



FOR IMMEDIATE RELEASE

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New NSW Property Tax Regime to Destabilise Property Market

While many market commentators are looking to the RBA to knock the edge off the current property boom, there's another looming time bomb set to drop on unsuspecting buyers.

Property industry specialists are pointing to the NSW government's proposed changes to stamp duty and land tax which will likely increase property ownership costs, destabilise the housing market and distort property prices rather than delivering the financial benefits the government is pitching to the public.

The NSW Treasurer is currently reviewing the State's system of collecting stamp duty and land tax, but the proposed system will distort property prices, introduce more complexity, and cause poor housing stock allocation, said John Gilmovich, President of The NSW Property Owners' Association of NSW.

"And with Victoria and Queensland watching by the sideline, there's a high likelihood this will be rolled out to other States.

"The proposed changes will be a red tape minefield and are set to erode property owners' wealth in an insidious way.

"We're urging the government to consider industry feedback seriously, and we have made a submission outlining eight key areas of grave concern including the following points.

Increased costs to property owners

The NSW government is currently positioning the tax change as a benefit to buyers, but the opposite will be the case for typical buyers who aim to retain their property for longer than five years. For example, an average property with land value of \$650,000 will result in an annual charge of \$8,000 per year, as opposed to the current system where \$31,335 stamp duty is required [see example below].

Jane owns a single residential investment property. It is a 4-bedroom house located in Newcastle. The house has a market value of \$800,000 and an unimproved land value of \$650,000. Jane's liability under the current system and proposed system is illustrated in the following table.

	Current System	Proposed System
Purchase Price	\$800,000	\$800,000
Stamp Duty	\$31,335	Nil
Total Cost of Acquisition	\$831,335	\$800,000
Market Rent	\$650/week (\$33,800 pa)	\$650/week (\$33,800 pa)
Estimated Property Outgoings	\$7,500	\$7,500
Land Tax / Property Tax*	Nil	\$8,000
Net Annual Rent	\$26,300	\$18,300
Investment Yield on Acquisition^	3.16%	2.28%

*rate based on 2020/21 NSW Budget proposed rates

^includes stamp duty cost in calculations



Tightening stock levels

The NSW government claims the changes are to encourage more freedom for property owners when they want to change locations for work purposes or for a lifestyle change.

“If you owned a property where you don’t have to pay a property tax, why would you move to a property where you would have to pay a property tax?” asked Mr Gilmovich.

“The system the NSW Government wants to introduce would reduce the amount of choice for those who don’t want to endlessly link themselves to a system where annual taxes can perpetually be increased, and this would mean a reduction in the number of people who would change residences,” he said.

A two-tiered system of ‘haves’ and ‘have nots’

Even basic modelling shows the new system will create a two tiered market and undermine one of the State’s biggest sources of independent wealth.

The proposed system is promoted as providing buyers with a choice to either opt-in to the property tax or remain with the current system of paying stamp duty and land tax over a set threshold.

“This will mean that over time, properties where stamp duty was paid upfront will command a higher price point because they will be property tax free,” said Mr Gilmovich.

“The whole proposal seems to be put forward by a Government with very limited understanding of the actual property market, or they’re just focused on pushing the change through by making it appear attractive.

“But all they’re doing is making the whole system more complex and introducing more ways to slug property owners with yet another bad tax in an area that is supposed to provide the foundation of our economic recovery.

ENDS

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Background

The Property Owners Association of NSW Inc (POA NSW) is the peak body that has represented property owners in NSW since 1951. POA NSW is a not for profit that relies on the support and feedback of our membership base, who are ‘mum and dad’ investors that collectively account for some 96% of all property owners in NSW. POA NSW provides a helpline, educational workshops, stakeholder submissions, Government lobbying and a range of other services for its members.

Annexure

A) Recommendations from the POANSW for the proposed property tax system

ONE

POANSW recommends that, if any new proposed property tax is introduced that shifts taxation toward land values, the objection system of the Valuer General be reviewed simultaneously. POANSW recommends the following:

1. The Valuer General introduce a consultative process such as mediation as part of the system of review when objections to land values are made.
2. The introduction of an independent tribunal to hear land value objections, or an expansion of the jurisdiction of NCAT to hear land value objections.

Without these changes, there is a significant risk that property owners in NSW would be incorrectly taxed under the proposed system.

TWO

POANSW recommends that a system of thresholds and aggregations be retained in some form, in order to limit consequential shortage of residential rental housing stock in more vulnerable markets and increases in rent.

THREE

POANSW is opposed to an opt-in tax system, and recommends that a consistent system of property tax be retained across the market. The proposed opt in system has the potential to cause confusion, poor housing stock allocation, a two-tiered property market, and distort property prices. POANSW also recommends that current land tax exemptions for particular sectors of the market such as low cost housing and childcare be retained in any new system, so as to continue their positive impact for the people of NSW.

FOUR

POANSW recommends that the NSW Government commit to a moratorium on increases in the rate of land tax for current owners of properties who have already paid stamp duty under the old system. This commitment would ensure that double taxation of current property owners was avoided.

FIVE

POANSW is highly concerned about taxation rates being contingent on land use. POANSW recommends that a standardised rate be introduced regardless of land use.

SIX

POANSW is opposed to a staggered introduction based on property values and recommends that any proposed property tax is introduced uniformly across the market.

SEVEN

POANSW recommends that proposed protections not be implemented. In their proposed form, they will lead to legal and administrative problems within the commercial property market, and largely be redundant and ineffective in the residential market.

EIGHT

POANSW is supportive of financial assistance for first homebuyers but is opposed to cash grants being paid to home buyers. POANSW recommends that first home buyers be given a choice of:

- Stamp duty grant; or
- Relief from the proposed property tax to the value of the stamp duty that would be required to be paid; or
- Stamp Duty liability be split over 3-5 years, with nominal interest, in the same way that current land tax liability can be paid over 3 instalments.

B) New system proposed by NSW Government

<https://www.treasury.nsw.gov.au/budget-financial-management/reform/nsw-property-tax-proposal/possible-reform-framework>

Property Type	Currently Liable for Stamp Duty	Currently Liable for Land Tax	Potential Property Tax Rate
Owner Occupied Residential Property	Yes	No	\$500 + 0.3% of unimproved land value
Investment Residential Property	Yes	Yes	\$1,500 + 1.0% of unimproved land value
Primary Production Land (farmland)	Yes	No	0.3% of unimproved land value
Commercial Property	Yes	Yes	2.6% of unimproved land value