

SACOSS Land Tax and Public Housing Proposal

What is the Government proposing

The government is proposing to amend the legislation governing the collection of land tax to:

- tighten the aggregation provisions of the Act to ensure that tax is paid on the total value of property someone owns, regardless of numbers of properties or the ownership structures in place;
- put a surcharge on land held in trusts where the ultimate (“beneficial”) owner is not identified – the surcharge will be 0.5% on top of the ordinary rates, and there will be no tax free threshold;
- reduce the top tax rate from 3.7% to 2.4% with the top rate applying to total land holdings of over about \$1.1m.

SACOSS’ view of the Government Proposals

The moves to tighten the aggregation provisions and remove the tax free threshold for trusts are welcome in that they will:

- limit the use of trusts and complex ownership structures to avoid paying land tax;
- remove a perverse tax incentive for investors to crowd-out the lower end of the property market;
- raise much needed revenue to fund vital services.

However, the surcharge on trusts may not be sufficient to remove the incentive to hold land in trusts and avoid paying tax on all landholdings. In many instances, it may still be much cheaper to hold land in trusts, not disclose who the ultimate landholders is and simply pay the land tax with the surcharge.

The reduction in the top rate of tax is partly a recognition that the top land tax rate has been high by comparison with other states, but the removal of the top tax bracket and the extent of the reduction in the top rate (a 35% decrease) makes the system flatter and less fair. It also gives away too much state revenue that is needed for other things.

What SACOSS is proposing

SACOSS is proposing that the government’s bill be amended to:

- **change the tax scale so that a top rate of 2.9% will apply to land holdings over \$5m (with the government’s 2.4% rate applying between \$1.1m and \$5m)**
- **double the surcharge on trusts (to an additional 1%)**
- **invest the revenue retained by these measures (approximately \$40m p.a.) in the maintenance and expansion of public and community housing.**

Why SACOSS' proposals should be supported

The SACOSS proposals (when coupled with the government's amendments on aggregation) would see a fairer and more progressive land tax system.

Landowners would still get a reduction in the top rate of land tax, but there would also be a benefit to those most in need in the housing market:

- The proposed changes to aggregation will remove the incentive for investors to target low-price properties, which will benefit low-income and first home buyers;
- Those in need of social housing will benefit from the increased investment in public and community housing – the only scenario where those most in need get anything out of the land tax changes;
- The expansion of the public housing estate will release pressure on the private rental market and underpin housing affordability more generally;
- “Mum and Dad” investors will not be impacted by the changes to the top tax rates which will fund the public housing investment.

With 6,000 South Australians homeless and 56,000 households unable to find affordable housing, the investment in public and community housing is desperately needed – and *it can be conveniently paid for in this package because the government has already identified that it does not require that revenue for other services or commitments*. The question then becomes: are the benefits from the potential use of that revenue best directed to:

- big landholders with portfolios in excess of \$5m (as per the government proposal), or to
- those struggling and at risk of homelessness (as per the SACOSS amendments)?

SACOSS understands that there has been opposition to the government's proposals from some vested interests, and that MPs should closely examine the whole bill put forward by the government. However, we believe that the SACOSS proposals are fair and reasonable and *should be supported regardless of any party's final position on the bill as a whole*.

Further details of the arguments made in this Briefing Note are available in the SACOSS submission to the government consultation on the draft bill:

<https://www.sacoss.org.au/draft-land-tax-miscellaneous-amendments-bill-2019>