

Dear NSW Treasury,

We have picked up another discrepancy in your website example relating to land values including one we missed for first home buyers where land value to purchase price ratio is 33% and for the investor example it is 69%

Please see our feedback below.

Thanks.

PICA National Board

EXAMPLES IN “WHAT THIS COULD MEAN FOR YOU” WEB SITE

The Government appears to be choosing biased examples within the five examples it has provided in its “What This Could Mean For You” web page and so does not give a truly unbiased account of the effects of the new tax. See:

<https://www.treasury.nsw.gov.au/budget-financial-management/reform/nsw-property-tax-proposal/what-could-mean-you>

Even the “I am planning to buy an Investment Property” example is biased by choosing an example which conveniently has the existing investment property having the first investment property land value reasonably close to the current land tax threshold so that the addition of another investment property (again with a very high land value) now takes the combined value significantly over that threshold.

Most residential property investors who have two properties would not have their combined land values in NSW anywhere near the \$1,118,000 that this example shows.

Regarding the other examples:

1. I Have No Plans to Buy A Property

No changes

2. **I Am Planning To Buy My First Home**

Mobile Family

In this illustration, the Government presents the property as having \$750,000 total value but with a land value of only \$247,667 (this gives the property tax in the first year of \$1,243 as stated). Obviously with a high purchase price and thus high Stamp Duty and low land value thus low Property tax, the benefit will lay with the new Property Tax even though this is a 10 year period.

It is extremely interesting to note here that the **land value to purchase price ratio is only 33% and yet in example 5 below, this ratio is more than twice that figure at 69%**

3. I Am Planning To Buy My Next Home

Again, this is deceptive example.

The first home has a total purchase price of \$600,000 and a land value of \$315,450 (since the total property tax over 3 years is \$4,530 at a growth rate of 3.8% per year). This gives a land to purchase price ratio of 52.6%.

The second home has a purchase price of \$700,000 and a land value of \$366,900 (since the total property tax over 3 years is \$5,025 at a growth rate of 3.8% per year). This is a land to purchase price ratio of 52.4%.

The third home has a purchase price of \$800,000 and a land value of \$432,000 (since the first year property tax is \$1,675). This is a land to purchase price ratio of 54%.

As you can see, this compares with the example provided for Investors in Example 5 of a Land to Purchase Price ratio of 69% - this is most deceiving.

If we insert the same land to purchase price ratio of 69% in this Example 3 as is given in Example 5 for the Investors, the results are as follows:

With land value at 69% of purchase price, the new Property Tax for 3 years is

Home 1 : \$5,477 and not \$4,530 an increase of 21% over that stated,

Home 2 : \$6,140 and not \$5,025 an increase of 22% over that stated,

Home 3 : \$2,156 and not \$1,796 an increase of 20% over that stated.

In the total 7 years of ownership, this is thus \$2,422 more than the Government has stated the new Property Tax would be.

Further, the Government has left the example at the end of the 7 year period with the example of the third home only being a year old. This has the effect of costing the whole Stamp Duty for the third home of \$31,335 against only a single year of the new Property Tax of \$1,796. This is extremely deceitful.

It appears from the example that Gaurav and Amrita are now ensconced in their premises so let's look at the case where they now stay there for the rest of their lives, let's say 40 years.

At the original land value of Home 3 of \$432,000, and with land values increasing at 6.6% per year as taken from the Government's own increase in Land Tax Thresholds over the last 10 years, the Stamp Duty for Home 3 is still \$31,335 and the land tax is zero since it is Owner Occupied. However, the new Property Tax in this example would be now \$253,497! . This completely overwhelms the new Property Tax advantage of \$69,154 as stated in the example.

Even if land value growth was not 6.6% but was the more conservative figure of 3.3 % (refer to the NSW Government's own documents "Report on NSW Land Values at 1 July" for the years 2016, 2017, 2018, 2019 and 2020 and take the average of these years growth in residential values) the new Property Tax would be \$124,642 thus dwarfing the figures provided by NSW Treasury of the new Property Tax having an overall benefit of \$69,154.

4. I Am Renting

No changes

5. I Am Planning To Buy An Investment Property

Refer above