IPTI Xtracts

Property Tax and Assessment News from Around the World

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VICTORIA - Councils angry over state government's annual valuation plan

Two south-west shires are calling to reduce the frequency of valuations to every four years at rural councils as frustration grows over a state government plan to revalue properties every year.

Corangamite and Moyne shires have joined Warrnambool City in condemning the plan that could introduce annual property revaluations from 2019.

Moyne and Warrnambool would have to fork out an additional $100,000 a year if the plan went ahead, while Corangamite expects it would cost an extra $50,000. Revaluations currently take place every two years.

Corangamite Shire chief executive officer Andrew Mason described the move as "concerning".

"That would mean that, potentially, council has to pay double what we already pay to do valuations and it provides absolutely no additional benefits, particularly financial, for local government," he said.

Moyne Shire's director of community and corporate support Kevin Leddin said councils were disappointed there was no consultation by the state government.

"Rural councils have been arguing that it should be every four years," Mr Leddin said.

He said rural shires had less fluctuation in land values, making more regular valuations an unnecessary cost impost on regional councils.

State opposition planning spokesperson David Davis said the government's push for yearly valuations would "force councils to cut local services to pay the extra costs" while netting the government "an extra $200 million in land tax".

Corangamite councillor Bev McArthur moved a motion that the council not only write to the Local Government Minister and the Treasurer, but also to the Opposition Leader, Shadow Local Government Minister and local MPs calling for four-yearly revaluations in rural councils.

"Having to re-value properties on an annual basis is an enormous cost to our bottom line and therefore to our ratepayers, with no compensation from the state government," she said.

Cr Simon Illingworth said annual valuations did not make sense in rural areas.

"It's fairly clear the reason why you'd want annual valuations in Melbourne, because the prices are going up 10-15-plus per cent and that realistically just means more money for government. We don't have massive rises in our property values," he said.

"The annual valuation idea is going to cost us a lot and we have very little to gain from it."

Cr Ruth Gstrein said the change to annual valuations was a "thought bubble" that had occurred with no consultation with local government.

"For us, it's a major impost on our staff, an extra $50,000 a year, but there's no income coming from that," she said.

"For our ratepayers, there's no surety what your rates are going to be. At least at the moment with revaluations every second year you know how much your rates will go up the following year, now you don't know."

VICTORIA - Key Duty and Tax Changes for Australia's Victorian Property Purchasers

Following our alert on 24 March 2017, the State Taxation Acts Amendment Bill 2017 (Vic) (Bill) has now been released and is currently before Australia's Victorian Parliament.

We have been following the proposed changes to stamp duty, the first home owner grant and property taxes since the housing initiatives were announced by the Victorian Government in March 2017. The release of the Bill gives important insight into how the changes are intended to operate, including transitional arrangements for existing contracts of sale.

If the Bill passes, the majority of the changes will come into effect for contracts entered into from 1 July 2017.

The changes proposed by the Bill are significant and will require careful consideration by property developers in particular. Developers should be preparing for the impact of the changes on purchaser demand, particularly for off-the-plan purchases by investors and foreign purchasers. Demand by first home buyers may be deferred until after 1 July 2017 to take advantage of the changes.

Transitional Arrangements

A key unknown issue when the housing initiatives were announced was whether the changes would apply to nominations made under existing contracts.

The Bill clarifies that the current off-the-plan duty concession, principal place of residence (PPR) duty concession and first home buyer duty reduction will continue to apply to any dutiable transactions that occur under contracts entered into before 1 July 2017.

Where a contract is entered into before 1 July 2017 and a nomination of a substitute purchaser occurs after 1 July 2017, the new provisions will not apply to the subsequent transfer to the nominee.

Changes to the Off-the-Plan Duty Concession

Under the Bill, for contracts entered into from 1 July 2017, the off-the-plan duty concession under the Duties Act 2000 (Vic) (Duties Act) will now only be relevant to calculating the dutiable value to determine whether a purchaser is eligible for the:

- current PPR concession (for dutiable values up to AUD550,000)
- proposed first home buyer duty exemption (for dutiable values up to AUD600,000)
- proposed first home buyer duty concession (for dutiable values between AUD600,000 and AUD750,000).

For eligible first home buyers or PPR purchasers, the dutiable value of the property will be calculated after applying the off-the-plan concession. For off-the-plan purchases where construction has not commenced, this means that residential properties with significantly higher contract prices may now be eligible for the PPR concession or first home buyer duty exemption or reduction, if the land value (after deducting construction or refurbishment costs) is below the relevant threshold.

The off-the-plan concession will no longer be available for purchases of residential property with a dutiable value over the above thresholds. It will also no longer be available for other purchases of property, including investment properties or purchases by foreign purchasers.

First Home Buyer Duty Exemption or Concession

The Bill amends section 57JA of the Duties Act to abolish stamp duty for purchases of new or existing properties under a dutiable value of AUD600,000 by eligible first home buyers. Eligible purchases of property with a dutiable value between AUD600,000 and AUD750,000 will also receive a tapered concession applied on a sliding scale.

The exemption and concession will apply to contracts entered into on or after 1 July 2017.

Both the exemption and concession will be subject to the residence requirement that currently applies to the PPR duty concession. At least one purchaser must occupy the property as their PPR for at least 12 months commencing within 12 months of taking possession of the property.

Doubling of First Home Owner Grant in Regional Victoria

The Bill amends section 18 of the First Home Owner Grant Act 2000 (Vic) to increase the first home owner grant to AUD20,000 for new homes built in regional Victoria with a consideration up to AUD750,000.

The increased amount will apply for contracts entered into on or after 1 July 2017 and before 1 July 2020.

Eligible first home buyers of new homes in metropolitan Melbourne will continue to receive the current grant of AUD10,000.

Vacant Residential Land tax in Melbourne

Under the Bill, a new section 34A will be introduced to the Land Tax Act 2005(Vic) to impose an annual vacant residential land tax on vacant residential properties within the municipalities of Banyule, Bayside, Boroondara, Darebin, Glen Eira, Hobsons Bay, Manningham, Maribyrnong, Melbourne, Monash, Moonee Valley, Moreland, Port Philip, Stonnington, Whitehorse and Yarra.

A residential property will be vacant if it has not been used or occupied for more than six months in the preceding calendar year by:

- the owner as their PPR
- the owner's permitted occupant as their PPR

or

- a natural person under a lease or short-term letting arrangement.

The six months does not need to be in a continuous period, but can be aggregated.

The tax will apply from 1 January 2018 and will be applied at a rate of 1% of the capital improved value of the land.

The Bill includes exemptions for:

- holiday homes used and occupied for a period of at least four weeks (whether continuous or aggregate) in the relevant year. The holiday home exemption can only be used in respect of one holiday home in any tax year
- land that was used and occupied for the purposes of attending the owner's place of business or employment (where the place of business is within the relevant municipalities) for an aggregate period of at least 140 days
- land that changed ownership in the year preceding the tax year
- land that became residential land during the tax year
- land on which a residence has been under construction or renovation for more than two years, where the Commissioner of Taxation is satisfied that there is an acceptable reason for the construction or renovation not being completed by the end of the year preceding the tax year
- commercial residential premises
- residential care facilities
- supported residential services
- retirement villages.

An owner of vacant residential land must notify the Commissioner before 15 January each year. The State Revenue Office intends to undertake monitoring and compliance activities to ensure that vacant residential properties are being declared.

Duty Exemption Abolished for Transfers of Non-Residential or Investment Properties Between Spouses

The Bill also amends section 43 of the Duties Act to abolish the stamp duty exemption for transfers of non-residential or investment properties between spouses or de facto partners. The change will apply to contracts entered into from 1 July 2017.

Transfers of residential property will still be exempt from duty provided that at least one spouse or de facto partner occupies the property as their PPR for a continuous period of at least 12 months commencing within the 12 month period immediately after the transfer.

No changes have been made to the duty exemptions for transfers following the breakdown of a marriage or de facto relationship.

Next Steps

The Bill is currently being considered by the Victorian Legislative Assembly.

SOUTH AUSTRALIA - City council split on vacant land tax

City councillors are divided over the concept of applying a large rates hike to developers who demolish buildings but leave the land vacant for years on end.

Last night, independent local government finance expert John Comrie presented his interim report on the Adelaide City Council's revenue policies.

The report argues a higher council rate charged to owners of vacant land would be ineffective "unless the differential rate was extremely high".

Lord Mayor Martin Haese told last night's council committee meeting he supported applying a large "differential rate" to owners of vacant land – such as the notorious former Le Cornu site on O'Connell Street, which has remained empty for more than two decades – to encourage development.

Last year, the Makris Group, which owns the site, failed to meet the proposed start-date for the construction of a 16-level, golden-hued apartment tower and a six-level hotel building, plus offices, retail outlets, cafes, restaurants and an open square there.

As a result, the Development Assessment Commission granted a 12-month extension on the build, which will have to be substantially underway by next month.

Haese told last night's meeting revenue from the increased rates could be used to fill a "fighting fund" to support new development.

"I'm quite supportive [of] a differential rate in the dollar," he said.

Revenue from the rates hike could "populate a fighting fund [to help] get the land developed," he added.

Deputy Lord Mayor Megan Hender told the meeting it would be fair to charge higher rates on vacant land because it diminishes the value of nearby properties.

"When a bit of land is left vacant … it does diminish the value of properties nearby," she said.

"We take a hit [in the form of consequently lower rates]."

But South Ward councillor Alex Antic said: "I'm firmly of the view that you don't tax your way to prosperity".

And area councillor Anne Moran told InDaily this morning she would rather see the council lobby the State Government to compulsorily acquire the Le Cornu site rather than potentially slapping all owners of undeveloped vacant land with a rates hike.

"The ownership of land is very sacrosanct," she said, adding that no one would ask the owner of a residential property to improve their house or face higher taxes.

"I'd need a lot of convincing that a developer should be treated any differently," she said.

"I agree, though, that this land banking by developers is really hurting the city."

North Ward councillor Phil Martin told last night's meeting that while extremely wealthy developers may not be significantly affected by higher council rates, an increase in the rate of "300 per cent would send a very strong message".

Comrie's report argues that: "in terms of benefits received … and capacity to pay, it seems hard to defend charging a higher differential rate on vacant land".

"Nevertheless, many councils do so; claiming that it is done as a policy disincentive to holding undeveloped land and therefore effectively to encourage development.

"In practice unless the differential rate was extremely high other factors are likely to be far more material in deciding whether a landholder will develop their property."

According to the report, there are 56 properties in the City of Adelaide categorised as "vacant land".

As InDaily reported yesterday, the report also advocates scrapping the council's $100 annual rates rebate for pensioners, and its $50 rebate for self-funded retirees, in favour of allowing those struggling to pay rates to defer payment.

The idea was almost friendless at last night's committee meeting.

But Hender she would support removing the rebate in favour of allowing ratepayers to defer payment of their rates if they cannot afford them – but only if the boost to revenue would be large enough to justify "the pain" of the change.

"The question about that would be the quantum," she said.

She stressed: "A good city is one that can accommodate all socio-economic groups."

MAV president councillor Mary Lalios said the plan was "rushed" and included no consultation with councils.

SOUTH-west properties will be valued yearly under a new state government plan.

The Municipal Association of Victoria says the plan to centralise all property valuations within the valuer-general's office will have a range of unintended impacts on councils, including potential job losses.

MAV president councillor Mary Lalios said the plan was "rushed" and included no consultation with councils.

The reforms include moving from two-yearly to annual property valuations.

Councils are currently responsible for property valuations in Victoria at a cost of $20 million every second year.

"Centralising valuations within the valuer-general's office will have a range of serious impacts that don't seem to have been considered by the state government," Cr Lalios said.

“Probably one of the most concerning impacts of the proposed reforms is the potential job losses for councils that currently employ qualified valuers.

"The lack of information coming from the state government means councils can’t properly consult their valuations staff about the future – because they simply don’t know the details of the government’s plan.

“This is extremely unfair to council staff and their families.

“Councils have told us of a long list of other unintended impacts, including additional administration costs to upload data annually, incompatible software systems, lost revenue from the sale of valuation data, payout of existing contracts, higher prices to undertake council asset valuations – and the list goes on. Cr Lalios said under rate capping councils were also more reliant on frequent supplementary valuations, particularly in areas undergoing development or growth.

“It is unlikely that the different supplementary valuation needs of each council could be met by the valuer-general at a reasonable price, which could create a lag in council revenue,” Cr Lalios said.

QUEENSLAND - Brisbane City Council to sell homes to recover overdue rates

Brisbane City Council has moved to forcibly sell nine Brisbane homes in an effort to recover more than $100,000 in unpaid rates from the property owners.

Lord Mayor Graham Quirk said the council had made every effort to get the owners of the properties to pay their rates.

"We don't believe other rate payers should continue to pick up the tab in relation to people that aren't prepared to pay their rates," Cr Quirk said.

The council can sell properties with outstanding rates of more than three years.

Finance chairman Krista Adams said the selling of people's property was not an issue the council took lightly.

"It's not something we often see in council because it is not something we want to do," she said.

"Unfortunately sometimes we get to the point where this is the last bit of ammunition you could say we have to try and convince people it is their responsibility to pay their rates and it's not right for the rest of Brisbane to pick up the slack for people not doing the right thing on their properties.

"We hope this is the case where this is the light bulb moment where the property owners realise something serious needs to be done about this."

Cr Adams said since 2002 the council had approved 152 properties for sale, but only 11 had sold.

On Tuesday, the council passed a motion to sell the following properties:

Edinburgh Castle Road, Kedron - $19,769.81

The owner of this non owner-occupied property has been in debt with this property since August, 2008. This is not the first time property owned by the resident has made the list for sale due to overdue rates. They own a second property on Alisa Street, Aspley that currently has $6440.81 of unpaid rates. When it was listed for sale the rates were paid prior to the auction. The council documents stated that on January 11, 2017, council officers spoke to the owner's partner who indicated rates would be paid shortly. Council has not received any payment. The last rate payment on this property was of $1421.46 on June 20, 2011.

Beenleigh Road, Sunnybank - $15,792.27

The owner of this non owner-occupied property has been in debt since October, 2003. Council documents stated the owner lives interstate, but in January, 2016, the owner's son told council officers the rates would be paid in full when his father retired soon. In October, 2016, the son again advised the family would arrange payments. Council has not received any payment. The last payment on this property was of $750 on September 18, 2015.

Prince Street, Annerley - $14,086.92

The owner of this vacant property has been in debt since before the rates information management system was created. They own two other properties, one on Carnaby Street, Macgregor where $1873.68 in unpaid rates is owed and a second property [included in this list] on Beenleigh Road where more than $9000 is owed. On January 10, 2017 the owner told council officers he would sell his Beenleigh Road property prior to June 30, 2017. As of April 2017, there was no evidence of the property being listed for sale. The last payment on this property was of $100 on July 17, 2014.

Lomandra Street, Robertson - $11,562.39

The owner of this non owner-occupied property has been in debt since May, 2013. Council documents state the owner lives overseas. This last payment on this property was $10,822.50 on February 6, 2013.

Beenleigh Road, Sunnybank - $9608.04

The owner of this vacant property has been in debt since before the rates information system was created. On January 10, 2017, the owner told council officers they would sell the property. As of April, 2017, there was no evidence of the property being listed for sale. The last payment on this property was of $2,133.23 on August 19, 2014.

Beams Road, Boondall - $9530.67

The owner of this owner-occupied property has been in debt since March, 2001. They purchased the property in October, 2000. The owner of this property received $8854.24 in April, 2006, from the independent rates relief tribunal in April, 2006. From October, 2015, the owner commenced a weekly payment plan of $50. In March, 2016, council requested for this weekly payment to increase but did not receive a response. The direct debit was cancelled in January, 2017. Council officers spoke with the the owner on January 11 and advised the owner of the council's intentions to sell the property to which the owner responded they would increase the size of instalments. The council advised a considerable payment would need ot be made to stop the sale. The owner has not contacted council and there has been no increase to the size of the regular payments. The last payment on this property was of $50 on February 1, 2017.

Hillrise Street, Aspley - $7404.88

The owner of this non owner-occupied property has been in debt since October, 2012. In August, 2013, council officers discovered the owners son was living in the property while his parents lived overseas. In August, 2015, the son said he exact whereabouts of his parents was unknown but the son made arrangements to pay back $500 a month. This was not kept. The last rate payment of $500 was made on June 1, 2016.

Barrett Street, Bracken Ridge - $7353.06

The owner of this non owner-occupied property has been in debt since March, 2011. The property was auctioned by another creditor on February 14, 2017 but passed in. In April, 2017, the creditor advised the council they had made an acceptable arrangement with the debtor to clear their debt and would not be continuing with any further recovery action. The last payment on this property was $200 on December 16, 2015.

Parakeet Street, Inala - $7084.04

The owner of this non owner-occupied property has been in debt since May, 2009. Council documents stated the owner lived interstate and that other family members lived at the property. The last rate payment was $50 on April 22, 2017.

NORTHERN TERRITORY - Darwin property owners to pay $29 more in rates

DARWIN Council will increase council rates by $29 for a typical household while freezing most other fees and charges amid predictions of a challenging economic conditions ahead.

The draft budget was presented to council last night and will see a freeze in CBD parking fees for the second year, as well as no increase in swimming pool entry fees.

Most Aldermen last night said the budget properly reflected an expected tough year ahead for the city's ratepayers and economy.

Lord Mayor Katrina Fong Lim said council recognised "the slowing of the economy is having an impact".

Alderman Garry Lambert said the budget was a testament to council's long-term planning.

"If we didn't have some cash in the bank ... we would have just fallen and risen with the tide of the economy," he said.

The sole dissenting voice at last night's council meeting was alderman Gary Haslett.

"I don't want to be cynical, but I will state the obvious," he said. "We have local government elections in August. I just wonder what the increase will be next year when things get back to normal?"

The criticism drew a curt response from Ms Fong Lim, who said council budgets during her time as mayor had been focused on keeping rate rises to a minimum, with the exception of a 5.5 per cent increase in 2013/14, which she said came as a result of the Territory Government ramping up power prices.

Many of council's big ticket spending items had already been committed to, including $1 million in funding for the Parap Pool, a project mostly funded by the Territory and federal governments.

Another $1.5 million will go to resurfacing the velodrome on McMillan's Rd, a project announced by the Territory government in 2015.

A $1 million experimental green waste project at Shoal Bay tip, will, if successful, reduce ongoing clean-up costs once the tip reaches the end of its life.

Alderman Mick Palmer said the budget was "reasonable".

"It contains ... fees and charges to what I think is an acceptable level in this day and age," he said. No dedicated new funding has been allocated to revitalising the CBD, although some funding will carry forward from last year's budget.

Ms Fong Lim said council would continue to put money toward projects stemming from the City Centre Masterplan. Meetings between council and Charles Darwin University will flesh out the possibility of the university increasing its presence in the city. Council hopes another faculty in the CBD would encourage students to live in city apartments, as some landlords struggle with high apartment vacancy rates.

NEW SOUTH WALES - Changes to emergency services levy

Changes to funding for state fire and emergency services will see a levy applied to Hills residents' council rates rather than on their insurance policies.

Under the changes — which come into effect on July 1 — the State Government will abolish the Emergency Services Levy, paid on insurance policies, and replace it with a Fire and Emergency Services Levy, which will be paid by property owners alongside council rates.

The FESL will be listed on council rate notices as a separate item and paid in the same way as council rates, with the option of paying quarterly or annually.

According to the State Government, the reform will move NSW in line with other mainland states and help reduce the high levels of underinsurance in NSW by helping to make insurance more affordable.

Revenue raised from the FESL will go to the State Emergency Service, Rural Fire Service and Fire and Rescue NSW. Discounts apply for pensioners.

Tenants who previously paid for the levy on their insurance policy will most likely not have to pay for the new FESL, as most tenants do not directly pay council rates.

The FESL will be calculated by a fixed charge and a variable charge based on land value.

Land values used to calculate the FESL and council rates will be the same, and will be updated every three years starting from July 1.

VICTORIA - Vacant residential tax will not greatly impact Melbourne market, says property consultant

The vacant property tax, which is set to be implemented in January next year in the state of Victoria, will not have a "catastrophic effect" on the local property market, said Charter Keck Cramer director James Mansour at a media briefing for Malaysian press on the Australian Property Market today.

The annual vacant property tax of 1% on the capital improved value (CIV) of the taxable property applies to a residential property that is left unoccupied for six months or more in a calendar year. The six months do not have to be continuous.

The vacant residential property tax (VRPT) only applies to vacant residential properties located in the following local council areas: Banyule, Bayside, Boroondara, Darebin, Glen Eira, Hobsons Bay, Manningham, Maribyrnong, Melbourne, Monash, Moonee Valley, Moreland, Port Phillip, Stonnington, Whitehorse and Yarra.

"It's obviously going to have an impact but rental yields are still good, ranging from 3.5% to 5.5%, depending on the type of property in Melbourne.

"Although we may see demand reducing, we will also see supply by the developers reduced as well. It will just take more time for developments to sell. So, instead of taking 12 months, it will take 18 months to sell," said Mansour, adding that the procedure and mechanism of this tax has yet to be made known.

He said even with this tax, for overseas investors, Melbourne properties remain comparatively cheap compared to other places such as Sydney.

"For instance, Melbourne's median house price in 2016 was A$650 (RM2,090) while in Sydney, it was $950," cited Mansour.

Melbourne, he said, will continue to see more people coming in to stay, including a growing student population.

"Melbourne sees a population growth of 1.5% annually, and the growing number of people need houses. There are also many students coming in to attend Melbourne University and Monash University, which are ranked 33th and 73rd in the World's Top University list.

"People are coming to live in the city because of the ease of accessibility and amenities present. You don't want to live far out and take hours to commute to work or school. People are beginning to accept city living," Mansor said.

Land Tax Better Than Value Capture

A straightforward land tax may provide a better option than common 'value capture' mechanisms as a means to raise finance for large scale infrastructure investment, a leading researcher has argued.

In her *What Price Value Capture?* report, Grattan Institute researcher Marion Terrill has warned state governments to exercise caution before following Commonwealth advice to seek opportunities to employ methodologies whereby governments 'capture' a portion of the windfall gains which landowners derive as a result of construction of new railways, roads or social forms of infrastructure.

"Value capture may sound like a free lunch," Terrill said. "But in practice the costs may often outweigh the benefits."

Terrill's comments come as the federal government seeks to make greater use of value capture as a means for raising part of the funding to meet the cost of new infrastructure projects.

In a discussion paper released late last year, the Turnbull government outlined options such as the federal government mandating use of value capture as a condition of Commonwealth funding for some projects and requiring proposals for major developments to be accompanied by a land use development plan which would require consideration of value capture funding streams.

In her report, Terrill acknowledged the merits of ideas that those who benefit most from the construction of new infrastructure should contribute toward the project's cost. She warned, however, that such concepts are difficult to apply in practice.

Determining the boundaries as to who should and should not be subject to the taxes not was an inexact science, Terrill said.

Moreover, whilst the benefits of rail projects were largely derived by those whose properties lie within close proximity to stations, those associated with other types of infrastructure such as road and hospitals are more widely dispersed.

In such projects, beneficiaries are difficult to identify and applying additional taxes through value capture mechanisms on a genuinely transparent basis is problematic.

As a result, Terrill says value capture is more often applied to rail projects – a situation which leads to landowners whose properties benefit from uplift associated with rail projects to contribute toward those projects through value capture mechanisms but many of those whose properties derive an uplift from road projects not in fact doing so.

As a result, Terrill says greater equity through value capture was difficult to achieve in practice.

Moreover, she said, value capture schemes are less efficient compared with broad based taxes as they require greater precision in valuation and create more opportunities for corruption.

Because of this, Terrill says a straightforward land tax is often a better option.

"At first glance, value capture seems marvellously fair, because it only applies to those who benefit from the particular new project," Terrill said. "So the people of western Sydney do not help fund a new railway station on the North Shore.

"But in practice, value capture schemes are less obviously fair.

"As a result, an additional broad-based, low-rate property tax on all land may be a better option for governments seeking to fund major new projects."

Vacant property tax plan to cause 'headache' for Victorian homeowners, MPs say

A PLAN to slug absentee Melbourne land owners with a vacant property tax is being criticised by Upper House MPs who say the long-awaited policy will be “tricky’’ to police.

The $80 million levy, aimed at reducing empty inner-city houses and apartments, was a key Budget promise by Treasurer Tim Pallas last year.

However, the proposed legislation has been questioned by Greens leader Greg Barber, who says well-meaning landholders could be swept up in the new tax.

“A vacancy tax is a good idea, and a number of cities around the world are doing it,’’ Mr Barber said.

“But the issue here is how ‘vacant’ is defined and what kinds of proof the State Revenue Office will accept.’’

Shadow Treasurer Michael O’Brien also flagged concerns about the Bill, including issues with compliance and who would be affected.

“This looks like a Bill drafted in hell,” he said. “It will be a big win for the tax lawyers and a massive headache for thousands of Victorians.’’

Under the Andrews government proposal, owners will pay 1 per cent of the property’s capital improved value if they do not live in their house, in 16 inner-city suburbs, for more than six months a year.

Holiday homeowners will also be affected and must prove they spend at least four weeks in the property.

Short-term rentals, including Airbnb properties, must also be occupied more than half the year. It is understood if concerns about the legislation are not addressed, the government’s Bill could face delays in the Upper House later this year.

Treasurer Tim Pallas defended the new tax in the Public Accounts and Estimates Committee last week, saying the move would increase Melbourne’s available housing stock.

“It is part of a set of initiatives introduced by the Andrews Labor government towards ensuring today’s families and future generations will be able to afford somewhere to live,” Mr Pallas said.

The Bill is being considered in the Legislative Council as the federal government unveiled plans to implement a $5,000 tax if investors left residential properties empty or failed to rent it out for six months per year.

Fairness a tough sell for new tax on Sydney property

Early in his career as treasurer Mike Baird struck a winning formula for how to sell an unpopular reform to the electorate. Baird's deceptively simple approach was this: don't just explain the reform; emphasise the benefits.

He used the tactic to full effect while pursuing the asset privatisations that became a hallmark of his time as treasurer and then premier.

Announcing the sale of the Port of Newcastle, Baird tied it to construction of a new light rail line in that city.

His ultimately successful decision to take the deeply unpopular part-privatisation of the electricity poles and wires businesses to the 2015 election was linked to the infrastructure that would be built with the billions of dollars of proceeds.

As a banker, Baird was a dealmaker at heart. Selling the benefits came naturally to him.

But as the troubled push to amalgamate the state's councils proves, some reforms are so toxic that no amount of talk about benefits will quell voter opposition, even for the best retail politician.

It's a lesson his successor Gladys Berejiklian and her Treasurer Dominic Perrottet may be about to learn in relation to another unpopular reform: a new funding model for fire and emergency services.

Households across NSW are receiving a notice from the state government explaining the new levy, which from July 1 will hit most property owners with an annual payment that will vary based on the unimproved value of their land and property type.

It replaces the present system of a tax on insurance companies that is passed onto policyholders.

The notice is titled: "A fairer levy for all of us", reflecting the government's pitch that the new system removes the unfair burden of funding fire and emergency from only those who have insurance, while the uninsured don't pay and still get the services.

The problem is that, for many learning how much they will pay per year, the new system seems anything but fair, even for those already paying the levy via insurance.

A couple of the government's key assertions are being strongly challenged: that the system will mean an average saving of $47 for existing fully insured property owners; and that the average annual payment will be $185.

The $47 saving figure is based on the expectation that the average cost of residential insurance will drop by up to 20 per cent as the levy is removed from premiums.

Former corporate regulator Allan Fels has been appointed to ensure this happens.

But the reality is - based on known land values and the government's online calculator - many property owners are about to be slugged with a substantially higher sum, despite having been fully insured for years.

Fairfax Media has been contacted by furious owners whose bill will more than double - or even triple in some cases.

Worse, many of them will pay more despite the chances of them needing to rely on fire or emergency services not having changed at all.

Further complicating matters is that the levy is moving from one paid in arrears to cover the previous year's fire and emergency services budget to one paid in advance to cover the coming financial year's funding.

That means those whose insurance premium was due in the first half of this year will pay the levy twice in a calendar year - an infuriating imposition that is giving the impression they are being double taxed.

A big part of the credibility problem for the government is that when the intention to introduce the levy was announced by then-treasurer Berejiklian in December 2015, the estimated average payment was put at $160.

This suddenly became $185 earlier this year as legislation was introduced into the Parliament.

Yet, as Labor's shadow treasurer Ryan Park has pointed out, based on the formula released by the government the levy on the average Sydney property with a land value of $774,000 will be $270.

That's about $100 more than the averages previously touted by the government. Oops.

Perrottet is valiantly sticking to his line that the new system is a fairer one that's in place in other states.

That may well be true (we have yet to see the Treasury modelling to prove it) but try telling that to the Sydney property owner whose payment is about to skyrocket.

State governments earn billions in property tax revenue

Revenue earned from property taxes has been pouring into the coffers of state and local governments, with the latest Australian Bureau of Statistics (ABS) data indicating that state and local governments nationally collected $49.567bn (51.9%) of their total taxation revenue from property.

Stamp duty on conveyances accounted for the largest overall proportion of property tax revenue, according to the latest CoreLogic Property Pulse report, which analysed the ABS data. Over the 2015-2016 financial year, state and local governments raised $20.607bn in revenue from stamp duty, accounting for 41.6% of total property tax revenue.

According to Cameron Kusher, research analyst at CoreLogic, over the past few years, there has been a significant increase in the value of revenue derived from stamp duty.

"It is pretty easy to see what booming housing markets do for state government coffers with the NSW and Vic governments seeing stamp duty revenues surge. Of course, when the housing market isn't booming it has a substantial impact on stamp duty revenue, see NSW and Vic in 2008-09 and WA more recently," Kusher said.

Despite the recent windfalls, Kusher said the uncertainty surrounding stamp duty, and its dependence on stock turnover, makes it a volatile source of taxation revenue. "Because stamp duty is only collected from properties which transact, the state governments are relying on values and transactions rising across the 5% to 7% of properties which turnover in any given year to drive their major source of property tax revenue," he said.

CoreLogic further noted that the three biggest sources of property tax revenue—land tax, municipal rates, and stamp duties on conveyances—accounted for 90.3% of all property-related tax revenue to state and local governments in 2015-2016, and 46.9% of total taxation revenue.

"We already know that $20.607 billion in tax revenue came from stamp duty on conveyances, a further $7.237 billion came from land taxes and $16.924 billion came from municipal rates," said Kusher. "Land taxes and municipal rates are much more guaranteed income streams than the more volatile stamp duty on conveyances. For this reason, it would make sense to move from stamp duty to a much more efficient, easier to collect and holistic land tax."

Victoria's new property tax closes loophole

Property investors are clearly on the losing end following the release of Victoria's state budget on Tuesday, with some investors potentially having to reconsider the future of their investments due to the introduction of a new tax and the closing of an existing loophole.

As expected, Victoria's new vacant residential property tax targeted properties left unoccupied for six months or more. There was also the removal of a concession which allowed partners to transfer investment properties to one another tax-free.

Treasurer Tim Pallas unveiled the state budget with few surprises for the real estate sector, having announced most of the reforms during the Andrews government's affordability package earlier this year.

The package included the anticipated $851m the government says it will provide to abolish stamp duty for first-home buyers on properties up to $600,000, as well as cuts to those up to $750,000. The Andrews government is also removing off-the-plan stamp-duty concessions for investors.

The state's thriving property market clearly underpinned the budget, with $6.2bn in stamp duty and $2.4bn in land-tax revenue in the 2017-2018 budget expected to bolster the state's bottom line. According to the Domain Group, more than $82.5bn was transacted via property deals in 2016, although a complete data set is still being collected and the final figure could be significantly higher.

Victoria's new vacant residential property tax is expected to generate approximately $80m in revenue for the government over the next four years. It will come into effect on 1 January for properties left vacant this year.

Properties will be deemed vacant if they're left unoccupied for six months or more in a calendar year, and will be taxed at 1% of the property's capital improved value. Exceptions include deceased estates, holiday homes, and renovations.

The tax is intended to encourage investors to either put their properties on the rental market, or sell it off. Despite a surge in construction across Victoria, vacancy rates remain tight, suggesting that many properties are being kept empty, many by offshore property investors.

VICTORIA - Vic to get $8.4b from property taxes

Victoria needs to increase its debt if it wants to take full advantage of its AAA credit rating, historically low interest rates and build infrastructure, Treasurer Tim Pallas says.

Victoria is in a strong financial position, with a $1.2 billion surplus for the 2017/18 financial year and higher ones in the forward estimates, Mr Pallas told a post-budget business lunch in Melbourne.

Debt as a proportion of gross state product is now at 4.6 per cent, below the 6.2 per cent Labor inherited from its coalition predecessor, he says.

But there needs to be "a grown up discussion about debt" and Victoria's debt ratio needs to progressively move to six per cent.

"We need to bring (debt) up. We need to actually start to leverage the whole point of a AAA credit rating," Mr Pallas said.

"What's the point of a credit rating if you're actually not using it to secure the lowest possible interest rates you can and actually secure the infrastructure that grows a community and builds the services that the community not only deserves but demands?"

Net debt is listed as $23.8 billion for 2017/18, according to Tuesday's budget, and will rise to $25.1 billion the year after, then $27.4 billion in 2019/20.

Mr Pallas took another swipe at the federal government over the distribution of infrastructure money between states and disputed funds from the sale of the Melbourne Port lease.

Victoria says it deserves about $1.45 billion from the federal government under the asset recycling scheme when it leased the port.

It wants to put the money towards a regional rail program that many local federal MPs have been calling out for.

"It's hard to put a compelling argument against (the projects) unless of course it's something to do with mendacity," Mr Pallas said.

The Victorian budget is forecasting a $1.2 billion surplus for 2017/18 and Melbourne's property boom will rake in $8.4 billion.

Interest groups have flagged concerns the state is too reliant on property taxes, and that changes to duties paid by investors could cool the real estate market.

Earlier on Wednesday, Mr Pallas said he had been waiting for the market to slow, and that it needed to do so that first home buyers could "have a crack at it".

"I've been predicting, and accounting for, slumps in the property market for some time now, and they just haven't happened," he told 3AW radio.

Sydney and Melbourne property prices slow as Coalition considers 'ghost house' tax

CoreLogic data shows property prices across Australia’s eight major cities increased by just 0.1% last month

Property prices in Sydney and Melbourne slowed considerably in April, hinting at a possible break in the trend of runaway growth.

But it's too early to call the "peak of the marketplace" because April is exceptionally seasonal with Easter, school holidays and the Anzac Day long weekend affecting property sales, warns Tim Lawless, the head of research from CoreLogic.

The new data comes as the Turnbull government reportedly plans to charge foreigners up to $5,000 for leaving their Australian apartments empty, as part of changes to be announced in next week's budget.

The so-called "ghost house" tax will be a new condition of Foreign Investment Review Board approval, according to Sky News.

The government is also reportedly planning to ban foreigners from buying more than half of the apartments in new apartment builds, in a bid to help more Australians buy a property.

New data from CoreLogic on Monday shows property prices across Australia's eight major cities increased by just 0.1% last month, pulling the annual growth in prices down from 12.9% in March to 11.2%.

The moderation was due largely to house prices in Sydney, the country's largest housing market, being slightly negative for the month (-0.04%), and Melbourne recording just 0.5% growth.

The data shows the split between Australia's house prices and unit prices continuing from earlier months.

CoreLogic's eight capital city aggregate shows unit prices in April declined by 1.2%, pulling the annual pace of growth from 9.8% in March down to 6.4% in April.

House prices grew by 0.4% in April, ensuring the annual pace of growth for house prices has declined slightly from 13.4% in March to 11.9% in April.

Economists say recent higher borrowing rates announced by the major banks, and tighter lending conditions, will have had some dampening impact on housing activity, given investors account for about half of all new lending.

"The big question is whether it will be enough to cool the market sufficiently to alleviate the Reserve Bank's heightening concerns about ongoing house price inflation, particularly in Sydney and Melbourne, ever expanding household debt and their potential impact on financial stability," Commonwealth Bank economist John Peters said on Monday.

The treasurer, Scott Morrison, said the CoreLogic data showed the Turnbull government was wise to adopt a careful approach to housing policy.

"I note today the CoreLogic data showed that, across all five capital cities, there was a negative outcome in the apartment market," he said on Monday. "I mentioned that last week. I said the apartment market had already begun to turn.

"We also saw in that data what was happening with home prices in Sydney as well. A flattening of what we'd seen with growth. I have been careful to say all along that you have to be so careful in how you engage in housing policy."

Lawless said the April results were the weakest monthly changes in dwelling values across Sydney since December 2015 but they came after dwelling prices have risen 75.1% over the past five years, at an annual rate of growth of 15%.

"We need to be cautious in calling a peak in the market after only one month of soft results," Lawless said. "April, in particular, coincides with seasonal factors including Easter, school holidays and the Anzac Day long weekend.

"The softer results should also be viewed against a backdrop of an ever evolving regulatory landscape which is firmly aimed at slowing investment and interest-only mortgage lending.

"In a city like Sydney, where more than 50% of new mortgage demand has been from investors, a tighter lending environment for investment purposes has the potential to impact housing demand more than other cities."

Government addiction to property taxes hits almost $50 billion

ABS data shows property taxes hit a new peak of $49.5 billion last year.

Taxes on property	2014-15 Revenue ($ millions)	2015-16 Revenue ($ millions)	Annual Change
Commonwealth	$15	$15	0.0%
NSW	$14,729	$17,084	16.0%
VIC	$12,246	$13,608	11.1%
QLD	$8,267	$8,328	0.7%
SA	$3,226	$3,268	1.3%
WA	$4,938	$5,404	9.4%
TAS	$701	$747	6.6%
NT	$378	$256	-32.3%
ACT	$743	$873	17.5%
Total	**$45,238**	**$49,578**	**9.6%**

New ABS data released today reveals that Australian governments collected an additional $4.3 billion in property taxes last year with direct property taxes hitting a new peak of $49.5 billion.

“Governments are collecting $950 million every week from property and it’s getting worse with property taxes up 9.6 per cent in 2015/16. Overall, property taxes are up a massive 48% in just five years.”, said Ken Morrison, Chief Executive of the Property Council of Australia.

“Bit by bit, increase by increase, state and local governments are squeezing home owners and Australian businesses.

“The epicentre of this gouging is NSW followed by Victoria. Property revenues in NSW increased by 16 per cent in 2015-16 and 11.1 per cent in Victoria. This is not a one-off increase either – NSW property taxes are up 65 per cent over five years and 50 per cent in Victoria.

“The two biggest states are now collecting over $30 billion in property taxes a year.

“During a time when we need to make it easier to buy a home, state and local governments are continuing to gain from extraordinary increases in property taxes. Mr Morrison said the big driver of growth was stamp duties on conveyances which saw an 11.9 per cent increase nationwide raising $20.6 billion.

“Stamp duty on conveyances increased by 18.6 per cent in Victoria to $6 billion, 13.3 per cent in NSW to $8.4 billion and 11.4 per cent in Queensland to $3 billion.

“Local government across Australia is also gaining revenues over the inflation rate with municipal rates by 5.5 per cent nationwide to $16.9 billion.

“If we are serious about housing affordability, we must start be getting serious about property taxes.”

Fire and Emergency Services Levy: government releases rates

Property owners at Dubbo are bracing to learn how much they will pay under a new system to help fund NSW fire and emergency services.

Some residential property owners in the city can expect an annual bill upwards of $126, but the sum will vary depending on the land value stated in individual notices of valuation.

From July 1, NSW property owners will be charged the new Fire and Emergency Services Levy based on land value determined by the NSW Valuer-General.

The system replaces the previous system which was a tax on insurance policies - and therefore only paid by those with insurance.

The government unveiled the details of the reform in March and recently published the levy rates.

An owner of a residential property in the former Dubbo Local Government Area (LGA) whose land is worth the local median land value of $122,000 will pay $126.72 for the 2017-2018 financial year, based on information from the Fire and Emergency Services Levy website.

An owner of a residential property in the former Wellington LGA whose land is worth the local median land value of $27,400 will pay $106 in 2017-2018.

The annual levy is determined by adding a fixed charge - $100 for residential property - to an additional ad valorem amount based on unimproved land value.

For farms, industrial and commercial landholders, the fixed charge will be $200 plus an additional amount based on a separate ad valorem calculation.

Property owners at Dubbo can work out their precise levy using the calculator at fesl.nsw.gov.au

The levy, which accounts for three-quarters of the fire and emergency services budget, will be collected by councils as a separately listed charge on rates notices.

The government argues the new system is fairer because previously, responsibility for funding emergency services was borne solely by those who had insurance.

It says the average fully insured residential property owner will save about $47 per year.

Additionally, those eligible for pensioner discounts on council rates will get a $50 discount on the new levy.