



Land tax windfall despite flat property market

Report Steven Scott

Despite a flat NSW property market, the state government is forecasting its land tax revenue will rise by about 12 per cent over the next four years.

The NSW Office of State Revenue expects to send land tax bills next month to 176,000 people, a drop from 550,000 last year after the government reinstated a \$330,000 threshold for non-residential properties to be taxed.

Those people will pay a total of about \$1.66 billion in land tax. Last year, \$1.65 billion was paid by 374,000 fewer people, according to

figures in the NSW mid-year budget review, which was released during the week.

Land tax revenue is projected to rise over the following three years, reaching \$1.86 billion in 2008-09.

The projected increase comes after NSW ombudsman Bruce Barbour issued a scathing report in October, finding about one-third of the state's land valuations were incorrect, most of them undervalued.

"On the basis of our analysis, the government should be able to recover more land tax revenue than it is under the current regime," Mr Barbour said at the time.

Mr Barbour expects it will take 15 years to correct the system, but valuer-general Philip Western said he had already embarked on an overhaul of the state's valuations

NSW reintroduced the threshold after a politically damaging period last year.

and expected they would be close to market value within five years.

Median land valuations should rise by about 4 per cent, but it could be substantially more for some properties, he said.

"That [valuation increase] fluctuates markedly across the state," Mr Western said.

Properties along the NSW coast and in regional areas such as Dubbo, Orange and Wagga Wagga are slated for the biggest increases.

Mr Western acknowledged the mass valuation methodology – where properties are valued in groups, with "benchmark" properties used in different geographical areas – leads to inaccurate valuations.

"Because of the nature of the mass valuation system, the valuations tend to be conservative," he said. He was working to overcome its limitations by considering other

factors, including the number of objections to land values and the changes in the number of sales in each area.

Land tax activist David Singer said the budget figures were conservative and he expected the government would receive \$2 billion from land tax this financial year.

Land tax this year, based on the NSW valuer-general's land valuations at December 31, 2005, will be levied on investment properties above a value of \$330,000.

The government reintroduced that threshold after a brief and politically damaging period last year without a threshold.