



Sydney Morning Herald
Wednesday 21/12/2005
Page: 10
Section: Editorials
Region: Sydney Circulation: 210,475
Type: Capital City Daily
Size: 187.54 sq.cms.
Published: MTWTFS-

The Sydney Morning Herald

ONE HUNDRED AND SEVENTY-FIFTH YEAR

The land of nasty surprises

Property owners deserve better

THE owner of a fibro holiday shack at the beach can be liable for land tax, while the purchaser of an investment apartment overlooking Sydney Harbour – where the land component of the property's value is minute – may not be liable. Is that fair? No, it is not – and nor are the outcomes of many recent valuations on investment properties and holiday homes which render their owners suddenly liable for vastly increased amounts. There is a legitimate argument for a tax on property value – but not as land tax as administered at present. Land tax has property owners frothing at the mouth, and it is not hard to see why. Property taxes, including land tax, are a mainstay of State Government revenue. But instead of managing the tax sensibly, the Government has been tripping over itself in its eagerness to milk investors, staggering from mistake to mistake. It is time to look again at the whole subject.

The *Herald* has reported this week on how the tax on some coastal properties has risen by 40 per cent in a year as a result of revised valuations. This compares with an average rise of 2 per cent. It is a ridiculous discrepancy, even in a property boom – and it is a while since there was one of those in this state.

It is not as if the State Government has not tried to reform land tax. But reform has had the same effect as

the unreformed system: changes in tax which are sudden, unpredictable and tumultuous. In April last year the then treasurer, Michael Egan, scrapped, out of the blue, the valuation threshold. It was an economically justifiable move, but suddenly thousands of battlers were receiving tax demands they had not expected, and government MPs started to feel the heat. The next budget reversed the measure. Yet a gradual introduction might have softened the criticism.

The Premier, Morris Iemma, has a sensitive antennae when it comes to property. He scrapped the much-disliked vendor tax as virtually his first act in the job. Land tax is an opportunity for him to show he is capable of more than knee-jerk populism. Real reform demands vision and planning. What property owners want is predictable liabilities, not a tax which rises in sudden, unmanageable leaps.

Why not place a ceiling on land-tax increases? Council rates are managed that way, and they are based, like land tax, on property valuations. It would be only a first step – a stopgap while an inquiry investigates the way forward – but it might take some of the anger out of the issue.

FRA010