
Sent: 5/03/2021 4:21:07 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Written Submission to Property Tax Consultation Paper

Hi,

I'm broadly supportive of the property tax proposal, but I think two adjustments should be made to ensure the tax is fair and affordable.

Firstly, in relation to Questions 4 and 5, I don't agree that an opt-in and gradual approach is the best way of ensuring a fair transition. This is primarily because people who previously paid stamp duty do not have the ability to opt-in to the property tax, which forces them to stay in their current property until they've defrayed the cost of the stamp duty they've already paid.

Ideally, the property tax would be levied universally from the outset and any stamp duty previously paid (plus interest less the amount of property tax that would have been due) would be refunded.

If the government has to offer a choice it should offer that choice to as many people that are affected by the reform as possible. The government should allow everyone who purchased a property within at least the past 10 years to retrospectively opt-in to the property tax and have the stamp duty they paid refunded. If the government is worried about the level of expenditure this would entail it can securitise and sell off some of the future tax revenue from the property tax.

Secondly, in relation to Questions 2 and 11, I don't agree that the amount of the property tax should be based on unimproved land value. This is because of the potential for the property tax to grow faster than household income, as well as the potential for there to be significant volatility in the amount levied.

Ideally, the aggregate amount of property tax collected would grow at the rolling average of NSW government expenditure over the previous 8 years. This would provide more certainty over the amount of the tax for both the government and tax-payers. Property values should only be used to calculate the relative individual tax burden, which could be periodically rebased.

Making the property tax universal and setting the growth factor to the rolling average of NSW government expenditure over previous 8 years would allow the government to show that the tax is revenue neutral in this way:

1. Set the initial aggregate amount of tax to be collected at the historical average amount of tax collected under stamp duty.
2. Determine each individual's share of the tax burden based on their relative property value.
3. Grow the aggregate tax at the rolling average of government expenditure each year.
4. Periodically rebase the individual tax burden depending on changes in relatively property values.

I think the government should consult again on a final proposal once the feedback from this round of consultation has been incorporated. The government should also commission an independent analysis of whether the final proposal is revenue neutral and make this public.

Kind regards,

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