IPTI Xtracts

Property Tax and Assessment News from Around the World

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Contents

Reforming The Property Tax System

While Australia's states and territories are able to raise billions of dollars from property taxes each year, diverging stamp duties, tax rates, thresholds, and exemptions lead to reduced administrative and economic efficiencies, according to the Australian Housing and Urban Research Institute (AHURI).

AHURI's research has identified a pragmatic and incremental framework for property tax reform. Entitled the "Pathways to state property tax reform," the report is the first to be published from the ongoing AHURI Inquiry, "Pathways to housing tax reform".

The report aims to break the political deadlock that has paralysed Australian housing tax policy and identify the reforms that balance political imperatives against technical policy objectives.

Key recommendations include:

- Developing consistent valuation methods for residential property and creating a national register of ownership. There should also be further integration and sharing of data among all levels of government.
- Creating a single 6% transfer duty, with a carefully designed and state-specific duty-free threshold that would be applied to all residential property transactions. This simplified duty system would shift the burden from owner-occupiers buying lower-value properties toward investors and those purchasing higher-value properties.
- Instituting the longer-term, incremental replacement of property-related transfer duties with a broad-based reoccurring property tax of between $47 and $130 per annum for a median value dwelling. This would be gradually increased to fund the abolition of transfer duties over a 10- to 20-year period.
- Ensuring that the federal government plays a key role via administrative support, incentive payments, and the elimination of any disincentives associated with introducing a state-level, broad-based property tax.

Richard Eccleston, professor of political science at the University of Tasmania (UTA), said a slight tax increase for some households would be offset by greater overall benefits.

"As with any base-broadening reform—especially if designed to be revenue neutral, as ours is—it is unavoidable that, over the longer term, some households will have to pay slightly more tax," he said.

“Yet the pathway to reform proposed in this report is designed to ensure that tax increases are very modest and fall on wealthier households. This is a small price to pay for a fairer and more sustainable housing system.

It is essential that governments are transparent about this and promote the longer-term social and economic benefits of reform, including housing affordability dividends and the fact that all homebuyers, including first-home buyers, will benefit from lower prices in the future and those buying cheaper properties will pay reduced ongoing property taxes.”

Trad defends Queensland 'Robin Hood' tax

Queensland Treasurer Jackie Trad has dismissed claims her government's planned property tax will hurt the state's economy.

New Queensland Treasurer Jackie Trad has defended her government's planned "Robin Hood" property tax ahead of her first budget update on Monday.

The Property Council on Sunday warned the proposed 2.5 per cent land tax on properties worth more than $10 million would hurt land values and jobs growth.

But Ms Trad dismissed the claims, saying the "modest" tax would only affect 850 property owners.

"This is a very modest increase ... we think it's fair that those that can pay a little bit more, do pay a little bit more," she told reporters on Sunday.

Ms Trad will release the government's Mid-Year Economic and Fiscal Outlook on Monday, but is keeping mum about what the budget update will contain.

"We went to the election with a very clear comprehensive fiscal strategy, we outlined the revenue measures and the expenditure measures that we would be introducing this term and I'll let that document speak for itself," she said.

The land tax was one of four new taxes announced by then Treasurer Curtis Pitt just days before the November 25 election and is expected to raise $227 million for the state's coffers.

But Shadow Treasurer Tim Mander said the new tax would have a much bigger impact than Labor had let on.

"The Labor government has made out that this will have a minimal impact on a small number of people, that is simply not true," he told reporters in Brisbane.

"There will be outcomes and consequences, which will lead to, we believe increased rents for small businesses, it could affect farmers and it definitely will certainly impact business confidence, which means it will have an impact on jobs."

Land tax to surge by an extra $870m as values continue to rise

Land tax receipts from owners of investment properties and holiday homes in NSW are forecast to be $870 million higher than expected over the next three years due to a spike in values.

The windfall figure is contained in the half-yearly budget review released by NSW Treasurer Dominic Perrottet on Thursday, which also reveals the initial anticipated cost of the government's announcement that motorists who pay more than $1300 in motorway tolls a year will receive free registration.

While Premier Gladys Berejiklian initially estimated the cost at up to $100 million, the half-yearly update says it is forecast to cost $162 million over the four years from 2018-19 and 2021-22.

The review says that following a determination by the NSW Valuer-General in July, land tax revenue is expected to be $105.9 million higher than the forecast in the June budget for 2017-18.

Over the three years to 2020-21 it says land tax revenue is expected to be $867.2 million higher than forecast in June "due to higher than expected land values and their ongoing effect through three year averaging".

As foreshadowed by Fairfax Media on Thursday, Mr Perrottet announced the forecast surplus for 2017-18 has increased from $2.7 billion estimated in June to $3.3 billion.

This is due to a shift in the timing of agency expenditure, leading to a reduction in expenses this financial year.

Average surpluses of $2.1 billion a year are forecast across the forward estimates to 2020-21.

The review also shows NSW's infrastructure spending will increase from $72 billion to $80.1 billion over four years.

Net debt sits at negative $9.3 billion, but the review shows it is expected to climb to $23.7 billion by 2020-21 as surpluses and the proceeds of transactions like asset privatisations are ploughed into infrastructure projects.

As also foreshadowed, stamp duty revenue in the three years to 2020-21 being revised down by $657 million.

This was largely due to the take up of stamp duty concessions for first home buyers in a housing affordability package announced in the June budget.

Between June and November, 13,672 people have received stamp duty concessions, compared with 3970 people in the same five month period last year.

The review reveals that payroll tax revenue has also been revised upwards by $189.5 million since June due to strong employment growth. In the three years to 2020-21, payroll tax revenue is expected to be $991.2 million higher than forecast in June.

However, expenses are forecast to grow by an extra $2.4 billion to 2020-21 due to new policies including $2 billion in reservations for projects from the government's Restart NSW infrastructure fund as well as energy rebates and regional council roads grants.

Announcing the results, Mr Perrottet said despite the surpluses "slowing revenue growth and emerging expense pressures will create challenges for the budget in the years ahead".

"These challenges will require the government's continued financial discipline and pursuit of reforms that contribute to economic growth and maintain a sustainable budget position," he said.