
From: [REDACTED]
Sent: 16/01/2021 2:46:39 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Tax reform

Hi

Looks like the stated objective for this reform is:

1. Home ownership more achievable
2. Place downward pressure on home prices
3. Increase property transactions
4. Removing existing land tax for large land holdings by investors - very much disagree with this objective

My issues with the proposals:

Agree to the first 3 objectives but not the 4th objective. My view is there should always be an overall land tax for excessive ownership of property. These are properties that home owners cannot buy or are outbid on by the wealthy. Land tax grabs some tax from these wealthy individuals who minimise tax and hence it is not a level tax playing field.

The issue with reduction in home ownership is the high prices of property (investor competition and demand), high stamp duty, demand from foreign owners, negative gearing tax benefits to investors who are competing with first home owners (home owners get no tax offset benefits) and low wages growth.

To make homeownership more achievable there needs to be significantly lower annual property tax for home owners and the investor property tax (excluding land tax) needs to be a significantly higher. There is very little difference in the two charges. Home owners should pay less than 20% of that of an investor (pay 5 times the amount) who can receive this as a tax deduction and has half of the gains on a property tax free. These dual tax benefits result in 80% tax benefit to investors (50% and 30% tax avoided on property charges from their own tax) In addition there needs to be a separate land tax for those that hold large values of property as this should be discouraged. High net worth individuals will still invest because they have amassed excessive wealth and receive excessive federal tax benefits (in England there is no negative gearing and yet there is still high property investment by the wealthy who need to park their money somewhere).

There should be a separate property tax rate for a Australian resident when compared to a non resident. There needs to be some benefit for Australian residents who pay their taxes in Australia. The non resident should pay more than double the charge than of an Australian resident.

Land tax should stay as a separate tax to this property tax.

Land tax is focussed on quantity of investment property ownership and there are exemptions and a high tax free threshold. There needs to be a taxing of excessive land wealth. All of these people who pay land tax have pushed up the price of property to make it unaffordable for people to purchase a home and outbid first home buyers. This land tax claws back some of the inequity in the tax transfer system and also means that the property tax for homeowners can be lower and discourages mass property ownership. There is no level playing field between home owners and investors and this is like a wealth tax to create closer equity and is progressive. These high wealth individuals can afford to pay the land tax. If this stays it also helps with the transition to an annual property tax as the annual property tax can be lower.

In terms of the calculation of the property tax for home owners and investors you need a different rate for units and a different rate for houses as a minimum.

The tax on unimproved land means that people with a house pay disproportionate amounts of annual tax than people with a unit (for the number of residents) just because they have more land. Understand you don't want it on improved value but there needs to be a more fair way to tax units and not have home owners paying the bulk/disproportionate amount of the property tax. Units have less land but more value above the land than a householder and this needs to be taken into account via separate taxing.

We have had an issue that units pay significantly less council taxes than houses but use the same roads, rubbish collection, council services as a home land owner. With greater numbers of units across Sydney this needs to be taken into account and they should be charged separately with units paying a higher amount. There needs to be a separate property charge for units than households and then compare the number of residents to ensure they are both paying a fair amount. This analysis of median and average unit charge compared to a house charge needs to be provided and be transparent.

Why don't primary and commercial properties have a fixed charge and then extra? This should be a similar approach to householders for these and with higher values than houses. I would like to see some analysis of the before and after collections on this and the proposed annual fees. Would like to see what their annual charges will be and that householders are not subsidising commercial due to the numbers.

The proposed \$2,391 annual fee for average land is very excessive for a householder. I would be interested to see calculations on the median for both a unit and separately for houses. This rate needs to be reviewed by segment and maybe you need to increase unit property charges and commercial, non

resident and investor charges to bring this down to a more manageable level for householders. My view is that for 90% of households the annual rate should start under \$1.5K pa.

Agree with the hardship approach that if you can't afford it take it out of the property sale later eg for pensioners.

Agree that the rate of increase should be linked on household wage growth or capped at maximum of 2%.

There is no explanation how this approach will drive house prices lower. I would like to see analysis on how this will achieve that as if you remove land tax it will encourage larger investment into multiple properties. The approach to removing land tax is flawed and counters the objective to drive prices lower.

The annual property charge will achieve increase property mobility if the annual property tax is lower than that proposed for householders and increased for all the other segments. Investors are chasing tax free capital gains so are more for the long term.

I request more information about segment analysis and also to make the property charges fairer by

1. Keeping land tax for wealthy landowners to help reduce the annual property fee for homeowners and offset tax minimisation options that homeowners don't receive.
2. Investors being charged significantly higher rates than home owners
3. Non residents being charged significantly higher rates than residents
4. Reducing the annual fee for homeowners to make ownership more achievable. Max \$1500pa should be the aim for 90% of householders that own land.
5. Ensure there is a separate review of unit pricing and house pricing of the annual fee. Need to balance that unit dwellers have more improved value above the land and land owners can't be penalised for having land.

Kind regards,

