IPTI Xtracts

Property Tax and Assessment News from Around the World

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The future of fast rail, CLARA or Mandurah?

South-eastern Australia is experiencing another epidemic of fast-rail fever.

There are two conflicting objectives, to move some 80% of air travellers onto a fast, CBD-to-CBD 500+km/h train using the farebox and terminal rights; and a land development model using levies and profits without/with government subsidies.

Both have new alignments through the bush.

As is usual in NSW, there is an option that it, the ACT Government and Infrastructure Australia won't look at : namely Perth's Mandurah line which runs down the freeway.

There are also electrification options to mesh with rail freight efficiency (estimated at $2 billion with dual-voltage circuits), and track straightening of tracks that the 80 by 20 chaps have been pushing.

These are very relevant now that regions are to get $4 billion from the Snowy sale to the Federal Government which should have $4 billion added from outstandings from poles and wires (which the National Party supported conditionally).

Also, the Feds have announced a Faster Trains study on the Newcastle line, with the PM saying that the Illawarra should get off its seat if it wants the same.

Ditto the Highlands.

The topics are reducing track curvature, deviations and realignments, removal of level crossings, junction rearrangement, and better segregation of passenger and freight services.

Then there are the "blue sky dreaming" options.

The NSW Business Chamber proposed to run a high speed train from Newcastle on existing track including the Harbour Bridge which Minister Berejiklian shot down, rightly.

The Consolidated Land and Rail Australia' $200 billion system will have five, now eight, "new cities" of about 400,000 each, operational from 2026 or 2025 whenever, with every $1,000 invested in land growing by 150 times.

Six will be in NSW, two in Victoria. 1.5 million new dwellings is a challenging environmental and engineering prospect, worthy of Hercules.

They say they own about half of the Melbourne-Sydney corridor already which needs to be tested; while access to CBDs and metropolitan corridors will be a different matter altogether.

Commuters will be locked out and CLARA acknowledges they will disadvantage existing cities.

Professor Paul Newman said that is enough to politically kill the concept.

There has been no real discussion about how people will live and work and how much they will pay the company upfront and ongoing.

John Alexander MP was reported as saying “You will push up prices enormously around Goulburn; people will be delighted”.

“Value capture” has every potential to make landowners and buyers very angry.

However reports are that PM Turnbull is keen on CLARA but his Infrastructure Minister Paul Fletcher is highly sceptical.

Anthony Albanese wants planning to start immediately on HST.

Infrastructure Australia is following a Government-funded model of four capitals, four fringe cities and 11 regionals by 2065. Is that the best governments can do?

Centurion plans a “heavy metro” service between Campbelltown and Wollongong as stage 1 of an HST between Canberra and Newcastle.

They include freight operations to/from Port Kembla. The NSW Government says it will “unlock” Wilton to the tune of 350,000 people (the Council is planning 11,000).

To make a big project feasible on the basis of betterment – and the reality would be a mix – 100,000 lots would have to pay some $2.4 billion a year over 30 years or $25,000 p.a. per lot.

Clearly that would be absurd. Maldon-Dombarton will be carrying 110 container trains a day plus car-carriers so Centurion are wrong.

Locking high speed rail into a value capture contract killed every previous attempt and will do the same.

Running a train largely down the freeway medians will better serve existing towns and allow some capture from new towns, for example, Marulan.

It would be cleaner, faster and more effective.

All of these considerations should be tested properly.

The Grattan Institute says – do it independently of Government.

Infrastructure Australia is locked into Government so who else can?

It’s up to the Highlands to sort out its case.

Ken Henry laments a lost decade of tax reform

"Our current tax debate appears very strange," says Ken Henry, architect of the tax review commissioned by Labor almost a decade ago

Former Treasury secretary and architect of Labor's Henry Tax Review, Ken Henry has renewed his support for the Coalition's company tax cuts as a reliable driver of investment and wages growth but warned they fall well short of a comprehensive plan to secure future living standards.

In his most detailed comments on tax since the release of his review eight years ago, Ken Henry will also issue a rallying cry to corporate leaders to elevate the debate over welfare-boosting reforms to assure Australians business is not pursuing cynical self interest.

Lamenting years of lost opportunity, Dr Henry, chairman of National Australia Bank, says today's narrow tax debate ignores what should already be in place had there been the necessary political leadership over the past decade.

Not only would Australia's tax system be dealing with entrenched budget deficits and covering the growing demands of "bigger government", it would be less reliant on company taxes that global competition will inevitably leave Canberra "no option" but to cut, he says.

"In a world of mobile capital, countries don't get to choose their own company tax rate in perpetuity," he says.

Polarising debate

Had Dr Henry's 2010 recommendations been taken seriously by state and federal governments, he says citizens would no longer be paying payroll tax; stamp duties on houses, cars and insurance; the Medicare Levy; and fuel excise; or dealing with "ad hoc" renewable energy targets.

Instead, there would already be a system in place based on a simpler broad-based consumption tax without exemptions – in place of an increasingly compromised GST; a uniform national resource rent tax; a 25 per cent company tax rate for all companies; progressive land taxes; road user charging, and – most dramatically – a simplified two-rate personal income tax system, with most people enjoying the lower of the two marginal rates.

"Those engaging in today's tax debates don't see themselves delivering that sort of tax system," Dr Henry will tell a function on Friday hosted in Melbourne by the Australian Institute of Company Directors.

"Their debates concern a small set of very narrowly cast propositions; such as when, by how much, and how broadly should company tax rates be reduced.

"As my colleague Heather Ridout observed not so long ago, that is a polarising debate. It is the opposite of the sort of discussions we should be having. The country needs a 10-year plan built on a unifying proposition."

Dr Henry's latest intervention comes amid an ongoing stalemate in the Senate over whether to extend last year's corporate tax cuts to firms with annual revenue of more than $50 million.

The Turnbull government is also promising in the May budget to eke out savings enough for some income tax relief.

This is expected to include another round of tinkering with the tax scales to temporarily lower the number of low and middle-income taxpayers being pushed by wages growth into higher marginal tax brackets.

Fact too horrible to admit

None of these things will be enough to address the deteriorating robustness of the tax system, Dr Henry suggests.

"Our tax system is too narrowly based and relies too heavily upon taxes that are subject to international tax competition, primarily corporate taxes.

"Understanding those truths, our current tax debate appears very strange," he will say. "We know the total tax take is too low, but that simple fact seems too horrible to admit.

"So instead, we have chosen to have an argument about which tax rate should be cut first: company tax or personal income tax."

He warns the system as it stands won't survive the challenges of funding infrastructure including roads in a country with one of the OECD's highest rates of population growth.

Growth is also being weighed down by the distortions caused by an overly complex tax system that draws 90 per cent of its revenue from 10 taxes, but forces taxpayers to deal with another 100 taxes that raise the remaining 10 per cent.

On company tax cuts, Dr Henry insists Australia has no choice but to follow the global trend, and that "there is good reason" to think reductions will drive a faster rate of investment and labour productivity growth "that should support higher wages growth over time".

While the Henry Tax Review avoided taking a position on the ideal size of government in Australia, Dr Henry says it is now "evident that the size of government has grown significantly since the commissioning of the review" almost a decade ago.

Unsustainable

Since the review was first commissioned by Labor in 2008, spending has galloped thanks to the NBN, the National Disability Insurance Scheme, Gonski education funding, and a multi-decade defence procurement surge.

"That will have to be paid for. It is also evident that the personal income tax system is being called upon to generate an increasing share of revenue, continuing to be propelled by fiscal drag.

"That is unsustainable."

Dr Henry warns that in the near decade since the 18-month review was commissioned many of the risks that drove its recommendations have intensified or worsened.

These include the fast-growing and rapidly ageing population; dramatic labour market changes such as rising rates of part-time work and weak wages growth, and escalating community demands for higher living standards, such as access to affordable housing, and lower congestion in big cities.

More than ever – after a decade of budget deficits and rising debt – there is justification for "a stronger national saving effort", he says.

Another challenge, given increased globalisation, the rise of Asia and the shifting centre of global economic activity, will be ensuring Australia retains its status as an "attractive place to work, invest and do business".

"We have to keep in mind that the purpose of taxation is to raise revenue to fund government spending; to do things like build a social safety net that reduces inequality, and to fund world-class education and health systems.

"The tax system is a critical determinant of our social fabric."

WESTERN AUSTRALIA - UDIA chief welcomes new land tax debate

The WA chapter of the Urban Development Institute of Australia is reconsidering its opposition to land tax — in return for eliminating stamp duty on property transfers — in a bid to re-energise the State’s lethargic economy.

“I think at the moment everything is up for debate,” UDIA WA president Nick Allingame told The West Australian.

Mr Allingame, who is also a director of property developer Pindan, described stamp duty as a “lazy tax” and pointed out it imposed a significant financial impost on older, aspiring downsizers and on younger, growing families.

“We should be encouraging people to relocate (to WA),” he said. “As a community, it’s a debate we have to have.”

Mr Allingame was referencing a provocative speech by Deloitte Access Economics’ Professor Ian Harper, one of the headline acts at the UDIA’s State conference at Bunker Bay.

Professor Harper told delegates the numbers were stacked against WA in the GST carve-up debate and, in any case, the State's fiscal mismanagement outlined in John Langoulant's special report was a "good old homegrown West Australian disaster".

"You can't blame the Eastern States for that, my friends," Professor Harper said. "The good news is you can fix it."

Professor Harper encouraged the land development industry to campaign for the State Government to scrap stamp duty or transfer taxes and replace them with land tax.

Stamp duty was a tax on people moving to WA — "that's mad, don't tax jobs, (people) will leave" — whereas urban developers adding value to WA land would act as a drawcard.

In Victoria, Professor Harper said "they come because there are jobs and there are jobs because they come", a "self-reinforcing circle".

Mr Allingame said people had forgotten that stamp duty was meant to be phased out when the GST started in 2000.

He stressed that with a change of that magnitude there would need to be a transition period. "As a community, we have an ageing population and issues about how to house them," he said.

"We are having discussions about density and TODS (transport-oriented development) and Metronet and this (replacing stamp duty with a land tax) is one of the other things we need to talk about."

He said stamp duty was a strong disincentive for people to buy small and trade up as their needs changed.

QUEENSLAND - What's pushing up Brisbane land values?

A new government report has revealed the direction land value is moving in Queensland's capital city, and what's behind that movement.

The Valuer-General's 2018 Property Market Movement Report, following a statewide market survey and consultation with local government, has completed a valuation of some of Queensland's largest property markets and has found land values have risen by 6 per cent since the last valuation.

Over the valuation period between 2016 and 2017, single residential units saw high levels of competition from local, interstate and international buyers. In this market, a total of 47 suburbs in the city saw no median value increase, while 87 saw rises up to $50,000; 32 saw rises between $50,000 and $75,000, while 12 recorded rises above $75,000, which include Hamilton, Chapel Hill, Seven Hills, Carindale, Holland Park and Sunnybank.

For the multi-unit market, there were slight rises recorded due partly to the Brisbane City Plan 2014, a plan to increase interest in apartments. However, the report noted lowered demand and oversupply meant activity dropped off in the latter half of 2016.

The report also mentioned suburbs impacted by the 2011 floods had seen healthy recovery, with property being sold in some of the flood-affected land at prices similar to non-flood affected land.

Looking further to Logan, Ipswich and Moreton Bay Regional Council, the report shows these areas all experienced improving land areas, with the residential property market seeing land values driven by demand for housing in the Greater Brisbane area.

Logan City saw minor to moderate rises in residential land values due to demand for property located in central and affordable suburbs, such as Browns Plains, while higher values in eastern suburbs, like Springwood and Shailer Park, saw only minor value rises.

A demand for farm land has had a knock-on effect on overall land value in Logan City, along with the Stockleigh, Undullah and Veresdale areas, and in Ipswich City in Purga, Peak Crossing and Willowbank.

Meanwhile, Ipswich City's residential land values experienced moderate rises in Springfield Lakes and Redbank Plains, while multi-unit land values saw a minor to moderate rise in Bellbird Park, Bundamba and Goodna, according to the report.

In the Moreton Bay Regional Council area, residential land values rose since last valuation, with the Redcliffe as well as southern areas nearby Brisbane City experiencing slight to minor land value increase. Caboolture and areas nearby Pumicestone Passage saw very minor value increases, and small hinterland towns saw for the most part no change, aside from a minor rise in Dayboro.

For multi-unit land values in the region, Caboolture saw mostly no movement, while southern areas near Brisbane experiencing slight to minor rises.

QUEENSLAND - Qld landholders urged to check new land valuations

LANDHOLDERS are being urged to check new land valuations released today are correct to ensure they don't end up paying unwarranted council rates and leasehold rent.

Queensland's Valuer-General today issued 507,000 valuations in 22 council areas across Queensland. The valuation of some individual properties in the south west have increased by up to 100 per cent.

AgForce rural property valuer John Moore said unimproved values determined what council rates rural landholders paid and were also used to calculate leasehold rents.

“It's important the figures are right," Mr Moore said.

"Movements in valuations are highly variable, with a 10-30 per cent rise on average across Queensland this year and some individual properties in the Maranoa and Murweh shires increasing by 75-100pc.

"The difficulty in using unimproved value as a basis for land rent and rates is that only a small portion of landholders in a market - the buyers - are setting the value for the rest.

“This is despite the fact that many primary producers living in council areas receiving new valuations are facing their sixth year of drought and can't afford big increases in rent and rates.

"While there is a 10pc per annum cap on leasehold rents, a rise of even that magnitude will be difficult for most primary producers to cop, and we'd urge mayors and rural councillors to manage any rate increases through a range of measures including capping, freezing and adjusting their differential rating."

Mr Moore encouraged rural landholders who receive new valuations to check them using the Land Valuations Globe online and see how they compare to surrounding properties.

Mr Moore said the latest valuation increases highlighted the need for perpetual lessees to consider freeholding their properties before both freeholding and leasehold rents become unaffordable.

The Local Government Areas receiving new valuations this year are: Banana, Barcoo, Boulia, Bulloo, Central Highlands, Charters Towers, Diamantina, Douglas, Fraser Coast, Gladstone, Gold Coast, Goondiwindi, Hinchinbrook, Isaac, Maranoa, Murweh, Noosa, Paroo, Quilpie, Scenic Rim, Sunshine Coast and Toowoomba.

"Landholders need to check their valuations and lodge an objection if necessary so they don't end up paying more than they should," Mr Moore said.