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To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Submission proposed Property Tax Reform

Following is my submission on the proposed Property Tax Reform

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 Do you agree that stamp duty is out of date and is a handbrake on the economy?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?

Stamp Duties should have been removed with the advent of GST. Successive Governments have failed to remove or reduce the Duty and their thresholds. The last time thresholds were reduced was about 1986. **However, no, stamp duty is not 'out of date,' nor is there merit in its' replacement.** You propose swapping one good tax (progressive stamp duty) for another tax with no obvious economic gain except to Government coffers and property developers who will pay no/limited 'tax' despite making big profits. Developer profits come at the expense of local communities who subsequently suffer from the cumulative impacts of over-development. Further, the proposal contains no proven benefits to reducing house prices. This is a big new tax that never stops no matter what life stage you're at. Its' cost on home-owners will increase with property values and the tax rate is able to be changed by the Government. It will also reduce your borrowing capacity from the bank (counted as a monthly outgoing) with potential for rental and commercial properties to increase charges to cover their increased costs. **Stamp duty acts as a hand-brake on land speculation and land-banking, and allows Government to re-coup a percentage of the land value at the point of purchase.** Thus a progressive tax that helps to stabilise the economy as Australian economy is stupidly tied to housing. A "property tax" extracts a percentage of supposed gains before any gain is realised and in fact the supposed gains may never be realised.

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?

No. I recall the poorly designed 'Emergency Service Levy' proposal. This is just as bad. **The model/s you propose is not reform, it is cost shifting.** The question has no value what-so-ever as **you have not given/implied any proposed tax rate in the documentation.** Why would you agree to some-thing with-out knowing the cost? Also the value of land varies across LGA's, residential areas and urban/rural areas. This cannot be a 'one-size fits all' method and the underlying land value does not reflect the existing development built on the land. Also no, because of the impact on owner occupiers should the land on which their homes stand is re-zoned for higher density. I do suspect this is a deliberate feature of the 'property tax' designed to force home-owners to sell and hence to benefit property developers. The 'starve 'em out' principal at play. You have commodified our homes – they are no longer 'shelter,' now just a developer opportunity. AFR (27/07/2020) claimed The Urban Taskforce, who want their input costs reduced, had publicly called for the abolition of stamp duty and its replacement with a broadly based land tax. The model of 'property-tax' proposed will clearly shift a large portion of the burden of 'duties/taxes' from the developer to regular home-owners, many of whom have already paid 'duty.' **This is not economic reform, this is cost shifting.**

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?

No. No attractiveness what-so-ever because future tax rates and land values will only increase with time. The Government of the day could hike the rate at will to cover budget shortfalls. Further, you propose a never-ending big new tax. For most owner-occupiers it would be cheaper to incorporate the stamp duty into a mortgage and pay off over the long term.

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

If any-ones stupid enough to go for an opt-in they only have them-selves to blame. Proposed new style property tax should never be levied. Prior to the last state election – both parties said there would be no land tax. Any proposed reforms should be taken to election – making sure to disclose full details as to the benefits to developers vs the costs to owner occupiers. **Any economic reform must improve lives for all citizens, not just a privileged few (developers). Paying a huge new land tax is unfair to current owner-occupiers, (double-taxation) many of whom could be heading to retirement.**

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?

No. Would never use an 'opt-in' to the property tax, would rather pay one-off stamp-duty. If you want to offer a retrospective opt-in to the property tax how will the Government ensure that it provides full disclosure to those to those who choose or are impacted? Simply watching the current housing market going crazy suggests that, despite the hype, stamp duty is not a real impediment to home ownership as the cost can be added into the mortgage and paid off over 25/30 years at a significantly cheaper cost than paying 'a big new yearly property tax.'

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

Yes, residential owner occupied should be significantly cheaper. First home buyers already have exemptions and/or reductions available and with this comes increased home prices. The big new 'property tax' does nothing to address housing affordability. A property tax is unfair to older people as they move out of the workforce onto fixed incomes and pensions. Many have become home-owners later in life due to economic conditions. You propose a lifetime of additional tax liabilities which could result in the loss of equity in people's homes if they are unable to pay. The lost home equity may well be needed for nursing home accommodation. I Understand that developers with large farm-land holdings awaiting re-zoning for housing currently pay no land tax on farm land. If so this must be corrected.

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

No, It's not a 'reform'. It's cost-shifting. No, not worth the cost. You are ensuring that property developers in the end will pay little toward 'tax' whilst they make unprecedented profit. The big new 'property tax' does nothing to address housing affordability. A property tax is unfair to older people as they move out of the workforce onto fixed incomes and pensions. Many have become home-owners later in life due to economic conditions. You propose a lifetime of additional tax liabilities which could result in the loss of equity in people's homes if they are unable to pay. The lost home equity may well be needed for nursing home accommodation. What happens to the economy (built on housing) when the market lets rip with housing and developer land banking with no hand-brake (Stamp Duty) applied. A prime example being the current situation with water rights where farmers can no longer afford to buy water! What happens to people when they can no longer afford to pay a yearly land tax, we become just like the USA where people lose homes, become homeless and a PONZI like situation that helped create the GFC.

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

Expensive properties should pay 'stamp duty.' Property developers who buy multi-million dollar plots for development should also pay stamp duty. Basically any of these allotments whose owners seek out higher zoning allowances (FSR etc) via planning proposals should pay stamp duty because the purpose of changes to density standards is to increase the underlying value of the land. Following re-zoning they often re-sell the land to extract the profit from re-zoning.

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

Provision must be made in leases clearly setting out the circumstances of how and when rents will increase because of the 'big new property tax.'

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

A property tax is unfair to older people as they move out of the workforce onto fixed incomes and pensions. This is a lifetime of additional tax liabilities which could result in the loss of equity in their homes if they are unable to pay. The lost home equity may well be needed for nursing home accommodation. You have not considered the costs to the individual, to family and community ties, and to society more broadly, of forced housing migration when people cannot afford to pay a huge new yearly property tax. Especially affected could be retirees as they moved onto pensions and fixed incomes. This is especially relevant as 'property-tax' will increase and people will not be able to factor an unknown amount into their budgets for the years ahead. Subsequently a 'property tax' would result in a loss of sense of financial security when proposed new 'tax' could produce an indeterminate annual fee subject to parliamentary or IPart whim.

Further, who will win in a tussle between the Banks and the State Government when the home-owner is unable to meet costs and is forced to sell up to repay the bank?

Further, **On 27th July 2020 macrobusiness.com.au cites**

“Digital Finance Analytics’ (DFA) latest mortgage stress data showed that 1.47 million owner occupied mortgage holders are experiencing financial stress, equating to 39.1% of borrowing households:

The situation is even worse for property investors, with more than half of those with a mortgage (51.3%) “underwater from a cash-flow perspective” and “caught in the financial crisis headlights”, according to DFA.

In addition to potential forced sales, Australia’s army of negatively geared property investors are also facing ballooning supply from the massive pipeline of apartments still under construction, especially across Sydney and Melbourne:”

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?

Simple answer – no property tax. Property tax is swapping a good tax (progressive stamp duty) with no obvious economic gains, except to developers who will pay no stamp duty on purchases (large and small) with no proven benefits to reducing house prices. When a developer pays no stamp duty on land to develop, all future owners within the newly built development will have no choice and be subjected to the “big new yearly property tax.” This will not go down well with home-buyers when they realise the impact of the ‘big new yearly property tax.’ You risk creating a two speed market and two classes of home owners as many will opt not to buy if the purchase will force them into a ‘big forever new yearly property tax.’

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

Instead of a ‘forever big new tax on housing’ allow people to pay off the stamp duty equivalent liability over 10 years.

This was an option given to owner-occupiers in the 1980’s. People buying a ‘forever home’ are better off paying stamp duty which is incorporated into a mortgage and paid off over 25/30 years at little cost. You should also adjust the stamp duty thresholds downward as last time they were adjusted was around 1986. The Government has been in power almost 10 years and have overseen massive price increases on property. The thresholds should have been adjusted years ago but the Government is too greedy.

General Comments.

- A broad based property tax will create of two classes of land-owners – investors who can claim the tax as a deduction and owner occupiers who cannot.
- 2011 to 2020 has already seen our city trashed by ugly, crumbling ugly high-rise towers. The Developer Lobby had been enriched at the expense of urban amenity and proper planning. And now you think we should have Developer stamp-duty costs shifted onto the general population via a broad-based ‘property-tax’?
- If you want to whine about unstable income base – stop selling off the State’s income producing assets for short term ‘sugar hits.’
- You want our ‘tax dollars’ yet give us no control over how you spend those dollars that are extracted via ‘taxes.’
- You have not considered the costs to the individual, to family and community ties, and to society more broadly, of forced housing migration when people cannot afford to pay a huge new yearly tax. Especially affected could be retirees as they moved onto pensions and fixed incomes. This is especially relevant as ‘property-tax’ will increase and people will not be able to factor an unknown amount into their budgets for the years ahead. Subsequently a ‘property tax’ would result in a loss of sense of financial security when proposed new ‘tax’ could produce an indeterminate annual fee subject to parliamentary or IPart whim.
- Subsequent to the current pandemic, some will face ongoing long-term impacts to their health and the ability to earn income. Retirees have taken massive hits to income as well as many people taking losses via superannuation. There are many circumstances that must be considered before introducing a huge new yearly property tax.
- The claim that only a small number per year contribute to State’s costs is overblown as all pay GST (which goes to the States) and thus contribute.
- The claim that people don’t move to avoid stamp duty is overblown.
- As for the claims of “proposed changes could inject \$11 billion over four years into the economy”; “significant economic reform”; and “increase our prosperity over the long term” the fact is the proposal is simply **cost-**

shifting that risks impoverishing the average home-owner to enrich the developer lobby. It's the average home-owner, and renter, that will end up paying the billions per year via a forever 'big new property tax.'