IPTI Xtracts

Property Tax and Assessment News from Around the World

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Australia Has a Taxing Problem When It Comes to Ghost Homes

On a wet, midweek evening when most Australians are home cooking dinner, fewer than a third of the lights are on in the apartments in Melbourne's Docklands. Most shops and restaurants are closed. The only people passing through seem to be on their way elsewhere.

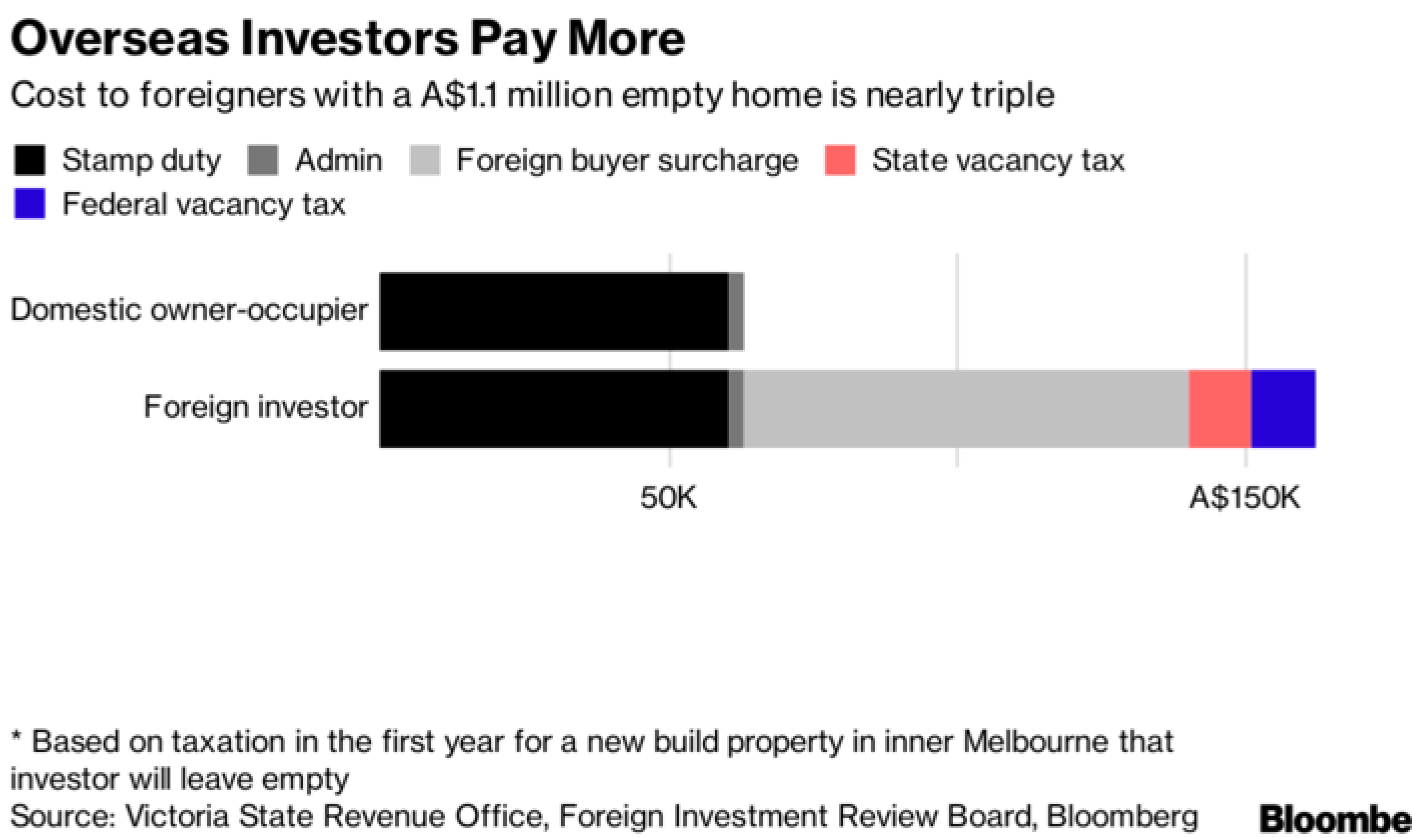
These "ghost towers," as the high-end residential property with three-bedroom apartments costing almost $1 million have been dubbed, are popular with Chinese investors who mostly live abroad. Their darkened blocks loom as sparsely occupied symbols of a property market where even solidly middle class households have increasingly found themselves priced out.

Now, policy makers are seizing on public resentment and hitting foreign buyers with more taxes. New South Wales has doubled its surcharge when foreigners purchase residential property, and Western Australia has added a new tax as well. More controversially, both the conservative federal government and the left-leaning one in Victoria state that includes Melbourne this year imposed additional taxes on properties deemed to be empty for six months or more.

Figuring out if a home is vacant is a vexing subject for public officials. Those in Victoria have said they plan to ask owners to self-declare, and also intend to monitor electricity and water usage to find cheaters. The Australian Taxation Office suggests the government investigate tips from informants. Other potential sources could include postal data or tax returns, said Catherine Cashmore, president of land tax reform group Prosper.
Switches, Taps
But real estate professionals say it's easy enough to hire someone to come in and turn on switches and taps, making a place appear lived-in. Agents say many properties are only temporarily empty, waiting for children to attend university or a family to able to move in. They also raise questions of fairness.

"What next?" said Monika Tu, the Sydney-based director of Black Diamondz, which specializes in high end property sales to mainly Chinese buyers. "Shall we tax people who buy new shoes and don't wear them?''

Australia's moves are part of a growing global trend, primarily in response to the massive amounts of capital that have poured out of China and into real estate around the world. Additional taxes targeting vacant homes are already in place in Vancouver and some London boroughs, with Toronto and Dublin mulling similar moves.



In Vancouver, officials have used social media to blast the public with reminders that secondary residences be occupied at least six months of the year or else they'll be subject to the tax, and that they must file declarations in December to determine it. Violators can incur fines of as much as C$10,000 ($8,150) a day.

An analysis of Australian census data by the City Futures Research Centre found more than one in 10 homes unoccupied on the night of the count last year, with empty properties having risen 19 percent in Melbourne and 15 percent in Sydney since the last census five years previously.

Foreigners, mainly from China, purchased 25 percent and 16 percent of the new housing supply in New South Wales and Victoria, respectively, in the year through September 2016, according to a Credit Suisse Group AG examination of state tax receipts.

Melbourne's tax of 1 percent of an empty home's value takes effect in January, adding to a nationwide tax imposed in May that starts at A$5,500 ($4,400) and scales sharply upward for properties worth more than A$1 million.

Prices Doubled

The median price for a home in Sydney has doubled since 2009, according to data tracker CoreLogic Inc. More than 60 percent of Sydney residents blame foreign investment for the rising prices, according to a survey by University of Sydney academic Dallas Rogers. The idea of taking prime real estate out of the housing supply and leaving it vacant has become a focus of anger as homelessness has risen and hundreds of people have been camping in the rough out outside places like the Reserve Bank of Australia.

"It's just absurd," said Tony Keenan, chief executive officer of affordability advocacy group Launch Housing, referring to the fact that Australia's long period of uninterrupted growth should have ensured homes for everyone instead of "record levels of homeless and massive construction with empty properties at the end."

For wealthy Chinese investors, more taxes may be just another cost to take into account. With a two-bedroom apartment in Sydney and Melbourne costing 25 percent less than in Shanghai, according to Credit Suisse, Chinese have found Australia to be among the world's attractive places to park cash as their home currency was declining and as they sought to diversify wealth overseas.

Leor Wong, a director of Melbourne-based Australia Property Group Investment (APG), who has been selling Australian properties to Chinese investors for 11 years, cites one friend who leaves his A$1 million holiday apartment empty, apart from a month or so a year when he visits with family and friends.

"I don't think he'd mind this tax," Wong said.

But Liu Yumei, a 52-year-old restaurant owner in Suzhou, China, is rethinking her plans. Her A$290,000 two-bedroom Melbourne apartment has been empty since 2013, other than for a brief family holiday. Citing the risk of it getting "messy and old,'' Liu said fears about damage stopped her from renting out the apartment, which was bought in anticipation of her son eventually living there during his university years. The new vacancy tax for her unit would exceed $2,200 a year -- enough to cause her to look into renters or AirBnB.

"Some friends are educating me that rental income could be high in Australia and I shouldn't miss it," said Liu, who has friends in Melbourne to help with arranging AirBnB stays.
Little Blame?
But despite public sentiment to the contrary, it's unclear how much foreign buying contributes to rising property prices. A recent government paper concluded foreign money can be blamed for no more than A$122 of a quarterly price increase of A$12,800 over the five-year period it studied.

Tighter capital controls in China, along with Australian banks' decision to stop lending to offshore buyers combined with the effect of the stamp duties and other taxes may also soon start to bite -- if they haven't already. Research from the Reserve Bank of Australia published Thursday concluded that alternative financing for foreign buyers remains limited.

Wong says revenue from property sales has fallen 60 percent over the past year, and that APG has quadrupled its rental business to bridge the gap, including from the Docklands.

"You have to go defensive," Wong said. "Right now rental business is something brokers have to pound on."

Australia's dystopian future: a nation of high-rise renters

Young Australians are increasingly likely to live most of their lives in high-density rented accommodation – and that's not necessarily such a bad thing.

That was one of the more controversial findings of a major study into the housing market released in recent days.

The Committee for Economic Development of Australia (CEDA) concluded that capital city home ownership would continue to be unaffordable for at least the next four decades.

It was grim news for many young Australians, particularly those who have bought into the Aussie dream of owning their own house and backyard in a spacious suburb.

But the study argued that a lower level of home ownership, and/or a greater level of high-density living, need not be a bad thing.

In fact, examples from overseas – and even some in Australia – suggest it could be a positive. But this would require a massive shift in policy and, more importantly, attitude.

What clearly emerged from the report is that there is no one culprit behind the property price explosion; rather, the picture is of a tangled mess of convergent causes, most of which will not go away.

CEDA blamed all the usual suspects, including foreign investment, negative gearing, capital gains tax rules, interest rates, increasing urban population, limited land supply, restrictive planning rules, and the tendency of stamp duty to discourage retirees from downsizing.

Professor Rodney Maddock, CEDA's research and policy committee chairman, said the research showed that "barring any major economic jolts, demand pressures are likely to continue over the next 40 years and supply constraints will continue".

In other words, if you're holding out for the "bubble" to burst before you make your move, you may be waiting a long time.

Many of the partial solutions were equally as predictable: replace stamp duty with a land tax; raise capital gains tax on investment properties; loosen planning restrictions; and improve infrastructure to more remote suburbs.

While all of these would help the situation, none would comprehensively reverse the astonishing increase in property prices over recent decades.

The result of all this is that more and more people will be forced to rent – which, indeed, has already been happening.

In 1982, the report showed, just over 40 per cent of 25- to 34-year-olds were renters. Now it's closer to 65 per cent. The proportion of renters has increased in every age group over that time period, excluding the over-65s.

Predicting this trend will continue, CEDA recommended improving tenancy laws to "provide adequate protection and certainty to long-term renters".

It pointed to countries such as Germany, the Netherlands and Sweden, where "long-term contracts exist within the private rental market, and termination is only possible in limited circumstances".

The case of Germany is an interesting one. Only 52 per cent of Germans own their own home, compared with 67 per cent of Australians. Given Germany is a developed country with a high standard of living, this shows home ownership is not a prerequisite for wellbeing.

At the end of the report, CEDA presents a utopian, and occasionally dystopian, vision of high-density living. It takes the example of an existing high-density development in Sydney's northern beaches, called 'The Village'.

A particularly irksome passage talks about a "hierarchy of spaces to create an intuitive sense of public and private space, without excluding non-residents from the residential parts of the site".

While this vision may be off-putting, the fact is this sort of development is the most logical answer to the problems raised by the report. It makes economical and sustainable use of space, and in so doing solves many of the problems we are currently facing.

However, embracing such an 'un-Australian' style of accommodation would clearly require a fundamental shift in attitude.

But if we don't make this shift, many younger Australians may find their quality of life greatly diminished, as more and more of their pay goes towards servicing massive mortgages, paying inflated rents, and simply getting to and from work.

TASMANIA - 'God's property' sells for $120,000 after Beerepoots refused to pay rates on religious grounds

A Tasmanian family has had their house sold by the local council for $120,000 after they refused to pay about $3,000 in rates over seven years on religious grounds.

The Beerepoot family did not pay because they believed it was God's land, not council's.

"You are asking us to bow down to a false God which is something we cannot do," a letter submitted to the council from the family read.

The family previously told the council the land belonged to the "Heavenly Father", and rates payment was a matter "between council and God".

After a debt of $9,332 accrued on three properties owned by the Beerepoots, the Meander Valley Council engaged a realtor to sell the Mole Creek residence in the state's north west.

A motion was passed at a council meeting in March to sell all three properties, unless the rates were paid by June.

An "anonymous source" paid the rates for two properties in Chudleigh which make up the Melita Honey Farm shop earlier this year but the rates on the Beerepoot's Mole Creek home remained unpaid.

Meander Valley Mayor Craig Perkins said someone had paid the money anonymously because they recognised how important the Chudleigh honey store was to the local community.

The auction for the property, which sits on 2.44 hectares, was held at the council chambers in Westbury and bidding started at $20,000.

Cr Perkins said the new owners got a bargain.

"I suspect low 300s would have been a good price to pay for it," he said.

"They've picked up a property in a lovely part of Tasmania, I suspect, at significantly less than market value."

Under the Local Government Act, any excess from the sale will go back to the property owners

NEW SOUTH WALES - Oakville land values are correct according to the NSW Valuer-General, as residents cry foul about rates

THE rate payers of Oakville will not receive any rates relief from the Valuer-General of NSW, with the government arm standing by its land ratings of the suburb.

As The Gazette has recently reported, many Oakville residents are up in arms because their rates have sky-rocketed and in many cases more than doubled.

This is because of a large valuation increase by the Valuer-General, as well as Hawkesbury Council changing the way they calculate their rates to place a greater reliance on land values.

Many Oakville residents say they are being forced off their land, because despite the value of their land, their income has not changed and cannot afford to pay rates bills in excess of $4000 in some cases. Nor do many want to sell.

A meeting between the Valuer-General and Oakville residents was held in Windsor on Wednesday, August 30.

A spokesperson from the Office of the Valuer-General confirmed to The Gazette it was satisfied with its valuation of land in the Oakville area.

“Late last week, Valuation Services revisited the initially determined land values ahead of the Council meeting on Wednesday 30 August 2017,” the spokesperson said via a statement.

“Valuation Services found that the values were well supported by sales evidence and no areas of concern were identified.”

While the Valuer-General is standing firm on its valuations, it has extended the period to contest the valuations until September 30, 2017.

As the Office of the Valuer-General told The Gazette earlier this month, in the case of Oakville, land values chiefly went up because of strong sales in nearby areas.

"The Hawkesbury local government area (LGA) generally saw a strong increase in 1 July 2016 land values since the last valuation for rating in 1 July 2014," the spokesperson said at the time.

"The highest increases were for rural and rural lifestyle properties. The Oakville area saw some of the strongest increases in land values as a result of demand for land with potential for future residential development and well located lifestyle properties.

"The most important factor considered when determining land values are property sales. Land values are quality assured by Valuation Services on behalf of the Valuer General.

"The land values for Oakville are supported by sales of land in the area."

Anyone who wants to individually have their valuation reviewed can contact the Valuer-General's office by calling 1800 110 038 or visiting www.valuergeneral.nsw.gov.au.

Hawkesbury councillors recently voted down an attempt to change the rates calculations for the 2018-19 financial year, although did vote to investigate the matter.