

# NSW PROPERTY TAX PROPOSAL

Property tax factsheet – June 2021

**BUYING IN NSW, BUILDING A FUTURE**



## THE FUTURE OF THE NSW PROPERTY TAX SYSTEM

*As part of the 2020-21 Budget, the NSW Government unveiled a proposal to change the NSW tax system to give property buyers the choice to pay stamp duty (and any existing land tax, where applicable), or alternatively to pay a small annual property tax when they purchase a property.*

The NSW Government released a Consultation Paper outlining the benefits of this proposed change, along with a proposed policy framework.

The Consultation Paper set out the case for changing NSW's property tax system, highlighting four key factors:

### 1 BOOSTING HOME OWNERSHIP

Home ownership is one of the most important steps toward financial security for most households. Since 1990, NSW average earnings have trebled, average house prices have increased around five times, and average stamp duty on dwellings has increased more than seven times. Almost inevitably, homeownership has declined, from around 70% in the 1990s to around 64% today.

### 2 BOOSTING FIRST HOME OWNERSHIP

A key part of the reform is a focus on first home buyers. First home buyers are entering the property market later in life. In two decades, the share of first home buyers aged under 35 has declined from 69% to 55%. Moving to the proposed property tax would remove the requirement to pay stamp duty for all buyers. This would lower the up-front cost of home purchases for all first home buyers, not just those who purchase lower-priced properties.

### 3 ENHANCING HOUSEHOLD MOBILITY

Stamp duty has a direct impact on the ability for people to live where they want, when they want. Many people buy homes or stay in homes that do not suit their family or their lifestyle because of the large upfront transaction costs of buying a property, including stamp duty.

By offering the choice to not pay stamp duty and opt into a small annual property tax instead, the people of NSW will have more freedom to choose the right home for themselves and their family at every stage of life.

### 4 STIMULATING ECONOMIC RECOVERY

Stamp duty is an inefficient and volatile tax that puts a brake on economic growth. The proposed reforms would inject \$11 billion back into the economy over the first four years, putting money back into the pockets of the people of NSW and stimulating the state economy as we continue to manage and recover from the COVID-19 crisis.

## WHAT WOULD THE NEW PROPERTY TAX SYSTEM LOOK LIKE?

The Consultation Paper set out a proposal for a property tax with the following features:



### THE PROPERTY TAX WOULD BE AN ANNUAL TAX BASED ON UNIMPROVED LAND VALUE

The property tax would consist of a fixed amount plus a rate applied to the unimproved land value of an individual property, and not aggregate landholdings. This is the same approach as council rates.



### PRICE THRESHOLDS WILL HELP MAINTAIN FISCAL RESPONSIBILITY

Price thresholds would limit the number of properties initially eligible for transition to keep Government revenue and debt impacts within reasonable levels, while ensuring over 80 per cent of residential properties are eligible to opt-in from day one.



### BUYERS WOULD BE GIVEN THE CHOICE OF WHICH TAX TO PAY

Buyers would be given the choice to pay the property tax at the time of purchase. It would replace stamp duty and (where applicable) land tax. Once a property is subject to the property tax, subsequent owners must pay the property tax.



### PROTECTIONS

Protections would apply so that the property tax does not result in rent increases without a tenant's agreement. A hardship scheme would recognise that taxpayers' financial situations can change over time and ensure that no one facing hardship needs to sell their home to meet property tax liabilities.



### FOR THOSE NOT BUYING A PROPERTY, THERE IS NO CHANGE.

There would be no double taxation. Those who have already paid stamp duty on their property would not have to pay the property tax.



### REVENUE NEUTRALITY

In the short term, the reform would reduce the NSW Government's revenue. Over the longer-term, the property tax would be revenue neutral, collecting the same amount of revenue as stamp duty and land tax.



### BALANCED RATES

Residential owner-occupied and primary production properties would pay lower rates than residential investment properties, which in turn would pay lower rates than commercial properties.



### FIRST HOME BUYERS

Existing stamp duty concessions for first home buyers would be replaced with a grant of up to \$25,000.

## HOW MUCH WOULD THE PROPERTY TAX BE?

An owner-occupier would pay \$1,617 annually for a property with the estimated 2021 median NSW residential land value of \$405,600. Some properties would pay more than the median, and some would pay less, depending on land values and property use.

## WHEN WILL THESE CHANGES COME INTO EFFECT?

It is important we take time to get this policy right. The NSW Government is working towards a final model for consideration in the second half of the year. In the meantime, do not hold off on your property buying and selling decisions.

To learn more about the property tax proposal, and read the Progress Paper, visit:  
[www.nsw.gov.au/property-tax-proposal](http://www.nsw.gov.au/property-tax-proposal)

