IPTI Xtracts

Property Tax and Assessment News from Around the World

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Patea's table-topping property value gains - what's going on?

Waverley and Patea properties have recorded the highest percentage increases in capital value in South Taranaki's latest property valuation.

The district wide rating valuation by Quotable Value (QV) shows the average capital value in Patea has increased 75 per cent while in Waverley the increase is 31 per cent. The reason for the big percentage increase is that those areas started from a very low base, with the new average capital value in both towns less than $150,000.

The average sale price of a house in South Taranaki is $222,000 but the average price is higher in areas such as Hawera/Tangahoe and Opunake.

The total capital value of properties in South Taranaki has risen by 6.5 per cent in the past three years to $11.27 billion. The largest increases were in the commercial (average 18.7 per cent) and residential (17.9 per cent) sectors, while rural properties had a 3.3 per cent increase.

South Taranaki District Council manager of corporate services Phillippa Wilson said property rating values were done in a mass-appraisal process, based on market sales, and were a snapshot of the market at a single point in time.

"Because real estate fluctuates over time a rating value can't be expected to represent the market value for an extended period, which is why the district is re-valued every three years," Wilson said.

South Taranaki property owners would soon receive a notice of rating valuation with an updated rating value for their property. Rating values are one component used to determine the share of rates paid by a property owner.

"Put simply, your rates will only be affected if your property value has increased or decreased by more or less than the average movement across the district," Wilson said.

The new rating values will not be used for rating purposes until the new financial year begins in July 2019.

Wairoa property rating values up 40 per cent

International Property Tax Institute

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Recent gains in the housing market have added $654.6 million to the capital value of properties in Wairoa in the past three years - potentially bringing a big financial boost for the district council.

Property owners will soon receive an updated rating value for their property, a Wairoa District Council statement said.

The new rating valuations were prepared for 7209 properties on behalf of the council by Quotable Value (QV).

Rating valuations are carried out on all properties in New Zealand, usually once every three years to specifically help local councils apportion rates for the following three year period.

The councils said rating values were "just one of a number of factors" used to allocate rates.

The council rates would not be updated, based on the new 2018 rating valuations, until July 1, next year.

Overall, the total rateable value of the 7209 properties within the Wairoa District Council is now $2,430,125,000, with the land value of those properties now valued at $1,549,822,000.

QV Property Consultant, Philippa Pearse said capital values had risen from a total of $1,775,553,000 in 2015 to $2,430,125,000.

"Similar increases are being seen in other predominantly rural areas.

"There is demand for residential property in the Wairoa township with values increasing significantly since the last revaluation three years ago,"

Auckland homes worth $1m or more are selling below CV: new data

Auckland home owners are being hit by the flat market as houses worth more than one million dollars increasingly sell for prices below CV, new data shows.

In one sale this week, an Epsom home in the Auckland Grammar and Epsom Girls' Grammar zone sold for $400,000 less than its stated value.

CVs are used by Auckland Council to estimate the "capital value" of every property in the city - with the latest valuations completed in July last year.

During Auckland's boom years, house prices rose so fast that homes typically sold for values well above their last council valuation.

But new data by analysts CoreLogic shows that - in the past three months - homes with CVs higher than $1 million have typically been selling for prices 1-to-4 per cent below their CV.

Mid-priced homes with CVs between $800,000-and-$1m, meanwhile, have been holding their value and typically selling for prices close to their council value.

But the best performing properties have been those with CVs below $650,000, which are still selling for prices as high as 9 per cent above their CV.

This showed that the more expensive the property, the more likely it was to sell at a lower price compared to its CV, CoreLogic head of research Nick Goodall said.

The data also appeared to show that while owners were having a harder time selling expensive properties, buyers were getting more chances to snap up bargains.

At a recent Barfoot & Thompson's weekday auction, the Herald watched a home at 1 Orakau Ave in Epsom sell for $1,050,000 or $375,000 less than its CV.

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Rates hits for Akld church properties

Catholic parish properties are among those facing huge council rates rises in Auckland.

In August, Auckland Council issued new rates bills to many churches which classified all or parts of affected properties as subject to rates and not exempt under the law.

The council reportedly did this without consultation. But council spokespeople have told media that what they have done is in line with the law and they have backed this up with legal advice.

According to the Local Government Act (2002), properties used as a place of religious worship, religious education or theological education are exempt from rates. But many church offices used for administration purposes have been assessed as not coming under this exemption. Church halls which are hired out some of the time are likewise not exempt. Rather they are considered as a type of business unit.

One example of a large increase in assessed rates for a Catholic property is in Sacred Heart Parish in Ponsonby where the rates on the 22 Vermont Street property went up from $218 in 2017 to $17,822 this year. (When the property information for 22 Vermont St is checked on the council's website, it is stated that the improvements to the property are "Church and St Columba Centre"; the centre is actually at 40 Vermont St. A parish hall is next to the church.)

The hall is primarily used for worship and/or religious education, but has two groups paying to use on a limited basis. NZ Catholic understands that these two groups involve children's Irish dancing and tango dancing for three hours a week each. The St Columba Centre has rooms which are hired out to a variety of church and non-church groups, and is also used for theological education purposes.

The Pompallier Diocesan Centre in Ponsonby is facing a rates rise of some $70,000 from last year, NZ Catholic understands.

The Auckland Council gave churches until August 31 to have the first instalment of their 2018/19 rates deferred, while councillors reviewed the issue.

NZ Catholic understands that Auckland parishes have combined their submissions on this issue under the leadership of the bishop. An interdenominational church group has taken it up with Mayor Phil Goff. It is understood that the mayor replied that the matter has been referred to the council's Finance and Performance Committee.

Other churches throughout Auckland affected by the council move have told media that they cannot afford to pay the rates and some might have to close or reduce services.

Auckland Catholic diocese spokesperson Dame Lyndsay Freer told Radio New Zealand that if the Church had to pay the new rates bills it would have a "huge impact."

"It's a lot of money we're talking about and, for us, there's a considerable lack of clarity.

"We understand that the rates are for premises on our properties that are not used specifically for the purposes of worship, but we do have many buildings and facilities that are used for pastoral and not-for-profit work.

"There really does need to be clarification around what would qualify and what wouldn't."

According to a report on the Stuff website, a statement from Auckland Council said the review — to investigate which religious properties were using their premises for revenue, such as hall hire — began in 2016.

"The review was about fairness and to ensure all properties across Auckland were being treated the same as per the legislation," the council's head of rates valuations and data management Debbie Acott said.

"Once the review was complete, we wrote to all the properties again advising of the outcome and the changes to each property rates."

Nearly 10,500 properties were reviewed, and of those, 20 were made fully rateable and 392 had their rates adjusted.

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NZ's tax reform needs to be revenue neutral for the public to be convinced the Tax Working Group isn't a tax grab

The Tax Working Group (TWG) reported back last week, and the debate has already divided into two camps. Roughly half of New Zealanders, about the same number that vote National, will write this whole thing off as a tax grab. A typical left-wing exercise in the politics of envy, all part of their eternal plan to “eat the rich”. The other half will support it for the opposite reason.

There is a way for Finance Minister Grant Robertson to ensure this work generates a useful debate, rather than fading away into the usual political slagging match.

Robertson should announce that all revenue generated – at least from any capital tax – will be used to reduce income taxes. In other words, it will be revenue neutral. This is the only way to ensure that both the left and the right engage in the debate in a thoughtful way.

For now, let’s not even talk about raising more revenue. Let’s talk about how we collect the tax money we need in the way that is best for our society, economy and environment. We can talk about whether our tax system is ready for the future changes that are to come (such as increased automation).

So far, Robertson has been quiet about this. The Tax Working Group did set out options for revenue neutral options that money raised could be spent on. However, they stopped short of saying this exercise should be revenue neutral overall. That vagueness is probably understandable, as such a stance would be political in nature.

Tax is too important to our country to be stuck in this left vs right game of political football. Everyone in the centre agrees we need to collect a certain amount of revenue for health, education and our burgeoning superannuation bill. Despite all the rhetoric, neither of the major parties is planning to take government spending far away from the roughly 30% of GDP it sits at currently.

So if we generally agree that the amount of tax collected is about right, we need to shift the debate to how we collect it, and who we collect it from. Currently the gap between rich and poor is growing, and the tax treatment of capital, especially housing and land, is at the centre of that. It is also a cause of our poor economic performance as all our investment money has funnelled to the lowest tax option: housing. And finally, the parlous state of our environment should be no surprise when we have some of the lowest levels of environmental taxation in the OECD.

How we collect tax can impact all of these issues. House prices, poverty, businesses, jobs, the state of our air and rivers.

If we narrow the conversation to these issues, it should be clear to all that our current system is failing, and needs an overhaul. Robertson can have the debate about higher taxes another time.

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