

TAX REFORM SUBMISSION

1. In these difficult times, a number of families are forced to sell their family home, due in part to inequitable tax laws, which prevent them from letting out their home as a temporary measure and renting somewhere else more cheaply:

(i) They must pay tax on their rent received and can not offset the rent they pay, leaving them, in most cases, worse off or no better off. Rent paid should be deductible.

(ii) If they have a mortgage, they can not deduct the interest, even though their home is now an investment property, as that was not the original purpose of the mortgage. Interest Paid should be deductible.

(iii) They are subject to Land Tax. There should be a period of grace before land tax is applicable, provided they have no other principal place of residence and re-occupy their house.

Would you please consider amending these tax regulations, to allow people to hang on to the ownership of their homes, rather than be forced to sell? I know a number of families in this situation who would benefit if the law was not such a deterrent.

In NSW, if a person buys land and builds a house, or buys a house and renovates it, in both cases to be a principal place of residence, land tax is payable on the whole period if the property is not occupied within two years. This is unreasonable:

(i) Land Tax should be a federal matter, as it affects the cost of housing. State taxes are inconsistent and costly to administer. In any event, the this enquiry should pass on recommendations to the states regarding their taxes.

(ii) Two years is arbitrary and unrealistic. Three years should be a minimum, as todays regulations are time consuming.

These are actual figures, from the date of purchase, in months:

To appoint architect after various meetings, inspections, submissions	1
To prepare plans and lodge with Council	3
Council to approve DA	6
Prepare tenders	3
To receive tenders, meet with prospective builders, make appointment	3
Construction	15
Occupancy Certificate	<u>1</u>
Total	<u>32</u>

(iii) To apply land tax for the entire period, rather than the excess is unreasonable.

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