

Land Tax Aggregation Briefing Note

Land tax is applied on the basis of the total land holdings of the person or business that owns land, rather than each individual property. Aggregating land holdings ensures that land holders are treated equitably where they have total land holdings of equal value. For example, a landowner with one property valued at \$800 000 pays the same amount of land tax as a landholder who owns two properties valued at \$400 000 each.

In South Australia, all land held in a common ownership is aggregated. Effectively this means that land held under different ownerships is not aggregated. This creates an incentive for land holders to hold land in different ownerships in order to minimise their land tax liability. This is particularly the case for businesses with multiple corporate entities, but it could also be used by hypothetical “mum and dad” investors. A couple with multiple land holdings could minimise tax by one partner owning one property, the other partner owning another property, and a third property held by a trust or wholly-owned investment company. Three different ownerships which would not be aggregated. The table below shows the difference this makes in land tax payments in a hypothetical example of three properties each worth \$500,000 by comparison with the couple who own all their properties in common.

| | Different Ownerships | Common Ownership |
|--------------------------|-----------------------------|-------------------------|
| Property 1 | \$655 | |
| Property 2 | \$655 | |
| Property 3 | \$655 | |
| Total Tax Payable | \$1,965 | \$22,479 |

Source: SA Revenue Land Tax Calculator <https://www.revenuesa.sa.gov.au/taxes-and-duties/land-tax/calculators/calculate-land-tax>

Disclaimer: This is a simplified hypothetical, tax liabilities may change depending on particular circumstances.

This outcome would appear to be grossly inequitable and allows those with different ownership structures to avoid paying significant amounts of land tax.

By comparison (and what is proposed by SACOSS) in New South Wales, Victoria and Queensland, land tends to be aggregated based on an individual’s total interest in land rather than at the ownership level. In the above hypothetical, and depending on how the system was introduced, the individual interests would amount to \$750,000 each, incurring a land tax of \$2,744 each or \$5,489 in total.