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How NSW's proposed property tax would work

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NSW Treasurer Dominic Perrottet has announced the state government will open for public consultation a property tax model he says will make home ownership more achievable.

NSW Treasury says stamp duty adds \$34,000 to the upfront cost of buying the average home in NSW. It takes on average 2½ years to save to pay stamp duty compared with one year in 1990.



NSW Treasurer Dominic Perrottet has handed down his fourth budget. LOUISE KENNERLEY

The proposal would give home buyers the option of paying a large lump sum upfront, similar to stamp duty, or an annual property tax.

The property tax would be a fixed amount plus a rate applied to the unimproved land value of an individual property – similar to that which occurs with council rates.

Under the change, once a property is subject to the tax, subsequent owners must also pay.

The changes would only apply to those buying property. If you're not moving home and have already paid stamp duty you will not have to pay the tax.

Under Mr Perrottet's proposal, owner-occupied homes would be liable for lower rates on the property tax than investment properties. However, protections would also be put in place so that the property tax would not result in rent increases without a tenant's agreement.

First home buyers, who have stamp duty concessions for properties of up to \$800,000, would be given a grant of up to \$25,000 to go towards the tax or home refurbishing.

The Treasurer says that, in the short term, the property tax proposal would reduce state government revenue but it is expected to be cost-neutral in the long term.

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