property involved. Also, a spouse may transfer property to the other spouse without attracting liability.		
	Deemed disposition through death	As per income tax rate.	Similar to above. The deceased is deemed to have disposed of all property owned immediately before the time of death. Note that deemed capital gain is only the increase in value of assets, not the total value.	A spouse may transfer property to the other spouse without attracting liability.		
Ireland	Capital acquisitions tax	A single rate of 20 per cent, which applies to any accumulated gifts and inheritances over the relevant class threshold.	Levied on the receipt of gifts, or on the successor of property passing on death. The taxable value is the market value on the date of the gift or succession.	A number of exemptions including, but not limited to, gifts passing between spouses, gifts and inheritances to charity; small gifts up to €1,270 per year, gifts and inheritances of life insurance policies.	National	

Appendix 9.2: Estate, inheritance and gift taxes (continued)

Country	Tax	Rate	Base	Exemption	Level of government	Additional information
Japan	Inheritance tax	Between 10 per cent and 50 per cent depending on the size of the inheritance.	Imposed on the total value of all properties acquired through an inheritance or a bequest (less liabilities and funeral expenses). Valuation of properties is based on market price.	Exemptions include, but are not limited to, life and personal accident insurance proceeds; retirement and similar benefits; and properties received by a person engaged in religious, charitable, scientific or other activities for public welfare.	National	Gifts within three years before death are included in the taxable base, but any gift tax payable is credited against the inheritance tax.
	Gift tax	Between 10 per cent and 50 per cent depending on the size of the gift.	Imposed on property given as a gift.	Exemptions include, but are not limited to, gifts from a corporation; sums received by dependants for living and educational expenses; properties received by a person engaged in religious, charitable, scientific or other activities for public welfare; and political contributions.	National	
Netherlands	Succession duty	Levied at a progressive rate (between 5 per cent and 68 per cent) depending on the proximity of the relationship between the deceased/donor and the value of the inheritance.	Imposed if property is acquired by inheritance or by gift and the deceased/donor was/is a resident of the Netherlands.	Deductions are allowed for spouses and children. Gifts to certain museums.	National	Levied on the beneficiary/donee.
New Zealand	Gift duty	Marginal rates range from 0 per cent to 25 per cent depending on the value of the gift.	Payable on gifts of all property in New Zealand and gifts of property situated outside New Zealand if the donor is domiciled in New Zealand.	Exemptions include, but are not limited to gifts of less than NZ$2,000 in aggregate for one calendar year; gifts to maintain education of relatives; gifts to charities and gratuities.	National	
Spain	Inheritance and gift tax	Varies depending on region. The default rate for all regions varies from 7.65 per cent to 34 per cent depending on the taxable amount.	Transferred assets are valued at their fair market value.	Deductions available for family members.	Autonomous communities	A recipient who is a resident of Spain is liable to this tax with regard to property in Spain or abroad, acquired through a gratuitous transfer. Non-residents are subject to this tax with regard to any assets located in Spain.

Appendix 9.2: Estate, inheritance and gift taxes (continued)

Country	Tax	Rate	Base	Exemption	Level of government	Additional information
Switzerland	Inheritance and gift taxes	The effective tax burden varies between cantons, but usually is based on the degree of relationship and/or the received amount. Rates range from 10 per cent to 50 per cent.	For tax purposes, there is generally no distinction between inheritances and gifts. The right to levy inheritance and gift taxes on movable property is left to the canton in which the descendant had their last residence, and to the canton in which the donor has their residence, respectively.	For example, in the canton of Zurich, spouses, same-sex couples and descendants are exempt.	Cantons	Most cantons levy inheritance and gift taxes.
United Kingdom	Inheritance tax	A nil rate applies up to £275,000. Above this amount, the rate is 40 per cent for chargeable transfers and 20 per cent for chargeable lifetime transfers.	Levied on the transfer of all property passing on death (chargeable transfers).	Exemptions include, but are not limited to, transfers between spouses, regular gifts, gifts up to £3,000 in a tax year, and donations to charity and political parties.	National	It is also levied on certain gifts made within the seven years before the death of a person. It is levied on worldwide property of domiciled individuals and trusts. Non-domiciled individuals are liable to tax only on assets situated in the United Kingdom.
United States	Unified Estate and Gift Tax System	Ranges between 18 per cent and 46 per cent depending on the taxable amount.	Levied on the accumulative total value of all transfers made by an individual during life and at the time of death. Applies to all United States citizens and foreign nationals who are United States residents at the time of death. Applies also to non-residents on property that is deemed to have a United Stated location. Property is valued at the fair market value at time of death.	The value of the gross estate is reduced by: (1) expenses and losses; (2) mortgages and indebtedness; (3) certain taxes imposed by United States states or foreign countries on transfers made for public, charitable or religious purposes; and (4) bequests to charities. Also, an unlimited marital deduction is allowed for bequests to a surviving spouse. An exclusion applies to gifts up to the value of US$12,000 per donee in one year.		Also imposes a generation skipping transfer tax (GSTT) on transfers made to beneficiaries who are more than one generation younger than the donor. Note: the estate tax and GSTT are scheduled to be completely phased out by 2010.

Source: Various, see Chapter 1 (1.4.1).

APPENDIX 9.3: TAXES ON THE TRANSFER OF REAL ESTATE

Country	Top rate[(a)]	Progressive rate structure	Examples of exemptions[(b)]	Level of government	Additional information
Australia	7 per cent	Yes	First home owners can receive discounts/exemptions for lower valued properties.	State	Rates vary across States and Territories, maximum rates vary from 3.75 per cent to 7 per cent. The maximum rate of 7 per cent is for transfers over A$3 million in New South Wales.
Canada	2 per cent	Yes (generally)	In Ontario, for example, a refund is available for first time purchasers of a newly constructed home.	Provincial/Local	Rates vary across provinces (six provinces impose land transfer taxes). A few provinces levy registration fees rather than transfer taxes.
Ireland	9 per cent	Yes	First home owners are exempt for low to mid-cost houses.	National	Rates vary for different definitions of purchasers. The maximum rate of 9 per cent is for transfers over €635,000 for all purchasers.
Japan	4 per cent	National: various flat amounts depending on value. Prefecture: flat 4 per cent.	Exemptions below threshold levels.	National/Prefecture	
Netherlands	6 per cent	No	Exemptions for acquisitions by children, acquisitions by public organisations, agricultural land and buildings.	National	
New Zealand	-	-	-	-	-
Spain	7 per cent	No	First sale of property (VAT is applied instead).	Autonomous communities	
Switzerland	3.3 per cent			Canton/Local	A few cantons levy transfer fees rather than transfer taxes.
United Kingdom	4 per cent	Yes	Exemption for non-residential land in disadvantaged areas.	National	Higher tax free thresholds for residential property in disadvantaged areas.
United States	2 per cent	Mixture of progressive and flat structure.		State/Local (County)	

(a) Top rate across all jurisdictions levying such a tax.
(b) Does not cover all exemptions/concessions.
Source: Various, see Chapter 1 (1.4.1).

Appendix 9.4: Examples of other financial and capital transaction taxes

Country	Other types of transactions taxed
Australia	Mortgages, leases, share transfers, rental arrangements
Canada	No examples could be found
Ireland	Mortgages, leases, share transfers
Japan	Transfer of mining rights, intangible property rights, leases, shares, debentures, promissory notes
Netherlands	Share transfers
New Zealand	Cheques
Spain	Deeds, leases, moveable assets
Switzerland	Shares and other financial instruments
United Kingdom	Other main stamp duties beside stamp duty on property transfer, are on leases and share transactions
United States	Some States levy taxes on mortgages, car hire

Source: Various, see Chapter 1 (1.4.1).