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Land tax to rise as property values plummet

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Property prices may be falling but official land valuations are defying the trend, sometimes rising by more than 30 per cent.

Investors will be hit with bigger land tax bills just as they watch their nest eggs lose value. Investment property owners in the Mosman and Waverley municipalities are the hardest hit. But even the recently retired state treasurer, Andrew Refshauge, will pay more tax on his holiday retreat at MacMasters Beach. Its official valuation has jumped from \$383,000 to \$421,000, and will attract a \$1647 land tax bill next year, compared with \$1532 this year.

The film industry couple Baz Luhrmann and Catherine Martin will be pleased to have offloaded their investment units at Bronte, given a 33 per cent rise in values in the popular beachside strip.

At Bondi Beach, values have jumped 25 per cent on prime Notts Avenue, while further back from the beach, values have jumped 30 per cent. At Mosman, a Morella Road property recorded a 31 per cent rise over the

year, after the cottage on 1000 square metres sold for \$3.2 million mid-year.

The dramatic rises – indicated in the release of preliminary valuations on the Department of Lands website – will reduce the State Government's growing budget deficit, although it will suffer from the abolition of the short-lived universal land tax policy.

Land tax revenue has risen from \$625 million in 1997 to about \$1.4 billion this year, representing about 10 per cent of NSW tax receipts. There will be a \$196 million windfall this year due to stronger than expected growth in land values across the state. "Thousands of Sydney families will be shocked by their land valuation increases," the land tax activist David Singer said yesterday. "I believe the land tax system is in terminal meltdown and that current land values should not be used as the basis for assessing land tax."

The Valuer-General increased land valuations by an average 19 per cent in 2004, even though residential
Continued Page 6

Land tax to rise as prices plummet

From Page 1

prices were starting to fall. In October, the Ombudsman, Bruce Barbour, found the annual land-valuation process had little regard for actual movements in values. More than a third were unacceptably inaccurate.

The preliminary valuations indicate that not all residences in the same municipalities have recorded similar increases in land values. Big differences, even between neighbouring blocks, are apparent on the harbour's edge at Mosman. A 923 sq m Burran Avenue property jumped 10 per cent in value to \$4.48 million, while the neighbouring 952 sq m block was unchanged at \$3.76 million.

Values in other suburbs have recorded negligible growth. At Kurnell, a 607 sq m beachfront reserve block has been valued at \$640,000, up from \$637,000 last year. It is currently listed for sale at \$765,000, although its listing agent, David Wolfhart, said his vendors had been advised by another agent two years ago that \$900,000 was achievable.

Two investment units at Beverly Hills owned by the Premier, Morris Iemma, have fallen in value by 8 per cent. But he will not pay land tax next year anyway, because of the abolition of universal land tax and the reintroduction of a threshold at \$330,000.