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Property Tax and Assessment News from Around the World

NEW ZEALAND – April 2022

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RATES BURDEN TIPS TO HAMILTON'S POORER SUBURBS AFTER PROPERTY VALUATIONS

Hamilton's properties have a combined value of $71.4 billion, according to Hamilton City Council's latest property valuations.

Homeowners in some of Hamilton's poorest suburbs can expect to shoulder a larger share of the city's rates bill from July.

Hamilton City Council's latest property valuations have been released and show a 57% increase in the city's average residential property value during the past three years – from $587,645 to $922,838.

Rating valuations are a snapshot in time and reflect the likely selling price if a property had sold on September 1 last year.

And while Hamilton has experienced record growth in house and land prices citywide over the past three years, the strongest price uplifts have occurred in some of the city's most deprived suburbs.

"There are some areas like Nawton through to St Andrews, Fairfield and Enderley as well, that are increasing at a higher level, and some parts of Frankton as well," council's financial support services manager, Matthew Bell, said.

"The majority of that [capital value growth] is just driven by the development of some land within those areas. It's quite common to see houses that have been removed and new duplexes and other developments go on.

"The valuations are driven by the market, so they're looking at market sales and evidence to determine what those changes should be within those areas."

Property values in Maeroa and Nawton/Grandview Heights have increased by 63.4%, while Beerescourt (63.1%), St Andrews (61.4%), Fairfield/Woodstock/Enderley (60%) and Chartwell/Queenwood/Chedworth (59.3%) all registered higher than average growth.

The strongest growth in properties' capital value were experienced in Peacocke and Rotokauri (138.6%).

"Some of those properties [in Rotokauri and Peacocke] are those high-value large blocks of land, large parcels of land, so it's those ones that are driving up the average," Bell said.

The revaluation does not affect the amount of rates collected by the council in the 2022/23 financial year. However, ratepayers whose property values increased by more than the average 57% will pay more rates.

The rating change caused by the revaluation comes on top of the proposed 4.9% rates hike signalled in the council's draft annual plan.

Hamilton mayor Paula Southgate said it's disappointing residents in the city's poorer neighbourhoods will take on more of the city's rates take. She expects rates affordability will become more of an issue for residents adversely impacted by the revaluation.

"I'm sure we will hear from some of those property owners, some of whom will be quite distressed about the increase in their rates," Southgate told Stuff.

"The market price increases are what they are, and it's not something the council has any control over. And rating has never been an exact science, or a totally fair one, and there will always be winners and losers.

"I feel for those people in those lower socio-economic areas because you assume they're less able to afford their rates. I do know this is going to hurt people."

Council staff are presently assessing how the revaluation will impact each homeowner's rates. This work will be shared publicly in the next few weeks.

Councillor Rob Pascoe, who chairs the council's finance committee, said the significant uplift in property values in some older suburbs reflects the high prices developers are willing to pay for homes on larger sections.

Although "mums and dads" in suburbs such as Nawton, Fairfield and Enderley will end up paying more rates, many are presently paying less than the city's average rates bill of $2887.

Hamilton's revaluation was independently completed by valuation company Opteon.

The capital values for retail and office property have increased, on average, by 31%, while the capital values for industrial property has increased by 75% on average.

Property owners can lodge an objection if they don't agree with their new valuation. Objections have to be lodged before June 8.

BIG RATES RISE LOOMS FOR SOME CANTERBURY HOMEOWNERS

Rates are set to rise by an average of 6 per cent in the Selwyn district on July 1 - but the increase will be more for many urban dwellers.

The average increase is larger than the expected 4.9 per cent flagged in Selwyn District Council's Long Term Plan, caused mostly by inflation and a growing population.

A new $20 targeted rate has also been proposed for an ecological enhancement project.

"When we prepared our LTP, inflation was still at low levels in New Zealand," the district council said in its draft Annual Plan.

Individual changes in rates will also be affected by the recent revaluation of properties. About one quarter of a property's rates bill is based on its capital value.

Properties with a capital value that has increased by more than the average capital value increase over three years, which was 33.7 per cent, would have a higher increase in their rate.

This is mostly urban homeowners, while many rural property owners will see a reduction in rates as their property values did not grow as much over the three years.

For example, a residential home in Rolleston with a new CV of $790,000 will have an annual rates increase of 7.5 per cent, $235, from $3115 to $3350.

At the same time, a rural property in Darfield with a new CV of $11.3 million (with water races and water units) will have a decrease of $993 from $15,019 to $14,026.

Other cost pressures alongside inflation included supply chain delays and price increases, impacts of the Russia-Ukraine conflict on fuel prices and a tight labour market. It was thus costing the district council more to maintain its current levels of service, the district council says in the draft plan.

Alongside this, the district's continuing growth was putting pressure on operations.

"We are boosting our resources in areas like building and resource consents, cybersecurity and digital technology, and infrastructure support, to meet the demands of a larger population."

Selwyn Mayor Sam Broughton said the district had responded well to ongoing growth and its economy continued to outperform most other locations in New Zealand.

"We've worked hard to limit the average rates increase, while still ensuring it delivers the essential services and facilities that our rapidly-growing district needs.

"For the most part our plans haven't altered significantly and there are no major changes of direction," Broughton said.

The plan outlines four projects, updated from the LTP. They are a change in proposal for the funding of a Hororātā community hub, closure of parts of the Upper Ellesmere Water Race, changes to water race rating across the district, and a new $20 ecological enhancement targeted rate.

The latter would support improving the district's land drainage network which provides biodiversity, ecological habitat and flood protection.

NEW RATING VALUATIONS FOR QUEENSTOWN LAKES DISTRICT

Queenstown Lakes District property owners will soon receive a Notice of Rating Valuation in the post with an updated rating value for their property.

The new rating valuations have been prepared on behalf of the Queenstown Lakes District Council by Quotable Value (QV). They show the total rateable value of the 29,895 properties within the district is now $57,090,283,000, up 50.8% from four years ago, with the land value of those properties now valued at $35,289,055,000, an increase of 66.9%.

QV's national revaluation manager Tim Gibson commented: "We have seen the biggest shift in values across the district in many years, so it's important to remember that a large increase in your rating valuation is unlikely to correlate with an equally large increase in your rates. Rating values are just one of a number of factors councils use to allocate rates, and the total amount of rates required for the district does not change because of the revaluation of the district."

He said residential properties and vacant land had been in "red-hot demand" since Queenstown Lakes District's last rating revaluation in 2017, with residential capital values increasing by 50.7% and land values increasing by 68.6% over that time. "It's primarily been driven by strong demand and low interest rates as well as a greater acceptance for remote workers with a noted increase in demand from Auckland buyers."

Residential value growth was more substantial on residential dwellings and vacant sections, with less value growth occurring in apartments and units. Other trends observed were greater value growth in luxury/high end homes, as well as investor preferences moving away from older properties towards new dwellings and townhouses.

Mr Gibson said most commercial and industrial properties had also seen a positive shift in value growth, despite the challenges faced in a COVID-19 environment. "Investors remained confident with some high profile Queenstown and WÄ�naka commercial sales in 2021 obtaining low yields that are at value levels comparative to pre-COVID periods."

The average capital value for developed commercial property increasing by 46.8% since the previous rating revaluation in 2017, and the average capital value for developed industrial property increased by 44.4% over the past four years.

"Generally speaking, the strong value increases were observed across all business locations and property types, with the value growth occurring pre-COVID, in 2018 and 2019, with value levels staying at this level over 2021," Mr Gibson added.

Meanwhile, the capital value of improved lifestyle properties increased by an average of 63% and land value by 77.5% since the district's previous 2017 revaluation.

"The lifestyle market has seen significant growth over 2021, driven predominantly by supply issues of limited stock available to the market and good demand driving the growth. This demand has also seen significant growth in secondary locations, such as HÄ�wea Flat. We have also noted some high end improved lifestyle sales over 2021, showing demand exists for this niche market," Mr Gibson added.

Rating valuations are usually carried out on all New Zealand properties every three years to help local councils set rates for the following three-year period. This rating revaluation for Queenstown Lakes District was originally scheduled to take place in 2020, but was deferred due to COVID. Council rates will be updated based on the new 2021 rating valuations from 1 July 2022. Rating valuations reflect the likely selling price of a property at the effective revaluation date, which was 1 September 2021, and do not include chattels. Any changes in the market since then, won't be included in the new rating valuations, which means a sale price achieved in the market today may be different to the new rating valuation set as at 1 September 2021.

The updated rating valuations have been independently audited by the Office of the Valuer General to ensure they meet rigorous quality standards before being certified. Rating valuations are designed to reflect the likely selling price of a property at the effective revaluation date and are not intended to be used as market valuations for raising finance with banks or as insurance valuations.

With the new rating values now released, a schedule of new values is available in hard copy from the Queenstown Lakes District Council offices, as well as QV's website at www.qv.co.nz. Sales information is also available on the QV website to allow ratepayers to research local sales and valuations.

New rating values will be posted to property owners after Wednesday, 20 April 2022. If owners do not agree with their new rating value, they have the right to object before 31 May 2022 by heading to the QV website or council's offices.

HOW DOES TAX ON NZ PROPERTY COMPARE TO OTHER COUNTRIES?

Despite an extension of the bright-line test, New Zealand's property sales are still lightly taxed compared to the rest of the world, a tax expert says.

New Zealand's tax rules around residential property sales were benign for many years, with the main home, the family bach and long-term investment properties largely exempt from tax on capital gains.

There were some exceptions to this because people buying property to trade or "flip" have always been subject to the "intention rule" and have had to pay tax on any profits.

But, unlike comparable countries such as Australia, Canada and England, New Zealand does not have a capital gains tax, and it no longer has estate taxes or stamp duties on property sales, or transfers.

Many commentators say this has generated enormous, unearned capital gains for property owners and that the easy access to wealth via property investment has been a key driver in the housing crisis.

This led the National Government to introduce the bright-line test in 2015. It was intended as an income tax on speculators flipping properties who might be avoiding the "intention rule", and applied to the profits generated by sales within two years of purchase.

After the Labour-led Government rejected the recommendation of its Tax Working Group to introduce a capital gains tax due to "a lack of mandate among New Zealanders", it extended the bright-line test to five years.

It did little to slow demand and, with the housing market in the grip of an unprecedented boom, last March the Government announced the bright-line test would be extended to 10 years.

Properties which are the owners' "main home" remain largely exempt from the bright-line test, as do inherited properties, although there are some situations where people can be caught out.

The extension of the bright-line test became law on Tuesday, and it means that while New Zealand still does not technically have a capital gains tax, it now has something very similar.

Capital gains taxes in other countries are instituted and applied in a variety of ways. Additionally, in countries such as Australia and Canada different states or provinces can have their own property taxes, or levies, and their own rules, rates and exemptions.

Deloitte tax partner Robyn Walker says each country has its own intricacies and quirks when it comes to property sale taxes, and this makes it hard to compare tax systems.

"Until you know the whole picture of the tax system it is difficult to gauge how heavily or lightly people are taxed - and, on the flipside, what level and quality of services are then received out of tax revenues."

On a federal basis, Australia has a capital gains tax, but it is not a separate tax on property. Instead, it is the tax paid on profits from selling assets, such as property, and it is part of income tax, according to the Australian Taxation Office.

If there is a capital gain, it will increase the tax a person needs to pay, which is subject to the marginal tax rate for Australian residents. But the gain is discounted by 50 per cent, and main homes are exempt from the tax. These concessions do not apply to non-residents.

Property sales in Australia are also subject to a stamp - or land transfer - duty, which is paid by the buyer. The amount of stamp duty paid depends on the state and the property price, but it usually comes to tens of thousands of dollars on top of other costs.

Land taxes also come into play, and there may be surcharges applied to vacant property. Again, these are determined at a state level. Australia does not have an inheritance tax, but a capital gains tax applies if an asset inherited from a deceased estate is sold.

Canada has a federal capital gains tax system. "Principal residences" are exempt, but for other properties 50 per cent of the gain on a sale is counted as taxable income, according to the Canada Revenue Agency.

But the tax paid can vary significantly as it is subject to marginal tax rates.

There can be land transfer taxes, and these tend to be paid by the buyer. These are generally provincial taxes, but they can also be applied by cities. Toronto has one, for example.

Much like Australia, Canada does not have an inheritance tax, but taxes on capital gains must be paid when someone dies and before the remainder is transferred to beneficiaries.

In England, the main home is exempt from capital gains tax. But on sales of other residential property, higher or additional rate taxpayers pay a rate of 28 per cent on the gain while basic rate taxpayers pay 18 per cent. This usually only applies to residents.

A stamp duty land tax is paid by property buyers in England, but in Wales there is a land transaction tax and in Scotland there is a land and buildings transaction tax. Local councils also levy taxes on residential properties.

England has an inheritance tax, which applies to residential properties. The standard rate is 40 per cent, but it is only charged on the part of a person's estate that is above the normal tax-free threshold. There are complex rules around exemptions.

John Cuthbertson, New Zealand tax leader of Chartered Accountants Australia and New Zealand, says it might look like there are fewer property taxes here compared to other countries, but if someone comes under the bright-line test that is not the case.

It taxes 100 per cent of gains at the marginal tax rate with no indexing for inflation and no rollover relief, he says. "And the gains made from the property will push most people's marginal rate up into the 39 per cent bracket. That is not being taxed lightly."

One of the downfalls of the bright-line approach compared with capital gain taxes in other countries is that there isn't any "discount" applied, Walker agrees.

"Having a discount can help alleviate the distortions caused by a capital gains tax to the extent that it is taxing income all in a single year, and to reflect that some gain may be inflation and not a true gain."

On the flipside, the bright-line expires after 10 years so property owners who wait out that time have a 0 per cent tax rate, she says. In Australia, Canada and England there are no time limits on capital gains taxes.

"New Zealand's current system produces winners and losers, and often the losers are those who have suffered a change in life circumstances, for example illness or need to move locations for any reason."

But tax expert Terry Baucher says the fact New Zealand does not have stamp duties, land taxes, or an inheritance tax means it does tax property more lightly than comparable countries.

OECD figures show that compared to Australia, Canada and the UK, New Zealand property taxes make up a much smaller percentage of GDP, with Canada and the UK's proportion almost double, he says.

"Taxing property is a hyper-sensitive issue here because people fear they could lose a lot as a result of them, and that fear effect, along with self-interest, overrides the practical implications."

Broadening the tax base with more extensive property taxes does not automatically mean people will miss out, he says.

"Instead it would bring a fairer tax system and give the government more options to better address significant issues such as health care, the rising cost of living, and the impacts of climate change."