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**From:** [REDACTED]  
**Sent:** 15/03/2021 12:04:25 PM  
**To:** Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]  
**Subject:** NSW Treasury property tax proposal consultation paper

Hello.

I would like to submit a proposal to the NSW Treasury based on the Consultation Paper (NSW Property Tax Proposal) as issued.

The aim of the paper is to effectively equate the (a) current stamp duty and land tax (as levied) to (b) an alternative system of periodic taxation (through a Property Tax System). This new proposed Property Tax System is similar to the Council Rates and would work off a ULV arrangement. The idea definitely has merit in that it can allow for lack of liquidity/funds in the system (i.e., not paying a hefty amount of upfront in stamp duty). Presumably it can also spur demand and provide economic boost. It also has the advantage that to the NSW Govt in that in the long-run more tax will be paid (for an up-front cost saving). However, this is a once-off change that is only being offered for new properties (and once elected will sit or remain with the property for life).

However, I feel that the new system does not address some of the current inequities in the system, which is important. See point 3 below in particular. Moreover it may encourage more inequities and definitely result in potential differences in pricing (or advantage and incentives for certain groups) down the road. The last should be a concern for NSW Revenue. Hence, I feel that the system proposed has some drawbacks and currently does not address how some of the tax mechanisms for various groups (particularly overseas owners) will work.

*1. Here comes the New System same as the Old System. Rules need to be fixed at the point of decision making.*

Having bought in NSW in [REDACTED] and taken delivery of the property in [REDACTED] [REDACTED] is subject to Land Tax (foreign surcharge!!). So what's my point: this arrangement was brought in after our decision was made to purchase the property (using the info at the time). There was no mention of and we did not anticipate this extra periodic Land Tax cost when we bought the property and paid the stamp duty. We thought (and this was correct at the time for the purchase) the stamp duty satisfied our obligation. This introduction of the foreign owner surcharge in fact made a group of taxpayers (those overseas buyers or Foreign Buyers that have joint property) subject to a periodic charge. Hence, Revenue NSW has created an additional periodic charge, which was not there on purchase or on settlement. We (and for overseas buyers in general) have the up front cost (as well as stamp duty) and are already on a periodic charge (as advocated under the New Property tax System) so have the worst of both worlds.

A similar arrangement could occur with to the current Property Tax System proposal. Overall, there is no reason why this would not happen again. Or more importantly the periodic charge that this will inflate or be changed over time. Moreover, this could occur with the old stamp duty (and current land tax) arrangement too. There is really no change - it's simply two different systems and both can be varied into the future.

**My recommendation is that this issue should be considered and looked into. If a proper evaluation of economic advantage between two systems is to be made at a particular point in time then the rules need to be clear. The rules can't change for that transaction after the event, which has been the case previously, so there is a need for grandfathering.**

*2. A Clientele effect will result.*

It's also not clear that the tax system is changed in any way to address any inequity already there or likely to rise in the future. In other words, the current system remains as is according to my reading of the draft paper so the same rules (and disadvantage for Foreign Buyers applies) .... but for the new system what happens (it's not clear), is it one size fits all?

So (a) for those who are already in the system, there is no change unless one buys another property and incurs an effective and or equivalent 4% (or close to it in value terms) transaction cost. (b) It is however not clear if the same discrimination for Foreign Buyers/Owners that is currently there for Land Tax (periodic portion) will be made for the new Property Tax system. (c) I don't think the idea of having some properties locked on one system and then not being able to switch to the alternative system at each purchase, is sensible either.

Overall then what will happen is that some groups will see advantage in one system over another. This will result in (what is known as) a clientele effect. In other words, why would I want to buy a home (principal residence) and pay extra periodic tax under the new Property Tax system? However, for investment properties and or for overseas buyers the incentives (as they currently stand) may be more to go with the New Property Tax system because of deduction for ATO income tax purposes as the main driver. That switch is then locked in though -- so this may not suit the next buyer who is buying as a principal resident.

**My recommendation is that this differential in value that will result from the two different property tax systems needs to be considered very carefully. This is especially the case with regard to not being able to switch systems (once elected for a property). This differences in value will impact the attractiveness of types of properties.**

### *3. Allowance for Domestic Partner arrangements.*

My final point is discriminating against 'foreign owners'. Presumably the idea of discriminating against foreign buyers is an economic consideration that impacts on NSW Revenue for incentives and budget purpose. However, I don't understand the logic of effectively penalising Australians (who live overseas) simply because they have a foreign domestic partner who co-owns the property.

**My recommendation is that both for the old and the new systems: doing away with that requirement of a Foreign Buyer/Owner surcharge in SELECT CASES where the land is owned jointly as a household unit is very sensible. OR in this specific instance perhaps having the tax free threshold apply for the Foreign Owner OR having a joint ownership election (not currently allowed)!**

Note this recommendation is specifically under two conditions: (a) where the property is owned 50/50 and one partner is Australian and, (b) this is a spouse or domestic partner relationship that is proved or recognised at law. It would **not apply** for the situation of investment partnerships/ownerships (even if 50/50) by foreign owners, where there is no registered domestic partnership. This is a critical distinction.

Again currently you are effectively penalising the domestic unit (and the Australian partner) by having that arrangement. This has not been factored in. It is also because in many cases when people are posted overseas (and one of the household unit becomes a Foreign Owner by default). If that arrangement perpetuates into the Property Tax system then the current inequity is maintained. If however, a foreign owner surcharge is not included (reduction in tax) for the New Property Tax system, then as already indicated that creates a different incentive. I presume some sort of foreign owner surcharge will apply (eventually) for the New Property System. If not then for the situation where both (all) parties are foreign the new Property Tax system likely to be attractive. Also again if no foreign surcharge is applied in the new Property Tax System then the situation where property is held by one foreign owner and one Australian citizen, is again disadvantaged. There are different incentives for each party to go with the new and or the old system, so this is not desirable.

This is not helping achieve the aim of Australian Citizens with Foreign Ownership domestic partners achieve the home ownership dream or grow the NSW economy.

Thanks, my comments and 2c worth.

Happy legislating. Best,

