

16 March 2021

NSW Tax Reform Taskforce

E: taxreformtaskforce@treasury.nsw.gov.au

Dear Sir/Madam,

RE: NSW Property Tax – Consultation Paper

We welcome the opportunity to submit our feedback on behalf of the member councils represented by the Canberra Region Joint Organisation (CRJO).

The Canberra Region is a unique and diverse geographic region which stretches from the South-West slopes, through the Sydney-Canberra corridor across the Eurobodalla down to the Sapphire Coast and then to the Snowy Mountains. The CRJO¹ consists of ten (10) member councils, three (3) associate members and one (1) affiliate member. The total population of the CRJO region, including the ACT, is 750,000 (2017) with a total area of 48,000km² and a gross regional product (GRP) of \$9.82 billion.

The CRJO provides a forum for councils, state agencies and other stakeholders to work together at a regional level to identify shared priorities. This regional collaboration helps deliver important regional projects, delivering better outcomes for communities.

The following submission draws together key themes and feedback from across the CRJO membership and reflected in their individual responses to the consultation.

We acknowledge the Government ambition to make property purchase more affordable upfront and encourage more residents to work to own their home. We further recognise bundling stamp duty and land taxes into the proposed property tax reform will allow revenues generated by the property market for Government to be realised in a more even spread. We understand that those who elect to not pay the duty as lump sum will pay any balance from the proceeds of the next sale of that property, essentially having enjoyed an interest free loan. With the potential for more mobility and movement in a post-Covid world, we further understand that the Government would likely yield additional revenue as an outcome of the proposed approach.

¹ Member Councils: Bega Valley Shire, Eurobodalla, Snowy Monaro, Snowy Valleys, Queanbeyan-Palerang, Goulburn-Mulwaree, Hilltops, Yass Valley, Wingecarribee, Upper Lachlan. Associate Members: Wagga Wagga City Council, East Gippsland, ACT Government. Affiliate Member: Canberra Airport.

CRJO members have expressed concern about potential hardship to taxpayer/ratepayers as a result of the principles set out in the proposed reforms. The Government proposal would seem to shift the tax arrangements for investors who would normally claim the lump sum stamp duty as a CGT, and land tax on income. Under the proposed changes, both (as the annual property tax) would become deductible on income. This may have unintended consequences as a single annual tax may flow through to increased rental costs to offset personal liabilities. This would be expected to place some marginalised renters at risk, including pensioners. The CRJO urges the Government to use this opportunity to consider also revising pension rebates and subsidies for owner occupied residences to mitigate these potential impacts.

CRJO members note that for many ratepayers the role and funding of state and local governments can be blurred. Given local government annual rate notices are issued initially at the end of July, then quarterly notices in October, February and May each financial year. The timing of annual property tax notices in July or January, may lead to some ratepayers not differentiating the source or purpose of those accounts. The similar timing of multiple tax payments may lead to owners seeking hardship relief or arrangements with the council (not government) which will negatively impact local government cashflow.

These reforms may present an opportunity for Government to integrate the property tax, an emergency services levy, infrastructure contributions and council rates into a broader tax review. It is noted the Government is progressing reforms to the Emergency Services and Local Government legislation, and together with the recommendations of the Productivity Commission review of development infrastructure contributions, a fresh approach to property-based taxation that may be directed to infrastructure, environment and emergency services may be imagined.

As a minimum, the Government is urged to include stamp duty, land tax and emergency service contributions – all based on ULV – on the annual property tax accounts, with the billing cycle structured to avoid conflict with local government legislated cycles.

The CRJO notes a proposal prepared by Regional Cities NSW has been submitted to this review that outlines a revised model for funding of emergency services in NSW, cleaning up the transfer of emergency assets and obligations for capital and operational contributions between Government, councils and the insurance sector. Members of the CRJO have made extensive representations on the impacts of the Emergency Services Levy on Councils and it constitutes another annual fee for homeowners that impacts the affordability of housing and in turn affects rental and investor decisions.

We would be happy to discuss any of the issues raised in this submission at your invitation.

