
From: [REDACTED]
Sent: 21/11/2020 2:31:37 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Property Tax for investment properties and change in residential status
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Dear sir,

Just briefly in reviewing the proposed tax reform which I broadly support on its progressive basis I have encountered two issues so far:

Property Investors- When purchasing a property that has a land value below the threshold (or have a portfolio below the threshold) for land tax investors will NOT opt in to property tax. The reason for this is demonstrated below using an assumed purchase of \$800,000 with a unimproved value of \$552,000 (as per example used for investors on the website example "I am planning to buy a residential investment property".)

Land Tax Threshold 2021 \$755,000, unimproved land value of the investment is less than threshold. Therefore as a single property or part of a small portfolio with value less than \$755,000 no land tax payable. Stamp Duty payable only: \$31,335

Property Tax has reached a cumulative \$37,278 in year 5.

I suggest you consider one of the three options:

- 1) Remove the land tax free threshold for new purchasers of investment property as part of this reform package. This may require an altered rate to that used for grandfathered properties, the end result likely to be \$1500 + 1%, which leads to:
- 2) Make it mandatory that all new investment property purchases pay property tax (ie no option for stamp duty + land tax), or another option:
- 3) Increase stamp duty for investment property purchasers that choose paying duty upfront but retain the opt in nature for property tax.

I cannot comment on how this would affect investment property sales, other than to speculate that once the short term affect has been absorbed the long term will see the removal of a current structural inefficiency.

Change in Status- An owner occupied home can become an investment and vice versa for the same owner/s. The outline documents do not mention this, but I assume facility would be made to change rates between owner occupied and investment based on a declaration by the owners.

Kind Regards,

[REDACTED]