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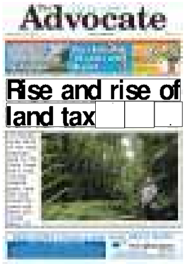
Advocate

Rise and rise of land tax

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Rise and rise of land tax

By LEE McDOUGALL

FANCY a pay increase of more than 1000 per cent? Nice work if you could get it.

Well, this is exactly what the State Government is reaping from recent changes to its land tax.

Changes to land tax exemptions have seen many investors watch their land tax bill increase by more than 1000 per cent.

The changes relate to the threshold. For 2006, land tax is 1.7 per cent (plus $100) on the combined value of all taxable land in excess of $352,000 (the threshold).

However, changes in 2006 mean that there is now no threshold for non-concessional companies and special trusts. These entities are now taxed at the flat rate of 1.7 per cent on the total value of all the tax-

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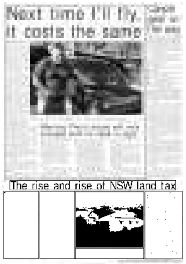

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The rise and rise of NSW land tax

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able land owned, hence the massive increase.

This has resulted in one Coffs Harbour resident seeing his initial bill of $1700 increase to more than $18,000 — for the same amount of land.

Land tax is a tax levied on the owners of land in NSW as at midnight on December 31 of each year. While the principal place of residence (your home) or land used for primary production (a farm) is exempt from land tax, all other investment property, including vacant land, is included.

Coffs Harbour City Councillor Ian Ovens believes the time has come for residents to speak up and for local government to band together to ensure that this massive windfall to the State Government returns to those areas from where it has been collected.

For the financial year 2003/04, the State Government collected more than $240 million in land tax, compared with $135 million collected by all councils across the State.

"If the tax is being generated from land in this region, then the money should be returned to this region," Cr Ovens said.

"NSW raises more money in land tax than the whole of local government collects in rates and we all know this money is not coming back to the areas where it is being collect. It is remaining in Sydney."

Cr Ovens said the money collected from land tax should be used to address the $6.3 billion worth of outstanding infrastructure works across the State.

"This figure is expected to increase to $14.6 billion in the next 15 years unless financial remedies are addressed," Cr Ovens said.

"Now this is basic infrastructure — water, sewerage, roads, parks and gardens. We are not even talking about hospitals and education."

FROM the State Government's perspective, land tax is a lovely little earner, but to Coffs Harbour valuer Peter Strom, it hits investors where it hurts.

"It certainly hurts the investment market," Mr Strom said, adding that there had been a massive jump in land tax in the past decade to reflect the enormous increase in land valuations along the coastal strip.

"In Yamba for instance, you have old beach shacks now being valued at $1.4 million with the owners paying about $17,000 in land tax," Mr Strom said.

Mr Strom gave the example of a Jetty property with an old, modest two-bedroom rented house on it.

"Let's say the valuation was $500,000, which is not unrealistic," Mr Strom said.

"The land tax annually is $2500. Then add council rates and mortgage repayments. If you are only getting $200 a week rent, which is probably all it is worth, your investment quickly starts looking pretty shabby."

Gone are the days when families could own an old beachside weatherboard holiday home. The State Government's land tax is making these properties an expensive investment.

Photo: CHRIS RIX 06042805B