

Tax Review

Tax on Land all needs careful consideration. Tax on land and on share investments should be much more closely aligned. My proposals could lead to closure of the Valuer Generals activities.

Land Tax.

Land Tax is at its worst when only applied to some land. Land Tax is a tax on business and a tax on rental accommodation. There are better ways to tax these enterprises. It would be less of an issue if this revenue was collected from all land owners. But that gets to be an issue when people living off their savings or on the pension are subject to high land tax because the property that has been their home for decades is fortunate to have gained in value by more than average amounts. This capital gain is far removed from any cash flow and these people should not be burdened with the costs of borrowing to pay these taxes and the worry over whether there was going to be enough to last them out and leave something for the children. The Premium Property Tax in NSW was disturbingly inequitable when applied to properties acquired before the tax became applicable.

Stamp Duty on land purchases.

Stamp Duty appears reasonably manageable but it is a significant added cost when there is a need to move home for employment. Some of these moves are part of life's decisions but some are consequences of redundancies or marital breakdowns. The added tax burden in these difficult times is hurtful and Government should not exploit such opportunities. Besides labour mobility helps the economy so a tax on mobility is counter-productive for society.

Local Government Council Rates.

I gather Local Government Rates are only about 3% of Australia's total tax. This is not much however rates impinge on all households more or less. Because there are so many serious inequities I recommend that the money now collected based on Land Values be provided to local government bodies from Federal Government Tax sources. The ATO best knows what people can and cannot afford by way of tax. Waste Services and other Council fees and charges should still apply.

I think a lot more money should be collected from car owners by both more tax on fuel and annual registration fees and more tax on the purchase of new cars especially the purchase money over say \$20,000. The fact is cars and their needs for fuel and roads are very harmful to our environment and health. Government should ensure motorists meet all these costs and I think extra tax should be applied to help us find better things for the future. It is wrong that our cars have become such important status symbols and serves to illustrate the extent we have been exploited by marketing pressures.

The fact is that all residents have access to similar benefits which are mostly also available to all visitors. Currently Local Government has shown quite remarkable ability to be inequitable sometimes and Councillors have even said such decisions were integral to their electoral support.

The above recommendation is based on personal experiences in Pittwater Council as follows.

There are emotional connections with home and tax should be respectful of such matters. This home was given to my wife's parents by a relative more than 80 years ago. It was my wife's childhood home and given to my wife about 32 years ago. We were living elsewhere and had just one tenant in it for about 23 years. I had been made redundant three times which spoiled my CV. I had already moved home twice for work and been diagnosed with MS and choose to give up job hunting and make do with

casual and part time work. However Land Tax and rates here were so high we were better off both giving up our part time work to retire here and thereby stopping paying Land Tax. We moved here in October 1997. There was no way my wife would contemplate selling up this her family heritage. She feels honour bound to leave it to our children. Besides it enjoys one of the best positions in Palm Beach, NSW.

In 2006 the Valuer General brought "Land Values" much closer to market values by comparison with the old UCVs. The value here on 1075 m² jumped from \$1,470,000 to \$3,050,000. Our rates went from \$3,694 to \$5,487. These include flat charges of \$298 and later \$350 for Domestic Waste and Storm Water. These changes in rates are the consequences of our Councillors continuing with the very old 1916 system of applying ad valorem rate based solely on Land Value.

The Palm Beach and Whale Beach Association have applied to Council to adopt the more equitable 25% or even better 50% "Base Rate" recommended when the 1916 Act was amended in 1993. This year I have asked the Councillors to reduce the numbers of free parking permits they issue. One councillor dismissed my submission as offensive, another said his wife would kill him and another said yes do it so more money could be made available for bike tracks. This is a further example of the councillors preferring to take from the rich to continue to subsidise about 70% of rate payers who saw their rates reduced as a consequence of the changes in land values in 2007/08 and continuation of the old ad valorem basis.

Rates in Pittwater, averaged over all residential properties in 2007/08 were close to \$1,130. This ranges from the bottom 20% who paid the \$603 minimum through to the top 10% who paid an average of \$3,522. However the inequities go very much deeper. One property owner was a pensioner in a nursing home while her lifetime husband, a pensioner, war veteran was paying the nearly \$8,000 in rates. It took him more than four years to get Council approval to subdivide the block and then sell part. They qualified for the \$250 pensioner's concession. Property owners vary enormously in their ability to pay rates, some have only their pension or savings, others have incomes of hundreds of thousands a year. Some properties are rented to tenants, some land holders have no car, many have only one car. However, all properties are issued two free parking permits and can buy up to three extra free parking permits for only \$48 each for a whole year of free parking. Visitors have the same access to local services as rate payers but if they live outside the Pittwater area they would need to pay \$208 for a free parking permit for a year. Those free parking permits are worth more.

People's attitudes towards beneficiaries of the escalating land values that have occurred vary. Some people seem to think these properties should be heavily taxed, even forcing owners into debt or selling. Those people seem to want to disregard the fact that these properties have been people's family homes for generations. This wealth is an unrealised wealth far removed from cash flow. It is not wealth that can be used for paying bills or paying the interest on debts. This sort of wealth is far removed from the sort of wealth that spends up big on a car or who comes asking to buy our home because they would like to own the views. This wealth is different from the lucky people whose shares rise enormously in value: these lucky owners can sell some shares and keep what they want. Land Tax can in some instances appear justifiable and has even been justified to discourage owners from failing to develop and exploit their land. But Land Tax is also adding to the costs of supplying rental accommodation.

Attachments

4 page Rates submission by John Swainston amended 21 May 2007

2 page Rates submission from Palm Beach & Whale Beach Association Inc (May 2007)

2 page submission on Free Parking Permits by John Swainston June 2008.