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VICTORIAN GOVERNMENT SET TO BACK AWAY FROM NEW PROPERTY TAX PLANS

The Victorian government is on the verge of an embarrassing backdown over a new property tax, after Premier Daniel Andrews said an industry overhaul had an "uncertain future."

Key points:

- The government planned to introduce a 1.75 per cent levy on all new developments of three or more dwellings
- The property industry fears the extra costs will be passed on to home buyers
- Premier Daniel Andrews said the future of the tax reform was very uncertain

Councils and the property industry have slammed the reforms because of the new tax and a planned cut to state government payments to councils.

Last Friday, the government announced a major reform of the planning system that would speed up developments, increase profits and boost social housing.

As part of the reforms, the government planned to slug a 1.75 per cent levy on the value of all new developments of three or more dwellings in Melbourne, Geelong, Bendigo and Ballarat from July 2024.

The property industry fears those costs could be passed on to homebuyers.

The tax is estimated to raise $800 million a year, with the funds to be used to expand social housing.

Housing Minister Richard Wynne said it would create, on average, an extra 1,700 social housing units a year.

But the opposition and property developers are opposing the levy, meaning the government needs to rely on the crossbench in the upper house to make the tax law.

"It's fair to say the future of this bill is very, very uncertain," Premier Daniel Andrews told reporters on Wednesday morning.

"I am not in the business of creating super profits for developers if they are unwilling to support sharing those profits for those who need affordable housing," he said.

Government accuses industry of reneging on support

The Premier hit out at the property industry who he accused of supporting the reforms before they were publicly announced.

"We had an agreement. It seems that that agreement is not going to be honoured, and therefore the future of that bill is most uncertain," he said.

In a statement, the Property Council said 59 per cent of Victorian taxation revenue came from the sector.

"This is the 10th new tax this government has introduced, the second in the last 10 months," the Property Council said.

"We remain committed to working with government to deliver planning reform and to support social and affordable housing.

"All our members are concerned about the flow of effects of new taxes on housing affordability and will work with the Government to put in place appropriate reforms."

The Property Council claims the levy would see the median house precise in Wyndham in Melbourne's west increase by $21,525 and prices in Armstrong Creek in Geelong rise by $11,725.

Shadow Treasurer David Davis said a planned briefing between his office and the government on the new housing bill has been cancelled and was not rescheduled.

The government will be required to table modelling and documents relating to the impact of the new tax on housing affordability to parliament in 14 days, after a motion introduced by Mr Davis was carried in the Upper House.

"The government is taking this off the table at the moment, the Premier is crab walking backwards from this tax," he said.

"It's a nasty tax, it's a tax that will hit families, it's a tax that will hit the cost of housing."

The Urban Development Institute rejected suggestions the sector had agreed to the new tax.

Chief executive Matthew Kandelaars said the sector had no choice but to pass the cost of the new levy onto home buyers.

"There was absolutely zero consultation that tried to link any planning system reform with a new tax on home buyers," Mr Kandelaars said.

Council to Homeless Persons chief executive Kate Colvin said the bill would be a step forward for people having a hard time in the housing market.

She said the levy was a small contribution from developers to fix a big problem and more social housing was desperately needed.

"The fact is this is a charge on developer's profits, it is not a charge on homebuyers," she said.

"Of course they are not keen on having less profit, but we've got to keep in mind developers have been making huge profits as house prices increase and life gets more difficult in the housing market for ordinary Victorians."

The policy may open the Labor government up to a scare campaign about housing affordability and rate increases, and some in the party were scratching their heads at the wisdom of the policy in an election year.

Despite the Coalition’s opposition in the Upper House, there are likely enough members of the crossbench to support the reforms in some shape to get the bill passed.

Councils lose out on income

As part of the reform, the government also said it would stop paying council rates on social housing properties, with the payments to be phased out from July next year.

Councils warn that this will lead to millions of dollars of shortfall, forcing them to increase rates for residents.

Modelling done by Yarra City Council estimates rates will increase by 3.6 per cent once the plan is fully implemented and could cost ratepayers an extra $79 per year.

Moonee Valley Council Mayor Samantha Byrne estimated a proposed rate cut would cost the council $2.8 million dollars a year.

"We will have to make decisions, do we raise rates? Do we cut services? Or do we cut infrastructure?" she said.

"We are not the only council in this position, there are many councils in Victoria who are really disappointed with where this is potentially heading."

Victorian Greens Leader Samantha Ratnam said she would support the bill when it was introduced but she had concerns about the impact it would have on local councils.

"We must ask why the government isn't funding its own public housing maintenance — it is its asset and its responsibility and it should be paying its bills," she said.

"We've been hearing so much from social housing residents who are so frustrated because they can't get their basic maintenance requests met — yet it is passing on the buck to councils and outsourcing its responsibility to them."

SOCIAL HOUSING PROVIDERS HAIL OVERDUE RATES REFORM BUT COUNCILS SAY THE VICTORIAN GOVERNMENT IS SHIFTING COSTS

Key points:

- The Victorian government pays an estimated $54 million in rates to local councils for its social housing properties
- It says treating them like schools and hospitals will allow that money to be redirected to housing stock
- Councils say the exemption will force them to increase rates or cut services

The Victorian Government has announced it will make social housing properties exempt from council rates in Melbourne and the state's three largest regional cities.

The measure would be phased in across metropolitan Melbourne and the regional cities of Geelong, Ballarat and Bendigo over four years from July 2023.

Social housing agencies say it is part of a suite of overdue reforms that will enable them to provide more housing to the state's most vulnerable residents.

But the Municipal Association of Victoria, a peak body for the state's councils, has warned it would lead to rate increases or service cuts.

City of Greater Bendigo CEO Craig Neimann said his council received $1.3m in rates each year on social housing properties owned by the state government and another $1 million on properties owned and managed by not-for-profit organisations.

Mr Neimann said it was "a little bit uncertain as to whether we can make that money up by allocating that across other property types" or whether it would need to forgo the money and make cuts elsewhere.

Daniel Moloney, Mayor of Ballarat, said his council expected it would need to cover $2 million in rates income on about 2,000 social housing properties after four years.

MAV president David Clark said the amount councils collected in rates equated to just one-sixth of the state government's tax revenue.

"This exemption is another example of the Victorian government mining local government's already small tax base for its own service delivery," he said.

Most vulnerable to benefit

The Victorian government said the exemption would allow it to redirect the $54 million it spends on rates into public housing maintenance and upgrades.

The government said community housing providers would also reinvest $11 million into the services they provide.

Kristie Looney, general manager of housing and property with Uniting Vic.Tas, said the reforms would ensure funding certainty for providers, allowing them to offer more housing.

"There's clear evidence that it's only after securing safe and permanent housing that people in crisis are able to deal with other important needs, such as finding a job or seeking help for mental health issues," she said.

Ken Marchingo, an independent strategy and organisational consultant to the social housing sector, said the need for more social housing was a problem "decades in the making", with the rates reform applying to the council areas with the greatest demand.

"Some policies are never going to be popular [but] this is probably one of them that I think, 'it's about time'," Mr Marchingo said.

RESEARCH FINDS $140B CASE FOR HIGH-SPEED RAIL

A report says there's substantial opportunity to fund high speed rail through value uplift.

A high speed-rail network on the east coast of Australia could boost land value and property prices around high-speed stations by up to $140 billion, preliminary research suggests.

The growth in land value could be used to fund the high speed rail projects and support the creation of more liveable cities and regions, an investigation report from the University of NSW, based on a combination of infrastructure and planning-related value uplift calculations, has found.

“From our estimates of infrastructure-related value uplift combined with our ‘what if’ scenarios for planning-related value uplift, there could be potential value uplift in the vicinity of $48 billion to $140 billion,” the report concludes.

“Therefore, we put forth there is substantial opportunity to fund high speed rail through value uplift.”

The analysis is based on proposed high speed rail lines running from Melbourne to Sydney (by 2040) and Sydney to Brisbane (by 2058), with spur lines to Canberra and the Gold Coast.

Creating premium properties

One of the report’s authors, UNSW City Futures Research Centre director Chris Pettit, said the value uplift in land around a high speed rail network could create premium properties because of faster and easier access to the CBD.

“Value uplift relates to the increase in land and property value attributed to a new piece of infrastructure that’s gone in,” Professor Pettit told Government News.

“It’s that measurable amount of property value increase that can be attributable to a transformational piece of infrastructure, like a metro line or a light rail.

“That accessibility to public transport, to a high quality transport like a metro, people will pay a premium for that.”

TABLE 1: INFRASTRUCTURE RELATED VALUE UPLIFT (COEFFICIENT-BASED)

HSR Stop	Dwellings	Existing dwel. price	Coefficient	New dwel. price	Value Uplift ($m)
Gold Coast	56,542	$797,000	14%	$908,580	$6,309
Casino	5,073	$375,000	14%	$427,500	$266
Grafton	7,760	$365,000	10%	$401,500	$283
Coffs Harbour	25,489	$672,500	12%	$753,200	$2,057
Port Macquarie	27,877	$690,000	12%	$772,800	$2,308
Taree	16,575	$465,000	12%	$520,800	$925
Newcastle	38,794	$636,500	14%	$725,610	$3,457
Central Coast	34,820	$805,000	14%	$917,700	$3,924
Southern Highlands	15,955	$970,000	14%	$1,105,800	$2,167
Wagga Wagga	19,274	$417,500	10%	$459,250	$805
Albury Wodonga	38,435	$401,250	10%	$441,375	$1,542
Shepparton	20,109	$350,000	14%	$399,000	$985
				Total	**$25,029**

(Source: High Speed Rail Value Uplift Preliminary Investigation Report, City Futures Research Centre)

TABLE 2: PLANNING-RELATED VALUE UPLIFT PER HECTARE AND PER DWELLING

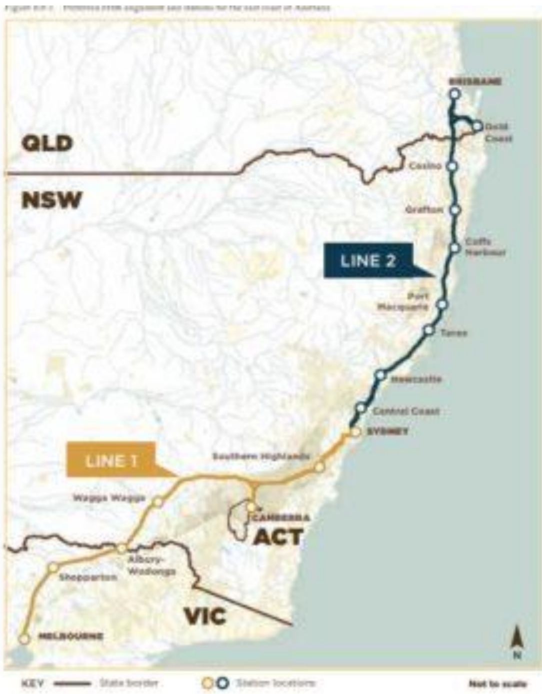
HSR Stop	RLV per hectare	Existing rural land value (per hectare)	Value uplift per hectare	Value uplift per lot/dwelling
Gold Coast	$3,284,994	$300,000	$2,984,994	$218,502
Casino	$769,016	$38,818	$730,197	$53,450
Grafton	$153,685	$37,321	$116,364	$8,518
Coffs Harbour	$4,597,916	$103,855	$4,494,061	$328,965
Port Macquarie	$4,505,008	$47,469	$4,457,539	$326,292
Taree	$5,206,433	$58,824	$5,147,610	$376,805
Newcastle	$6,785,678	$231,827	$6,553,851	$479,742
Central Coast	$7,993,291	$129,938	$7,863,353	$575,597
Southern Highlands	$7,946,837	$298,359	$7,648,478	$559,869
Wagga Wagga	$4,690,824	$56,529	$4,634,295	$339,230
Albury Wodonga	$880,165	$65,063	$815,102	$59,665
Shepparton	$2,157,033	$65,000	$2,092,033	$153,137

(Source: High Speed Rail Value Uplift Preliminary Investigation Report, City Futures Research Centre)

For the purposes of their study, their definition of high-speed rail was that it “operate(s) on dedicated tracks at a maximum speed of between 250 and 300 kilometres per hour, with some systems now operating in excess of 300 kilometres per hour”.

Liveable regions

A high-speed rail network could also help manage Australia’s population growth and create vibrant, liveable regional centres



Proposed east coast High Speed Rail (Department of Infrastructure and Transport)

“If you look at the high-speed rail in Europe that connects León in through to Paris, there’s been benefits both for Paris as well as León and the other stations, so we’re seeing benefits flowing both ways,” Professor Pettit said.

“At the Research Centre, we think high speed rail could really be a nation building project if it’s done properly and provide a backbone for this future Australian growth corridor,” Professor Pettit said.

“If you don’t have high quality infrastructure to connect people to the existing amenity of Canberra, Brisbane, Sydney and Melbourne, it can be quite hard to set up quite vibrant, high growth, regional cities and centres.”

Around the world, high-speed rail networks have become centres of attraction for new businesses and retail shops, he says.

“In Japan…as they move to a very compact city form development, the vibrancy of those stations, as high speed rail stations in their own right, have become quite vibrant mini cities, and that connectivity and flow of people creates its own vibrancy.”

Integrated funding

Professor Andrew McNaughton, Chairman of Network Rail (High Speed) which manages UK’s high speed line HS1, writes in a preface to the report that a High Speed Rail has the potential to breathe new life into east coast Australian cities and regions.

“The study demonstrates the power a practical mechanism of taxpayers sharing the benefits of land value increase, which High Speed Rail drives, would have on the ability to finance that network, reducing the call on taxpayer-funded investment needed for other essential services,” he says.

Professor Pettit says there’s potential for the federal government to fund national infrastructure across states and territories but there should be an integrated approach looking at value uplift and value capture.

“Ideally it would be an integrated approach to make sure there’s equitable capture and distribution of funding,” he said.

The report recommends further investing value uplift financial instruments and the creation of a national cities institute to ensure the potential benefits of a high speed network are realised.

PROPOSED NSW PROPERTY TAX CHANGES LABELLED ‘NONSENSICAL’

REINSW Chief Executive Officer Tim McKibbin has called the NSW Government's proposed property tax changes "nonsensical".

The Real Estate Institute of NSW has labelled the State Government’s proposed changes to property taxes “nonsensical”.

REINSW Chief Executive Officer Tim McKibbin said that the idea of adding a new type of tax won’t help ease housing affordability issues, which are already a huge burden on NSW residents.

Under the proposed changes, homebuyers would be given the option of paying either an upfront stamp duty or an ongoing land tax for the length of time they own the property.

Mr McKibbin said the changes wouldn’t ease pressure on house prices but simply move the cost to other segments of the market.

“You can’t tax something to make it cheaper,” Mr McKibbin said.

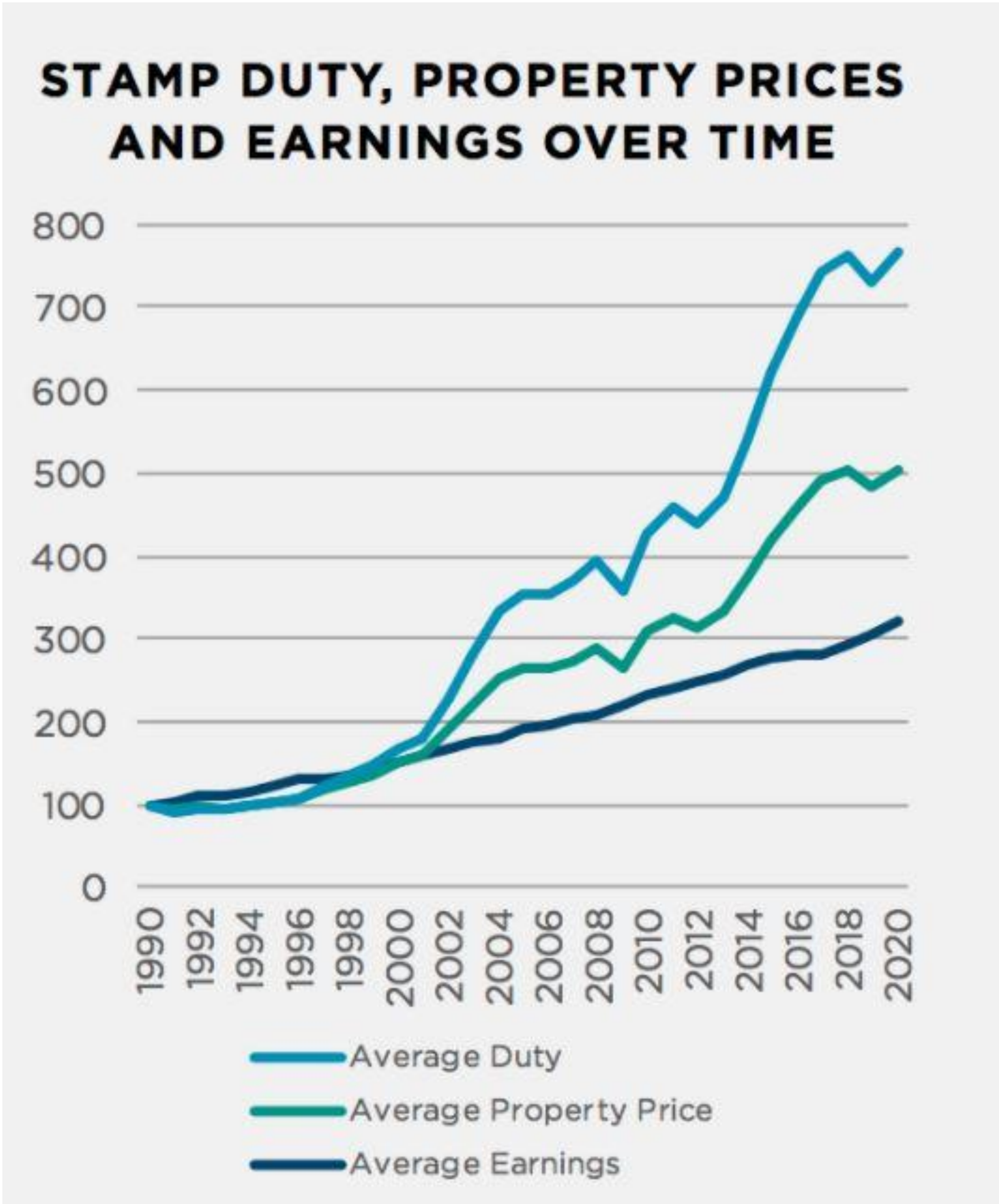
“There’s the potential for the property tax to create a two-speed market. A purchaser can choose to pay stamp duty or the property tax, but if it’s the latter, a future purchaser won’t have the same choice, as the property will have already entered the property tax regime – and there’s no way out.

“It will upset demand for that property. Potential buyers must be willing to pay the property tax, whereas other properties will still offer a choice, and therefore be in greater demand.”

Mr McKibbin said for existing homeowners who paid stamp duty, there would be a disincentive to sell and buy again as they’d have to pay the property tax.

“Affordability is inextricably linked to supply,” Mr McKibbin said.

“Disincentivising people from selling is at direct odds with freeing up available housing stock.”



Source: NSW Government Progress Paper June 2021

According to the Progress Paper for June 2021, stamp duty was introduced in 1865 and in recent years has outpaced property prices and incomes.

The NSW Government is expected to rake in $14 billion from stamp duty this financial year, and Mr McKibbin said they are addicted to high property taxes.

"Stamp duty tax brackets have not changed since 1986 and by not adjusting for CPI, more and more properties are subject to higher rates," he said.

“It’s disingenuous of government to talk affordability while raking in billions each month in stamp duty from property consumers.

“Even so, at least with stamp duty, while it’s a huge impost, once it’s paid, it’s done. The burden of a property tax is forever.

“If government is genuine about helping first home buyers, the answer to affordability is additional supply, a much-improved DA process and tax cuts. Given 40 per cent of the cost of a new property is taxes and charges, a serious discussion about affordability should start there.”

According to Mr McKibbin, the REINSW would like to see first home buyers exempt from paying stamp duty and relief for empty nesters, to encourage them to downsize and free up homes for growing families.

“People go to work knowing they have to pay tax, but it doesn’t stop them going,” he said.

“By contrast, people choose to stay in a property that doesn’t meet their needs, especially retirees, because they don’t want or can’t afford to pay stamp duty.

“When a tax becomes a consideration of a transaction, it’s a bad tax. That’s what stamp duty already does and that’s what a property tax will do. Swapping one bad tax for another won’t help affordability.”