
From: [REDACTED]
Sent: 15/01/2021 5:15:38 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Property Tax Proposal

15th January 2021,

Dear Tax Reform Taskforce,

I am writing this letter to express my serious concerns about the proposed Property Tax for my family, my home and the great Australian dream, especially in this global pandemic of Covid-19, and given that the government's stimulus package is about to expire. These proposed Property Tax recommendations that you are currently reviewing seem counter intuitive to ever owning your own home. Given that the "Australian dream" of buying and owning your own home has long been held as an Australian right, how does paying a perpetual tax on your home equate to the "Australian dream"? While the stamp duty system of more than 150 years may have an impact on the decision as to where to purchase your home, it has not deterred buyers, in the main, from buying a home, either first, second or downsizing.

In the Consultation paper: "Buying in NSW, building a future", the paper to me appears to raise more questions that it provides answers.

After reviewing the consultation paper, I find that there are several sections that appear counter intuitive. In the consultation paper page 9, it clearly states that the;

"FFR review of 2020 found that an annual tax on land values would be more productive and would raise the same revenue... this has also been reflected by other experts in the area".

My question is, "How can the proposed Property Tax raise the same revenue as the current one-off Stamp Duty, when it will be paid on an annual basis for the life of the purchased property and over a number years may lead to you paying over double or even triple the amount of the original one-off Stamp Duty?"

In the consultation paper page 12, it states;

"The proposed changes would also place downward pressure on home prices over the longer term, making housing more affordable for all."

My question here is, "If there is a downward drop on the market value of your property, will this also be reflected in the Valuer General's valuing of your unimproved land price or will it still be subject to regular review and value increases as it currently is?"

Page 14 discusses;

"Stimulate Economic Recovery" and how the proposed reforms could inject \$11 billion back into the economy over the first four years, however page 16 discusses "Revenue Neutrality" and in the short term, the proposed model will reduce the NSW Government's revenue.

My question here is, "How can the Government inject \$11 billion from Property Tax back into the economy while maintaining revenue neutrality, with modelling showing the Property Tax will reduce Government's revenue?"

Page 18 discusses;

“Buyers Choice” and that the proposed property tax relies on an individual’s choice for people when they buy property,

“Once a property has been opted-in, the property would remain subject to the property tax for all subsequent future buyers of that property.”

This choice is only one way and once the property is subject to property tax it cannot be reversed, this does not appear to indicate a total individual choice as indicated in the consultation paper, as all subsequent buyers do not have any right to reverse the decision of a previous owner. This in the longer term may dissuade future buyers from purchasing a property that is Property Tax levied.

My question here is, “Can you guarantee that properties subjected to Stamp Duty will not be forced into a Property Tax arrangement with future purchases if the buyer does not wish to pay Property Tax?”

Page 19-20 discusses;

“Balanced Rates” with a table showing “Owner-occupied residential property” rates as \$500 + 0.3% of unimproved land value, with an example of metropolitan NSW residential land value around \$630,400 and a property tax of \$2,391.

My question here is twofold, “Will the proposed \$500 + 0.3% ever be increased as more State revenue is required and why are there no comparison tables to show the long term amounts of tax paid on your forever home?”

If you use the consultation papers figures of a property tax of \$2,391, and given that this tax would be yearly and for the life of the owner-occupier. That would equate to – a person of average age 30 years buys a home and resides there until they retire at age 67 years paying a total of \$88,467, (and this is dependent on property values not increasing over 37 years or the government raising the percentage used to calculate the property tax). When you compare this to a one off “Stamp Duty” on the same value of the above residential property, you will have to pay \$23,995.80 (based on the Government’s online stamp duty calculator). How is, paying an extra \$64,471.20 over the purchase period to retirement, on the above property, going to be beneficial to a long term home buyer?

Page 21-22 discusses “Protections”,

“...with the proposed reforms, a hardship scheme would provide protection for customers...no landowner facing financial hardship would be required to sell their principle place of residence... instead, landowners in hardship could defer their liabilities until their financial circumstances improve... [However] a commercial rate of interest could be applied to deferred liabilities...there need not be a separate scheme specifically for pensioners”

While hardship clause protections are a necessity it is still at times only referred to as a “COULD”, and a commercial rate of interest of between 5.29% and 5.74% (based on commercial rates as at 13/01/2021) could also apply. Can you say why there need not be a separate scheme specifically for pensioners, given that, Council rates are subject to discount for anyone on a pension, and numerous other utility companies give discounts to pensioners. It would appear at face value that these hardship protections do little to alleviate the hardship of a burdensome Property Tax, only deferring the problem to a future date.

In summary, my concerns are; that the consultation paper raises more questions for me than it answers and the timing of this proposed change seems inopportune, given that we are in a Covid-19, global pandemic crisis and the government’s stimulus packages are coming to an end. If “Property Tax” is to be based on the value of unimproved land price, I am concerned, that while the market value of homes to purchase may decrease, will the current method of assessing land value based on the government’s assessment of the property, continue to increase land value? If the government believes that the market value of homes will decrease, does this not have a flow on effect and ultimately

lead to a decrease in the equity of the home we already own. Also there does not appear anywhere in the proposal document, any provision for Strata property, is this an oversight?

If the Premier of NSW believes that Dominic Perrottet is on the right track with this proposal, why does she not take it to the next NSW general election and let the people of NSW have their say at the ballot box. This proposed tax reform has left me quite unsettled and very unsure as to the best options for my future purchase.

Regards,

A solid black rectangular box used to redact the sender's name and contact information.