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Sent: 14/03/2021 5:23:26 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: Property Tax feedback

A Property Tax would have a devastating impact on my commercial farming business and all others like me. I am a [REDACTED] at [REDACTED] I have [REDACTED]

The initial option to pay either stamp duty or property tax is proposed to be phased out over time (refer introductory remarks in the discussion paper). The effect will be that a one-off tax on a capital transaction that can be financed will be replaced by an annual charge on business.

At present I am exempt from Land Tax. I have invested and planned with this certainty. Now I face the prospect of an annual charge on my activity. I realise that this will not be triggered until the point of purchase for expansion or sale to another farmer but the effect is to dampen the prospects for expansion and penalise the value of sale.

My income [REDACTED] It relies on an open market that discovers price daily based on the purest, immediate reflection of supply and demand. My product is perishable so I have no resilience to withhold sales and choose the market. Weather also impacts my productivity and the nature of my business being a retail buyer and wholesale seller places me in a unique condition. As much efficiency and certainty as possible is needed to achieve a profit and a return to capital. Importantly, NSW demands that I perform these precarious tasks efficiently in order to feed the State with affordable food! The imposition of a tax that is based on capital but levied on a variable and volatile income is completely inequitable and a lag on growth that will be particularly hard during times of temporary downturn. I note the hardship proposals but they do not cancel the liability. Rather, the liability is deferred having the effect of levying the tax at twice or more of its rate when capacity to pay returns to the business.

The modelling provided in your discussion paper does not contemplate my situation. Where it does deal with commercial property it makes some misleading assertions. The effect of cutting modelling after 5 years is to pretend that there is a line-ball position with stamp duty. However, projecting forward a further 2 years would reveal a progressive and accelerating impost of property tax as compared to the current regime. Farmers of my type are long term investors in property because I grow tree crops the returns from which do not begin to be realised for four years after planting.

Transfer of my farm to my children as future farming owners can now be done without stamp duty. The exemption relies on there being no actual transaction of money. The property tax relies on a land valuation rather than an actual transaction. An exemption from property tax upon intergenerational transfer is therefore very vulnerable.

Property taxes in other sectors can be passed on to either tenants in outgoing costs, as rent or to customers. I have no capability to pass on costs directly incurred. I have no tenants to charge for the cost of property tax.

Primarily, the proposal completely disregards the nature of my interaction with property as compared to the interaction of all other types of property ownership. The land is the full extent of my property-based asset. I farm the land. I do not and cannot (zonings rules) develop infrastructure, housing, commercial buildings or improvements of a kind that typically makes the market value higher than the Valuer General's land value methodology. Indeed, my income is directly related to my place of residence being one-and-the-same whereas others with residential allotments receive income unrelated to their land use. For this latter group, the shift from stamp duty may be attractive in the short term although that assessment relies on regularly moving homes and not settling for very long. For me, it takes away a capacity to capitalise stamp duty and places an annual charge on my operations that is correlated closely to their actual capital value but not cognisant of my capacity to pay a fixed and escalating annual charge. The effect on farming will be devastating over time. Initial exemptions will progressively give way to an annual capital-related impost.

The idea of a property tax may suit some NSW residents and businesses but it is a devastating prospect for the farm sector that has grown on the back of an exemption from land tax, passed between generations on the back of a stamp duty exemption, been able to capitalise the single existing tax on land – stamp duty – but will now be charged an annual and indexed sum completely unrelated to earnings and earning capacity.

Commercial farms must be exempt from a property tax.

Continued application of a stamp duty with related exemptions is more appropriate to farming businesses. Importantly though, new entrants to farming who want to buy their own farm to also be a place of their residence should have equitable access to any incentives and exemptions afforded new home buyers. From a Treasury perspective, the effect is exactly the same; that is, to assist first buyers with the costs of home ownership.

