

NSW Treasury Tax Reform Taskforce

Via email:

[TaxReformTaskforce@treasury.nsw.gov.au](mailto:TaxReformTaskforce@treasury.nsw.gov.au)

24 March 2021

### **Submission: Property Tax Proposal**

This submission has been prepared by Homes North Community Housing in response to the NSW Government's Property Tax Proposal.

Homes North Community Housing is a Tier 1 community housing provider operating in 15 Local Government Areas across NSW. Homes North Community Housing owns or manages 2,784 properties.

Homes North Community Housing supports the submission prepared by our peak body, the Community Housing Industry Association NSW (CHIA NSW).

### **Tax exemptions for charitable bodies must be maintained**

CHPs with charitable status are currently exempt from land tax and transfer duty. This exemption supports the ongoing financial viability of CHPs, given their slim operating margins, and is especially critical at a time when their operating costs, such as insurance premiums and council rates, are rising.

It is vital that existing land tax and transfer duty exemptions for charities and not-for-profit organisations are retained. These organisations must also be exempt from the proposed Property Tax, noting that the exemption must be applied at an organisational level and not to the residential or commercial property. Exemptions must also include shared equity schemes delivered by CHPs. By retaining these existing exemptions, the NSW Government can ensure that CHPs are strongly positioned to continue building new social and affordable housing in areas with a high proportion of households experiencing housing stress.

CHIA NSW strongly recommends that the NSW Government continue to consult widely with diverse representatives of the housing, disability, aged care, early childhood, sporting 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.

### Concerns over impact on land costs

Even with existing exemptions being maintained, there is a risk that the proposed reforms may have unintended negative impacts for not-for-profit organisations, including CHPs. It is anticipated that buyers may use any available tax savings to increase their purchasing capacity, thereby creating increased market competition. Higher land and property costs will place additional financial barriers on CHPs delivering social and affordable housing, given that land is the most significant cost in residential development. It is noted that CHPs will be unfairly disadvantaged in these scenarios as the current reform proposals will not provide them with any cost savings, unlike other types of investors.

It is crucial that the Taskforce identifies policy responses that can effectively respond to market distortions that may arise during the implementation phase. These responses include:

- Introduction of a grant scheme or subsidy to assist CHPs purchasing land for affordable build-to-rent housing
- Releasing more government-owned land for social and affordable housing, including prioritising the delivery of such housing in new land release and urban intensification programs
- Establishment of a streamlined approvals pathway for social and affordable housing projects with the objective of reducing the costs of planning and delivery.

### Protections for owners and tenants

Homes North Community Housing supports the introduction of measures that ensure that any increases to property prices over time remain in line with a household's capacity to pay, noting that the reforms will apply to property owners who are currently not required to pay ongoing land tax. These measures need to be designed and ready before any reforms are implemented.

The transition implementation arrangements must also ensure the cost of the new annual tax is not immediately passed onto tenants in the form of higher rents, which would deepen the housing affordability crisis and place increased pressure on the social housing system. Such protections must be extended to CHPs that are leasing housing from the private market to provide additional social housing under the Community Housing Leasing Program. These protections must ensure that program delivery costs do not increase unfairly as a result of the reforms.

ARMIDALE 117 Faulkner St Armidale NSW 2350 PO Box 1146 02 6772 5133	GLEN INNES 131 Bourke Street Glen Innes NSW 2370 PO Box 538 02 6732 3652	GUNNEDAH 162 Conadilly Street Gunnedah NSW 2380 PO Box 437 02 6742 0363	INVERELL 23 Oliver Street Inverell NSW 2360 PO Box 426 02 6722 5137	MOREE 2/25 Auburn Street Moree NSW 2400 PO Box 487 02 6752 444	TAMWORTH 3 – 5 White Street Tamworth NSW 2340 PO Box 1452 02 6766 6897	COLEDALE 2 Kenny Drive Tamworth NSW 2340 PO Box 1452 02 6765 8879
---	--	---	---	--	--	---

Homes North Community Housing appreciates the opportunity to provide feedback on the proposed reforms. Please contact Homes North Business Services [REDACTED] [REDACTED] if you require any further information about this submission.



