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NSW Treasury
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Proposed NSW Annualised Property Tax

NSW Treasury has released its consultation paper that sets out the case for delivering a policy framework to change NSW property taxes which is proposed to deliver real benefits for the people of NSW. This concept is innovative and has been called for over some time and as such could be adopted by other states and territories of Australia if implemented successfully in NSW.

PowerHousing was involved in the first round of consultations which we were pleased to assist and through this national lens we provide feedback here again.

We wish to further reiterate our previous submissions to ensure that the current taxation concessions provided to Community Housing Providers (CHPs) are confirmed pending any adoption of the proposed annual property tax. Having charitable status, CHPs are exempt from land tax and stamp duty. These concessions provide some relief from the extremely low operating margins sustained by CHPs in their long-term provision of social and affordable housing and these must be maintained.

The proposal as proposed here to abolish both stamp duty and land tax (in its current form) could be one of the most significant changes to the taxation system in some time creating new options for home purchase if it is to progress. The stamp duty and land tax as proposed will be replaced with a new annual broad based Property Tax which in itself is a type of land tax, but will operate differently to the current land tax and any uncertainty is cause for taking cautious steps forward and seek to avoid unintended consequences.

The consultation paper indicates, taxpayers would be able to work out which form of tax would best suit their own circumstances. If people plan to move home frequently, they might choose the property tax. If they plan to buy their 'forever home', which they intend to live in for decades, they might choose to pay stamp duty.

It is acknowledged that any transition to a new tax will be optional but once the property has moved to the new tax then this is being slated to be ongoing and permanent. That is, buyers would be required to elect to opt-in and pay the Property Tax instead of duty / land tax and the property will remain captured in the new tax net. Future buyers will have no option to pay stamp duty upfront, but must instead continue to pay the Property Tax on an ongoing basis.



In earlier direct consultations with NSW Treasury, PowerHousing reflected that an annualised concept makes sense and provides flexibility, but only if the option for annualised or the old up-front payment remains an ongoing option. If the transition to annualised payment is permanent then there is no future choice regardless of short term or long term housing financing needs. For many people the transition will mean them being lumbered with ongoing charges which can impact them financially when at later stages of life.

The NSW Government seeks to ensure buyers have all the information they need to make the choice to pay stamp duty or the new Property Tax. The proposal as of today is set to provide the option to buy the forever home and pay stamp duty today, then offering this today seems cause for always offering this option.

The Consultation Paper does not outline any exemptions or concessions for the charity sector (others that qualify for exemptions, such as retirement village operators, aged care operators, police, sports clubs, schools, etc). When the lack of exemptions has been raised with Treasury / Government, the response to date has been that charities and others should simply continue to opt-out of Property Tax when buying a new property. This means they would pay duty on purchase (if any – there may also be a duty exemption), but they would then continue to get the same land tax exemptions as before and would not be caught in the Property Tax net.

This makes sense where a charity has the option and can decide when purchasing a property. However, if the former owner has already opted-in, there is a risk that in the absence of prescription in the consultation paper and proposed changes that a charity may have no choice and could be dragged into the Property Tax net at the time of purchase.

As has been reflected in discussions and submissions in these consultations and across CHP peak bodies, a dual system should be considered to remain in place indefinitely. That is, buyers should always have a choice to pay stamp duty upfront or to opt-in to pay an annual tax. This would mitigate the risk of housing insecurity for people on limited or fixed incomes and for whom an annual tax would represent a permanent increase to their cost of living.

Whilst there is an assertion that the reform could result in lower rents, there should be a realistic consideration of the longer-term economics and data, which show a categorical rise over 25 years in the unaffordability of housing across Australia. This unaffordability is clearly shown on page 13 of the consultation paper where the years to save a deposit has doubled from 6 to 12 years over the past 25 years. Except for that housing provided by CHPs (whose homes managed have doubled in the past 10 years), the provision of affordable and particularly social housing has been in decline for some time.

CHPs are today delivering greater numbers of long term social and affordable housing and continue to counteract rising unaffordability, with this trend set to continue where CHPs are enabled.

Current and future Governments tasked with tackling an increasing challenge of creating a long-term affordable housing pipeline will be supported by ensuring the taxation concessions remain in place. Shared equity and equity like investment options, that are coming through and being delivered by CHPs, must therefore also be considered through a future lens and be unencumbered by any proposed new property tax.

Whilst shared equity and equity investment mechanisms are still in their infancy, ensuring that CHPs are able to provide greater future numbers of social and truly affordable housing over long periods of time than otherwise offered must be an outcome underpinned and clearly outlined by this policy.

We also see that existing commercial leases need to be considered so that rents will not see unreasonable increases in rents if the property changes hands and the new owner opts-in to the new broader Property Tax.

Along with other Peaks including CHIA NSW, we strongly recommend that the NSW Government continue to consult widely with diverse representatives of the housing, disability, aged care, early childhood, sporting, crisis response and mental health sectors to ensure that the proposed reforms do not have adverse or unintended impacts on the financial viability of the not-for-profit sector.

About PowerHousing Australia

PowerHousing Australia is a peak Member organisation in the growing community housing sector. Our Membership constitutes 35 tier-one, equivalent and growth community housing providers (CHPs), with our Members representing over 82 per cent of registered community housing stock in New South Wales, and significant shares in other jurisdictions. In 2020 alone our Members:

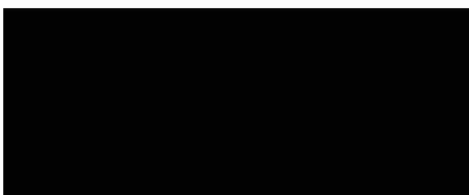
- Raised \$1 billion in debt facilities
- Managed 72,000 dwellings providing safe, quality and affordable homes
- Housed 120,000 plus people across the nation
- Stewarded \$22 billion in efficiently-managed social and affordable housing.

PowerHousing works to address affordable housing need through sharing and building on best practice in housing and community development, collaborating to mobilise collective resources, and providing an independent and influential collective voice for the biggest and most financially mature CHPs in the country. PowerHousing provides networking for our Members through quarterly exchanges, the Annual Member Exchange and the International Housing Partnership, which involves the US, UK, Canada and is associated with New Zealand. Based in Canberra, we are located to promote the capacity of Members and represent their policy positions to the Federal Government and other stakeholders.

PowerHousing Australia's CHP Members work on a profit-for-purpose model; they acquire, develop and manage affordable and social housing dwellings throughout Australia, and any profits are directly reinvested back into affordable and social housing, repeating the process to house as many Australians in need as possible.

Our members stand ready to partner with Government and the private sector to contribute to the social and economic recovery from COVID-19, and create a legacy of a more resilient housing system through increased affordable housing. Further consultation with PowerHousing and other Peaks in relation to the proposed Property Tax is welcomed.

Yours sincerely



CEO
PowerHousing Australia