Plea for property tax breaks

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THE property industry has renewed calls for property tax relief ahead of the State Government's mid-year Budget review next month.

However, with a number of major infrastructure projects under way and a soft commercial and residential property market denting revenue forecasts, significant changes are unlikely.

Local property investor PPI Funds Management recently spent $53.5 million on a shopping centre at Taree, its first property purchase in NSW.

The company has expanded its interstate portfolio in the past decade, particularly in Queensland where it pays a maximum land tax rate of just 1.75 per cent for properties valued in excess of $5 million.

In South Australia, the maximum rate is 3.7 per cent, and kicks in at just $1 million. PPI's Harry Perks said he would continue to look at interstate opportunities.

"It is double that of other states, so why would we invest here? We're getting hammered," he said.

"One year, my land tax bill on one property went from $101,000 to $353,000."

Deloitte director Adrian Lanzilli told a Property Council seminar it was this variability that was frustrating investors. "I've seen 60-to-70 per cent increases in the valuation of land which drives land tax," he said.

Mr Lanzilli said the Government should look at models used interstate, particularly in New South Wales and Queensland, where three-year land value averages are used to smooth annual variability and provide certainty for investors.

"The longer we allow this heavy reliance on property tax collections to perpetuate, it becomes too hard and too expensive for government to make any meaningful changes," he said.

In its pre-Budget submission earlier this year, the Property Council recommended a reduction to the maximum land tax threshold to $2.5 million, at a rate of 2.5c per dollar.

It also lobbied for a "root and branch" review of state taxation, to reduce the contribution of property taxes to own-state revenue from 43 per cent to 35 per cent.

Premier Jay Weatherill told the PCA seminar that despite Budget difficulties, he was open to a tax review, targeted at revitalising the city centre.

"We're obviously already in a pretty constrained Budget environment but in terms of changing the mix of taxes and how they actually impact across the development community generally, we'd be more than interested in looking at it," he said. "I don't think we should have any disincentive to the sorts of urban form that we're trying to encourage."

Mr Lanzilli urged the Government to offer stamp-duty concessions for inner-city residential development, arguing that stamp-duty revenue on secondary and subsequent property transactions would make up for lost revenue on initial purchases of newly built dwellings.

"If you provide that concession, you're getting more developments happening and fulfilling the vision for the city," he said.

"From a loss-of-revenue perspective, I would argue it's probably negligible."

Mr Perks said the Government could improve its Budget position and develop the capacity to provide tax relief if it pursued appropriate cost-cutting measures.

"It's very simple what they should do. We have the highest number of public servants per head of population – you need to run your own business properly," he said.

STATE INVESTMENT PROPERTY TAXES - MAXIMUM RATES AND THRESHOLDS:

STAMP DUTY	ACT	SA	VIC	NSW	QLD	WA	TAS
Maximum Rate	6.75%	5.50%	5.50%.	5.50%	5.25%	5.15%	4.00%
Threshold	$1m	$500,000	$960,000	$1m	$980,000	$725,000	$225,000

LAND TAX	SA	VIC	WA	NSW	QLD	ACT	TAS
Maximum Rate	3.70%	2.25%	2.16%	2.00%	2.00%	1.59%	1.50%
Threshold	$1.052m	$3m	$11m	$2.421m	$5m	$275,000	$350,000