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Sent: 17/11/2020 10:45:55 PM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Consultation feedback
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Hi,

I have just reviewed your stamp duty / land tax consultation paper.

My overwhelming feedback is

- 1) I am very concerned that this will begin small and then get changed to lift the tax burden significantly over time.
- 2) For instance, imagine the upfront stamp duty was \$30k and the land tax would be \$1.5k p.a. I could see that as roughly equivalent, but a future government could change the land tax rate and double it to \$3k p.a. and your choice to opt in was therefore ruined by a change in government policy.
- 3) I think that you need to somehow enshrine the concept of no retrospective double taxation. I am concerned that a future government will change the rules and apply the land tax to a property that has chosen and paid stamp duty.
- 4) If you can somehow enshrine the grandfathering of properties that have chosen stamp duty and that right then I would support the proposals.

1. Do you agree that stamp duty is out of date and is a handbrake on the economy? Is there merit in replacing it with a broad-based annual property tax?

Yes. But I don't trust the Governments of the future to not raise the tax burden on the community despite today's promises of revenue neutrality long term.

2. The annual property tax would be based on unimproved land value, much like the way council rates are currently calculated – what do you think of this approach?

I am concerned this process is not independent and not sufficiently subject to review. I know of a colleague who bought a property and in the next 12 months the land tax value of the property was assessed for a higher amount than he bought it on.

3. Do you agree that it would be attractive to be able to choose an annual property tax rather than paying a large lump-sum stamp duty on a purchase and, for investors, the current annual land tax?

I think that is an elegant approach towards fairness.

4. Is an opt-in and gradual approach the best way of ensuring a fair transition to the property tax?

Yes – but I am very concerned a future government would change the rules.

For instance I might buy a property in year 1 and opt for stamp duty.

Then 10 years later a future government will say, sorry – you are now in the stamp duty system.

There needs to be some handbrake to this.

Something like a binding contract with the people of NSW.

I don't know how you enact that.

Maybe It cant change unless a referendum in which 80% of people agree.

5. Would you delay a home purchase if it meant you could opt-in to the property tax? Should there be a limited window for retrospective opt-in to the property tax, after it commences?

I would not. I think a limited window as proposed makes sense for people who are unlike me.

6. Should there be different property tax rates for residential owner-occupied properties, residential investment properties, farmland, and commercial properties?

No strong view.

7. Given this tax reform is an investment into our future, do you think it is worth the cost?

I think it is if it leads to greater mobility.

People do not sell and move currently because of stamp duty.

It's massive cost on the economy.

8. Should price thresholds be used to exclude people buying the most expensive properties from being able to choose the property tax?

Again this is ok, but there needs to be safeguards to protect those people from retrospective changes.

9. What arrangements should be made for residential and commercial tenants if their landlord chooses to pay the property tax?

I think the market will sort this out. I don't think market needs to intervene.

10. What should happen for people who have chosen the property tax, but then can't afford it?

The same framework as council rates.

11. What is the best way of ensuring that the property tax remains affordable for taxpayers, while generating the same amount of long-run revenue as stamp duty and land tax?

Keep the rate low.

12. Is there a specific aspect of our proposed reform you would change to help make the proposal better?

Once again. Protecting the resident from future governments that want to change the rules.

Cheers,

