

What do I tell my tenants?

I have four townhouses on one title that are let to a butcher, a single parent and two pensioners. All of whom have occasional casual employment. They are all low income earners. It is my guess that they all voted Labor in the past. The real estate agent estimate of the market rent for each of the 2 bedroom townhouses is \$135 to \$140 per week. The rent the tenants are paying is \$125 per week. I have kept the rents low due to the inability of the tenants to pay a higher rent. In the past 14 years the rent has only increased from \$100 to \$125: That is, by one quarter. During that time the increase in the Valuer General's land valuation of the property has risen from \$18,000 in November, 1990, when it was purchased to \$285,000 now (in April 2004). That is an irrational land value increase of more than 16 times. Does that mean I should now ask for a 16 times rent increase to \$1,600 per week for each low income tenant? That would be absurd, of course. The new land tax charge of 0.4% which I have never had to pay before is close to \$1200. Therefore, to cover the Land Tax and agents fees, I will have to raise each of the rents to about \$131 per week: An extra \$6 per person per week. Keep in mind also that my own family income has never been above about \$20,000 (including part time work) in any tax year over the past 13 years and you can see why I must raise the rent. We should also note that high income earners who own investment property get almost half of the land tax back as an income tax refund. As my family income does not get above the lowest income tax threshold I have to make a much higher contribution to the land tax than do high income earners. This new land tax favours high income earners (it has even been reduced for many them!) and slugs the poor and low income earners. Further, it tears a rung of the ladder of opportunity for low income earners and the poor. In addition high income earners can also take advantage of negative gearing to get even bigger tax refunds.

My family does not get any negative gearing benefits. Also, because our property is pre 1984 we do not get the 2.5% building depreciation benefit. This new land tax equates to an income tax increase of over 6% for my family.

This is not a true labor party tax built on labor traditions. It is a tax on the poor, low income earners and those who wish to climb the ladder of opportunity. Worse, it is a tax that gives even more to the rich and high income earners and further entrenches them as the holders of assets. Reducing land tax for the rich and high income earners, (as these new land tax laws do), will help to stop them from complaining while low income earners and the poor will, due to lack of resources, be relatively quiet and be forced to endure their now lower standard of living or even bankruptcy.

(1) What should my family do so we can maintain our current income and not pay the new \$1200 land tax?

(2) Must I sell the property to a high income earner because the new land tax has made it a more viable proposition for them?

(3) Please tell me what I should tell my tenants if you advise that I increase their rents. And, can you guarantee them that they will now be better off?

Yours faithfully,

Peter Rowan.