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Sent: 13/03/2021 5:27:38 AM
To: Tax Reform Taskforce [taxreformtaskforce@treasury.nsw.gov.au]
Subject: NSW proposals to abolish Stamp Duty and change Land taxes

Thank you for the opportunity to comment.

We understand that the proposed system allows existing residential investors to continue under the existing land tax rules. The new rules only applying to all property purchasers on or after the new rules commence.

We make this statement as there has been some confusion, if we are incorrect on this I would appreciate the opportunity to amend our submission.

We welcome the proposed stamp duty abolition, it has many positive aspects for both government, the economy and home buyers especially 1st home buyers.

It has some areas which need further considering

1. The promise of "revenue neutrality" needs significant improvement. In the ACT a gradual replacement of stamp duty with property general rates increases was promised, the promises of revenue neutrality were soon broken with no independent checking or audit process introduced.
2. The introduction of GST came with the promise to abolish stamp duty, it didn't happen. The fire services levy was also, several years ago, supposed to be abolished, but it didn't happen. Surely with the abolition of stamp duty the fire services levy should also be abolished especially given that 30% of property owners do not insure and another 30% under insure leaving responsible property owners paying about twice as much as they should.
3. The "Henry Review" was restricted by its term of reference including not to include a review of GST
4. Independent annual audits must happen to honour the commitment of revenue neutrality. An independent statutory authority should have this role with the IPRC (Independent Pricing & Regulatory Commission) or equivalent being a preferred option.

With regards to residential property Land Tax proposals we make the below comments ;

1. 1st home buyers taking advantage of paying no stamp duty, may find it hard to pay the yearly land tax for owner occupiers, perhaps a 5 year grace period should be allowed to 1st home buyers. The 1st 5 years of 1st home ownership is usually the hardest.
2. Once residential property buyers elect not to pay stamp duty, or purchase a property without such an option, many retirees and people planning for retirement will find the new tax a blow to their finances. A good solution would be to allow owner occupiers over 65 years of age to defer the land tax. The ACT does this for its general rates
3. Most residential property in NSW investors currently pay no land tax due to the current land tax threshold. All new investors who opt not to pay stamp duty will face a permanent annual liability for increasing land tax. Calculations taking into account future land tax payments will most likely result in short term property investments being made at the expense of long term property investments, which conflicts with real estate investments being traditionally long term investments. This will create uncertainty and will no doubt result in a

reduction of residential property investment and thus result in a permanent rental crisis. The ACT has continued to have the lowest vacancy factor in Australia and the highest rents in Australia because of its punitive rates and land taxes.

4. The proposition that residential landlords would not be allowed to pass on increased costs amounts to a form of rent control. Market rents are just that, however tenants should be able to challenge excessive rent increases, this measure was recently introduced in the ACT. Unfortunately most landlords see continued changes to tenancy legislation and higher rates and taxes as disincentives to invest in the ACT with many up to now investing in NSW. Hopefully bad changes in NSW to tenancy law and property taxes will not similarly drive investors out as well.

We would be pleased to further discuss / elaborate on the proposals, and, to receive any updates of proposals.

Thanking you



President
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