IPTI Xtracts
Property Tax and Assessment News from Around the World

AUSTRALIA – September 2022

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QLD HITS OUT OVER NSW STANCE ON LAND TAX

Queensland Treasurer Cameron Dick says NSW Premier Dominic Perrottet is playing politics in refusing to provide data enabling land taxes to be imposed on NSW investors with Queensland property holdings.

Under the controversial land tax changes proposed by the Palaszczuk government, NSW owners of Queensland properties would pay thousands of dollars in extra charges.

Queensland is seeking data required to implement the policy, which has previously been described by NSW politicians as a blatant tax grab.

Queensland expects the change to rake in $20 million a year from 2023/24 and impact about 10,000 landholders.

Mr Dick says the NSW leader's criticism of the plan hinges on the state's upcoming election.

"Dominic Perrottet is making these statements today because he's six months out from an election, he's tanking in the polls and it's an election that he's likely to lose," he told reporters in Brisbane.

"This is a bloke who wants to put an annual land tax on every home in New South Wales forever.

"People who buy properties across multiple jurisdictions who avoid paying land tax, currently they get away with it.

"We don't think that's fair on people who invest in our state. That's why we've closed this land tax loophole and that's very important. We want our land tax system in Queensland to be fairer."

Mr Perrottet on Monday pledged to block attempts by Queensland to access relevant NSW data.

"This is a tax implemented by a state that impacts the residents of NSW," he said.

"It is wrong and we are not going to comply with it, so we are not going to provide that information."

Land ownership and land valuation data is publicly available across each Australian state.

Under the proposal, Queensland would reportedly calculate land tax according to the value of a property holder's portfolio in Australia.

The changes would apply to anyone with total property holdings across the country of more than $600,000, The Daily Telegraph reports.

Mr Perrottet said the Queensland proposal was not productivity reform, but "poor financial management" that would impact NSW residents, especially retirees, if it proceeded.

His government would also query the constitutional validity of the reform, which alters current laws in Queensland allowing tax only on property held in the state.

"This is a retrospective tax," he said.

"Some of those investors would not have been paying any tax at all because of the way they structured those investments," he said.

NSW LAND TAX PLAN TO COVER MOST HOME SALES

More than eight out of ten homes sold in NSW would qualify for a proposal allowing first home buyers to opt for an annual land tax over paying one-off stamp duty, the government says.

About 84 per cent of homes sold fall under the $1.5 million threshold for the scheme, which the government hopes to introduce by January.

It's part of the government's $2.8 billion housing package in the June budget.

"This is all about giving first home buyers the power to choose an alternative to upfront stamp duty," Treasurer Matt Kean said on Saturday.

Instead of paying stamp duty, first home buyers can opt in to paying a $400 annual fee and 0.3 per cent of the land value while it's their primary residence.

The property won't be locked into the scheme if it's sold - existing homeowners would pay stamp duty to purchase while a first home buyer would face a similar choice.

"We want to remove one of the barriers to entering the property market and help first home buyers realise the great Australian dream of home ownership sooner," Mr Kean said.

The Labor opposition says the scheme won't end with first home buyers and wants the government to wait until after the March election before introducing anything.

Labor leader Chris Minns says the government has "absolutely no mandate" to introduce the scheme two months ahead of an election.

Opposition treasury spokesman Daniel Mookhey says the scheme is a recipe for a cost of living crisis and risks blowing a hole in the budget due to lost stamp duty revenue.

"We should be having a great debate about housing affordability in NSW. We should be having it at the election where people get to have a say," he said.

Labor will have more to say about the housing policies it will take to the election "shortly", Mr Mookhey said.

QUEENSLAND URGED TO HOLD ITS NERVE IN FACE OF 'BASELESS' CAMPAIGN LINKING LAND TAX HIKE TO HOUSING CRISIS

Academics, economists and tenant groups have dismissed the claims by state opposition and real estate group

One of Queensland's leading homelessness advocates has accused the real estate lobby of hijacking efforts to address the state's housing crisis, by using the issue to prosecute a campaign against land tax increases for interstate landlords.

The comments by Micah Projects chief executive, Karyn Walsh, come as multiple experts say there is "no basis" or evidence to support the real estate sector's claims that rents would rise in Queensland due to the changes.

The Queensland government will hold an affordable housing summit next month, amid growing concern in the state about homelessness and a severe lack of secure housing.

At the same time, real estate agents, industry groups and some media outlets have begun to lobby against state government changes to land tax rules, which will affect only landlords who own multiple investment properties in different states.

The Real Estate Industry of Queensland and the state opposition – which has called the move a "renters tax" – are campaigning against the changes, arguing they would lead to landlords hiking rents, and ultimately exacerbate the rental crisis. The Courier Mail editorialised on Tuesday demanding the premier dump the policy.

Guardian Australia spoke to more than a dozen housing academics, economists, tenant groups and social service organisations this week: each said there is no evidence the changes would have a detrimental effect on the housing market, or cause rents to increase.

Rents were largely set by demand, not landlord costs, they said.

Walsh, who was named a "Queensland Great" last year, said the real estate lobby and others were "misusing the purpose of the housing summit" to lobby against the land tax rule changes.

"It's not the intention of the summit (to discuss investor concerns about land tax) and it's everyone's responsibility to focus on the intention," Walsh said.

"Poverty and inequality is a real concern to many Australians and we have to find solutions that are not just representing vested interests.

"We shouldn't be diverting our focus to other issues."

The chief executive of Tenants Queensland, Penny Carr, said rents had gone up consistently in recent years in line with low vacancy rates.

"We don't think that as a general rule landlord costs set rents. We didn't see rents fall when interest rates were down," Carr said.

"There are some pretty big vested interests in some of the arguments around land tax. Sometimes governments have got to be brave and hold their nerve."

Under the proposed land tax changes, interstate property holdings will be taken into account when determining whether an investor meets the threshold for land tax concessions. Some investors will have to pay marginally higher land tax rates on their Queensland properties as a result.

The Courier-Mail on Tuesday cited figures which showed an investor with a hypothetical $7m property portfolio – $4m in Queensland and $3m elsewhere – would pay an additional $5,714 a year in land tax under the rule changes.

John Quiggin, an economist at the University of Queensland, said the arguments being pushed by the real estate sector that rents would subsequently rise were "baseless in economics" and "captive of interstate interests".

Managing director of the Australian Housing and Urban Research Institute, Michael Fotheringham, attended the government's housing roundtable last week. He said property "remains an incredibly lucrative investment vehicle".

"Tax settings in this country … are favourable to investors ahead of owner occupiers, including first homebuyers," he said. "We've tinkered with first-homeowner grants to try to level the playing field, but the reality is that the playing field still favours investors.

"We're not going to fix things by keeping things the same."

Hal Pawson from the City Futures Research Centre at the University of NSW said claims that the tax changes would create problems in the rental market were "flaky".

"This is really weaponising something that affects a very small percentage of the rental property in Queensland.

"Rents are set by the market. It's a rather simple supply and demand question that sets rents. The claim that landlords will have to put their rent up, or will be able to, is a mistake."

Antony Asher, from the University of NSW business school, said OECD figures showed that in Australia, 90% of the growth in value in property over the past 70 years had been an increase in land value.

“What a land tax does is bring the price down,” he said. “It’s good for housing. It’s a positive all round. And because you’re taxing investors, it’s not tough on the poor.”

Thinktanks the Australia Institute and the Grattan Institute have also made similar comments dismissing claims that the changes would affect the rental market.

In response to criticisms, the Real Estate Industry of Queensland CEO, Antonia Mercorella, said experts would always have “opposing views” about reforms.

“If all stakeholders at the housing summit want to get serious about raising solutions to address the rental crisis, you simply can’t have that conversation without acknowledging the critical role that private investors play in housing Queenslanders,” Mercorella said.

“We’re all working towards the same objective at the housing summit – to house our community, and to do that we need to recognise the economic realities of the situation and acknowledge that taxation and regulatory settings matter to investors.

“Taking an ‘us v them’ approach is not helpful and is becoming dangerous, because it’s the most vulnerable in our community who stand to lose the most.”

SLAPPING A VACANCY TAX ON EMPTY RENTALS WOULD HAVE MINIMAL IMPACT ON MARKET: HOUSING ADVOCATES

Imposing a vacancy tax on investors whose homes are sitting empty in the Territory would not have a great effect on housing and rental affordability, housing advocacy groups have said.

Both ACT Shelter and Greater Canberra are concerned there just aren’t enough ”rentable” vacant homes in the Territory and say the Government would do better to focus its public sector resources, time and taxpayer money elsewhere.

An ACT Legislative Assembly inquiry into rental and housing affordability in the Territory is considering a proposal from ACT Greens crossbencher Johnathan Davis for a vacancy tax that would be slapped on landlords – both commercial and residential – with properties sitting empty.

Mr Davis suggested the tax would operate as an incentive for landlords to bring tenants in.

But Greater Canberra would instead like the Government to focus its efforts in the space on planning law reform so more homes can be built in existing suburbs with ease.

Group convenor Howard Maclean acknowledged this would not be free, but it would be a cheaper and better use of the Government's finite public service resources than imposing a new tax.

Mr Maclean told the committee's first public hearing on Friday (16 September) that while the group provided in-principle support for the idea of a vacancy tax, it wasn't convinced that was the most effective policy lever the Territory had at its disposal.

The residential rental vacancy rate was 1 per cent in Canberra earlier this month, according to Domain.

"An additional tax on off-market vacancies would be a good tax but its impact would likely be modest," Mr Maclean said.

"There simply aren't that many habitable, well-located homes that are kept off-market at the moment."

Mr Maclean said the Territory's rental woes were largely being driven by a scarcity of homes in areas people wanted to live and he was "realistic" about what kind of an impact a vacancy tax would have on the market.

He also questioned whether changing the tax system would be the best use of government resources if it would only lead to a couple of hundred homes coming onto the market.

"We do think a vacancy tax would increase the number of homes coming onto the market, we're just not sure the quantum would be [very big]."

Data collected by Icon Water for the ACT Government's submission to the inquiry showed about 2400 homes could have been empty between March 2021 and February 2022.

That was measured by identifying sites where water usage was equal to or less than 50 litres a day. But it could not include units or apartments, nor whether a dwelling was actually habitable.

Mr Maclean said even this could be overstating the number of empty homes in the Territory, noting properties would often sit vacant for complex reasons.

"If somebody owns a home that is fit to be rented out … there isn't a better market for landlords right now," he said.

"One of the [most common reasons] may be the resident is very elderly or recently deceased and the estate is in the process of disposing of the home."

He further noted any landlord with a property sitting vacant was being charged a tax "implicitly" – because they were paying land tax and general rates on it.

The Government's submission confirmed it did not currently see vacant residential homes as a significant issue for Canberra, simply because they only represent 1.9 per cent of dwellings.

Its submission also noted it would cost the Government both time and resources to manage the new tax, which it estimated would be about $20,000 a year.

ACT Shelter, another housing advocacy group, also noted the impact of a vacancy tax was likely to be "modest". Like Greater Canberra, the group did not oppose the introduction of a vacancy tax in and of itself.

Research and policy coordinator Deb Pippen said supply was the big issue and vacant stock was only a small part of the housing affordability problem.

A vacancy tax is imposed by the Federal Government on foreign investors who leave their properties empty. The ACT Government also imposes a foreign ownership land tax surcharge of 0.75 per cent of the average unimproved value per year.

VICTORIA URGED TO ADOPT NSW-STYLE LAND TAX

Victoria's major parties are being urged to follow NSW and swap stamp duty for a land tax system.

The Victorian Chamber of Commerce and Industry released its 2022 state election policy platform on Wednesday, 73 days before voters head to the polls.

Its 61 recommendations include that Victoria replaces stamp duty with a broad-based land tax system, ahead of a planned tweak in NSW from next year.

From January, first home buyers in NSW will be able to choose between paying stamp duty once or opting into an annual tax on properties up to $1.5 million.

The properties would not be locked into the tax if sold.

It was a good first step and Victoria should watch the NSW system and move to adopt a similar model, VCCI chief executive Paul Guerra said.

"We don't have to be the first. We just have to be the best," he told reporters.

Replacing stamp duty would facilitate greater labour mobility and make first homebuyers less reticent to sell their houses within a few years of paying a large one-off sum, Mr Guerra said.

Increasing Victoria's payroll tax threshold from $700,000 to $1.2 million to match NSW would also deter businesses from moving across the Murray River.

"We've got to be at least as competitive as NSW," Mr Guerra said.

Victoria's metropolitan payroll tax rate of 4.85 per cent is lower than NSW's statewide figure, which reverted from 4.85 to 5.45 per cent from July 1.

It drops to 1.21 per cent for businesses in regional Victoria, with VCCI keen for it to be waived altogether.

VCCI'S OTHER MAJOR ELECTION PLATFORM POLICY RECOMMENDATIONS:

* An "agriculture passport" to allow seasonal employees to work across growers and farms instead of being restricted to one employer

* A housing development scheme for regional Victoria

* A 10-year experience economy strategy focusing on tourism and events

* A 10-year manufacturing strategy to boost production in existing and emerging industries

* A zero youth unemployment goal by 2026

QUEENSLAND TAX ‘GRAB’ WILL REDUCE HOUSE PRICES AND INCREASE RENTS

A shock tax increase on Queensland property investors will reduce home values and increase rents, following the state government’s latest money “grab”, according to economists.

The announced property tax rise, combined with interest rate rises, already appears to be having a negative impact on the housing market, with Brisbane suffering the lowest auction clearance rate of 53.3 per cent out of the capital cities on the weekend.

Brisbane house values slumped by 1.8 per cent in August, the biggest monthly decline since the early 1980s, the CoreLogic home value index shows.

The property industry is worried the "double taxation" by Queensland could be copied by other states and drive away more investors.

The state Labor government is raising property tax on investors who also own land interstate, in addition to a multi-billion dollar increase in coal royalties and a "mental heath levy" on the payrolls of big employers.

Brisbane-based Adept Economics director and former federal Treasury official Gene Tunny said the land tax change was a blatant "revenue grab" by the Queensland government to try to repair its debt-laden budget.

"This is real anti-business and I think they've given up on wanting to keep the business community happy in Queensland," he said.

"It's all part of trying to sneak in some operating budget surpluses towards the end of the four-year forward estimates."

Queensland passed a new tax law on June 24 that allows the government to use the total value of the investor's land holdings, including interstate, in calculating land tax.

The new law will have no impact on investors who own land in Queensland only, however, those who own investment properties elsewhere in Australia will pay more tax in the state.

An individual who owns $745,000 worth of land in Queensland and $1,565,000 of land in Victoria will see their annual land tax bill increase from $1950 to $8422 as a result of the new laws, according to a case study provided by the Queensland government.

The changes will apply from June next year.

University of NSW economics professor Richard Holden said the changes looked like a "money grab" and amounted to double taxation.

Professor Holden said the move would bump people into higher land tax thresholds in Queensland when they were already paying land tax in other states.

"If you want it to be pure about it, and not have double taxation, you'd say ... you can credit [land tax paid in other states] towards whatever your land tax obligation is in Queensland for the property in question. But by my reading of it is that that's not what's being proposed."

While economists tend to favour land taxes, Professor Holden said this was because they were viewed as an efficient way to replace to stamp duty.

"This is not doing that. This is just increasing [land tax]," he said.

Falling prices, less supply

Professor Holden said the changes had "obvious" second-round consequences, including falling prices – which will affect local homeowners – and less supply of new dwellings.

"Even if one wanted to take a one-eyed, 'I only care about Queensland' view of the world, it could be bad for them as well," Professor Holden said.

While lower prices would lure in additional first-home buyers, Professor Holden said it was a "peculiar" way to try to improve affordability.

"To do something which could crater the interstate investment market in order to lower prices so that existing owners are worse off to try and make it easier for first home buyers, it's a pretty odd way to try and increase housing affordability."

Nerida Conisbee, chief economist at real estate agent Ray White, said the tax rise would reduce investment in new housing supply and increase rents.

"It does lead to problems for investors being able to provide affordable rentals to people," she said.

Rents had already increased 18 per cent in Brisbane and 20 per cent in regional Queensland over the past 12 months according to Corelogic, Ms Conisbee said.

Because states cannot levy income taxes and are heavily dependent on the GST, Professor Holden said they were reliant on a handful of "questionable taxes" to raise the revenue needed to pay for services.

"We need a fresh round of reform, to do many things, but one of the things would be to allow states to generate more revenue from efficient taxes like the GST, and then not be looking for workarounds," he said.

A spokesman for Queensland Treasurer Cameron Dick said the "sensible" tax changes closed a loophole.

"Currently, interstate investors who own properties across several states can access the tax-free and progressive rate thresholds multiple times, depending how many states they own property in," he said.

"This sensible, prudent reform means interstate investors get treated the same as Queensland investors, wherever they live and wherever they own property."

‘Unique and illogical’ laws

Real Estate Institute of Queensland chief executive Antonia Mercorella said on Monday the new laws were both “unique” and “illogical”.

“There’s no other state or territory that charges state land tax based on the value of properties held across Australia and outside the jurisdiction where the tax is collected. It’s unprecedented and unheard of for a reason,” Ms Mercorella said.

“This will likely send commercial rents through the roof, and given this tax is only triggered by Queensland property holdings, it sends the message to businesses to shut down shop and set up elsewhere to get the monkey off their back.”

TAX LETTERS TO ARRIVE BY THE THOUSANDS AS BRISBANE LAND VALUES JUMP

Thousands of homeowners across Brisbane will receive land tax bills for the first time in coming months, with Queensland Treasury expecting to double the number mailed out across the state last financial year.

Property prices have started falling, but median residential land values in the Brisbane council region, as set by the state’s Valuer-General, have soared 25 per cent to $580,000 since they were last issued in 2020.

Landowners across the state with portfolios worth more than $600,000 are liable for land tax, and are sent letters by the state revenue office from August outlining the amount owed.

A Queensland Treasury spokesperson told Brisbane Times landowners started seeing the letters in the past two weeks, with about 23,000 expected to be sent. Last financial year, the figure was 10,291.

Exemptions exist, such as land on which a person’s usual residence sits, but are not automatic and require approval by the revenue office.

The Queensland state government is urging local councils to do more about the housing crisis, as industry leaders are calling for a housing summit.

“In line with previous years, approximately 60 per cent of individual landowners receiving a first-time-tax-payer letter this year are expected to be granted a principal place of residence exemption,” the spokesperson said.

"When we identify that land value has reached the $600,000 threshold for the first time, we send a letter that provides information on land tax, available exemptions and how to apply. We also send SMS and email reminders to help them understand what they need to do and the support available."

The Valuer-General's Brisbane region data shows the median land value in 34 more of the city's 180 suburbs has equalled or surpassed the threshhold — with several jumping from below $500,000.

The overview document states that the "most significant movements" had occurred in areas where land was previously valued below $350,000, largely in outer-ring suburbs 10 to 20 kilometres from the CBD, with lesser rises the closer the property was to the city.

"The increases in the residential market have had the effect of blurring the line of what has been traditionally classed as inner and middle ring suburbs, particularly where land values are concerned," it noted.

The lowest of the five individual land tax bands, for land valued at up to $1 million, is calculated at $500 plus one cent for every $1 above the threshold.

The government's own website provides an example of land valued at $680,000, resulting in an annual tax bill of $1300. Absentee owners, companies, trusts and foreign investors are taxed at a higher rate.

State land tax assessments consider all land owned by an individual or other entity in Queensland. However, from June next year, the state government will use the total value of all Australian land.

Budget documents show the state's land tax revenue is tipped to jump from $1.6 to almost $1.8 billion this financial year, before passing $2 billion in 2023-24.

While sparking outrage from property groups and the state opposition as a "tax grab" likely to lead to investors selling up or passing the costs to tenants, others have said stopping the "distortion" of tax concessions could help level the playing field with first-home buyers.

Speaking on Wednesday, Treasurer Cameron Dick said he was unaware of any opposition from revenue offices in other jurisdictions — which some experts have suggested could make the same move — towards implementing the change.

"It's a well-promoted tax avoidance scheme to buy property in different jurisdictions, thereby avoiding the land tax threshold," Dick said.

Rising interest rates and rents, along with a dearth of new social housing builds, have driven calls for governments to consider fresh approaches to housing. The Queensland government has announced it would hold a summit with key stakeholders next month.

QLD NEEDS TO REPEAL ITS LAND TAX BEFORE RENTAL MARKET IMPLODES

Calls to repeal new tax

The state of Queensland needs to repeal its land tax before the rental market is plunged into a deep state of crisis, according to Pete Wargent, co-founder of Australia's first national network of buyer's agents, BuyersBuyers.

Mr Wargent said, "when the new land tax rules come into effect next year, many commercial and residential landlords will be forced to either increase rents or sell their properties, exacerbating an already chronic shortage of rental properties, particularly in the south-east corner of the state."

"The new tax legislation is both illogical and very unusual, and this unprecedented legislative reform runs contrary to the usual principles of taxation, penalising investors who own properties in other jurisdictions unnecessarily."

"The problem with such a double tax 'grab' is that although in the first instance it appears to raise funding for infrastructure in Queensland, there will inevitably be unintended consequences, which hurt not only landowners and landlords, but in turn also companies and small businesses."

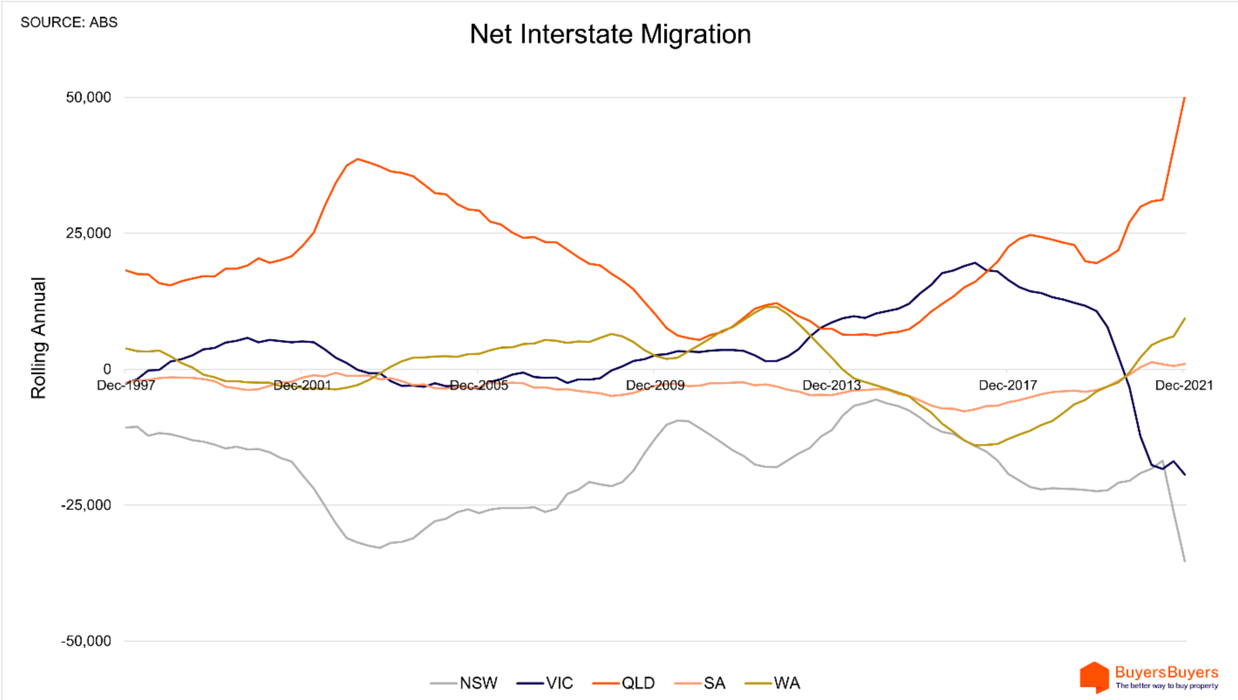
"And the biggest pain of all will fall onto renters. After all, landlords can always choose to sell up and invest in another state or territory. Renters don't have that luxury, and there will be catastrophic shortage of available rentals if Queensland experiences a net decline in the number of landlords in the current market conditions. Rents will skyrocket, both for commercial and residential leases" Mr Wargent said.

Population surge

BuyersBuyers CEO Doron Peleg said that Queensland was in the unusual situation of having not experienced a significant decline in its population growth through the pandemic.

Mr Peleg said, "while Sydney and Melbourne saw population growth slowing to a relative crawl, south-east Queensland benefited from a record high surge of interstate migration to the Sunshine State."

Figure 1 – Net interstate migration



"In particular, the Sunshine Coast, Greater Brisbane, and the Gold Coast have all been tremendous beneficiaries of the increase in flexible and remote working arrangements, with interstate migrants attracted by the combination of relative affordability, climate, and lifestyle."

"Queensland's population actually increased by a very strong 73,700 or 1.4 per cent in 2021, despite the closed international borders".

"Unfortunately as the borders now reopen such a policy to reduce the number of rental properties available is going to result in a rental market meltdown, with disastrous consequences for young families and other renters" Mr Peleg said.

Forced rental sales

BuyersBuyers co-founder Pete Wargent said that some of the firm's clients had already advised that they plan to sell properties in Queensland next year when the proposed land tax comes into play.

Mr Wargent said, "in some cases investors own just a single rental unit in Queensland, but because of the extraordinary way in which the land tax is set to be levied they face enormous increases in taxation due to owning property in the southern states."

"The Queensland government provides an example of an investor owning one property in Queensland with a taxable land value of $745,000, and taxable land value interstate of $1,565,000, and in this instance the land tax increases by more than 330 per cent from $1,950 to $8,422. And bear in mind that this is a single cherry-picked example – in reality for many landlords currently under the land tax thresholds will suddenly be slugged with very large tax bills, leaving them no option but to sell."

"It's not entirely clear how the state of Queensland plans to enforce the tax given the lack of access to the records of other states, but in this instance they will have no realistic choice but to sell."

"Unfortunately, going forward there will be fewer new investors in the state too, because the prospect of paying more tax than in other states makes Queensland a relatively less attractive proposition."

"Historically, Census data has shown that Queensland is consistently the only state in Australia with a high proportion of the rental stock owned by residents of other states, but this balance will now inevitably shift unless there is a change in thinking."

"Realistically the state needs a rethink and must repeal the new land tax before the rental crisis becomes an absolute fiasco." Mr Wargent said.

PREPARE YOUR OBJECTIONS NOW, VALUER-GENERAL TELLS HOMEOWNERS

NSW Valuer-General David Parker has warned that falling market prices will leave home owners with overstated land values when their next assessment notices come out early next year, advising people to start collecting data of local sale prices now to challenge valuations within the allowed window.

Notices mailed out between January and April next year for some 2.1-million residential properties will form the basis for land tax payments next year as well as local rates for the next three years and owners will only have a 60-day window to challenge their valuation.

The assessments will reflect values recorded on 1 July this year – after CoreLogic figures show Sydney homes had already shed 2.8 per cent in value since March and Melbourne 1.8 per cent – but values were still likely to come in 20-30 per cent higher than their last valuations, Mr Parker said.

Based on his office's experience of an "avalanche" of objections in a falling market Mr Parker, who started in the role in January 2020, warned that "memories fade between July and December," and said he wanted people to be able to accurately challenge valuation notices.

“If you’re going to object to your land value, under this valuer-general’s approach, rather than just saying ‘My valuation is too high’, you need to tell me what you think it should be and why,” he told The Australian Financial Review on Monday.

“The way it’s usually done is to say ‘The house next door sold on 1 July for a smaller number than you valued my land, therefore that looks odd’.”

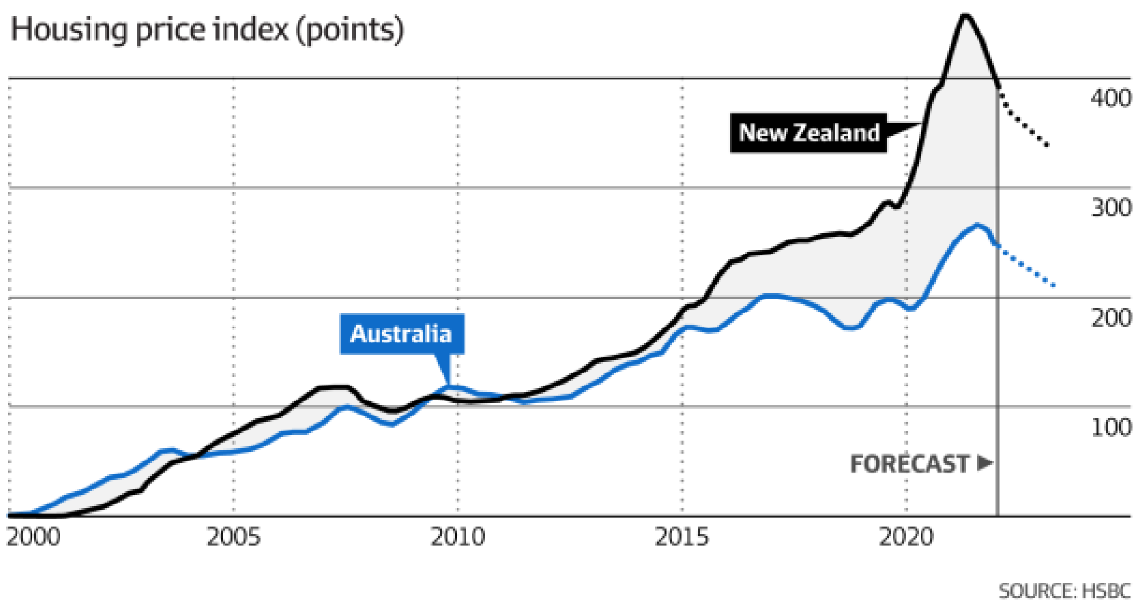
Higher land value assessments will raise the land tax bills NSW investors pay. Owner-occupiers do not pay land tax on their primary residence, but they and investors pay local rates. They will be issued at a time when borrowing costs are already rising and inflationary pressures are increasingly squeezing households.

The falling housing market is likely to face further headwinds on Tuesday with the Reserve Bank of Australia expected to raise the benchmark lending rate a further half of a percentage point to 2.35 per cent – up 2.25 percentage points from their rock-bottom 0.1 per cent as recently as April.

This is unlikely to be the last increase, with HSBC chief economist Paul Bloxham predicting a total 300-basis-point increase in the cash rate before the central bank feels it has pulled inflation back under control.

Australia’s housing price hangover will be less severe than New Zealand’s - where values rose more than here – but over the six months to December alone, prices are likely to decline 7 per cent nationally, with Sydney and Melbourne experiencing bigger falls – Mr Bloxham said.

“Our housing price model suggests that 300 basis points of hikes would typically knock nominal housing prices down by 15-20 per cent, and our central forecast is that prices fall by around 15 per cent from the mid-2022 peak to end-2023,” he said.



Across the NSW capital, residential properties in the “western arc” – an area stretching across south-western Sydney, western Sydney and north-western Sydney – would account for up to two-thirds of the 2.1-million valuation notices and were in areas more likely to experience mortgage stress and “significant” price falls, Mr Parker said.

Rising rates will trigger payment stress for some borrowers. HSBC’s Mr Bloxham said the RBA’s analysis showed that a 300-basis-point increase in rates would trigger a rise of more than 40 per cent in the mortgage repayments of about 30 per cent of borrowers.

“These are the borrowers to worry about and also the ones whose consumer spending should be expected to slow the most, thereby cooling inflation,” he said.

”We expect the monetary tightening and falling housing prices, along with the end of the drawdown of pandemic-related excess household savings, to see growth in consumer spending slow. This is set to deliver an economic slowdown and, along with other global factors, take some of the momentum out of inflation.”

The valuer-general, an independent statutory position appointed by parliament, declined to say how much he thought prices would decline before the notices were posted out.

Mr Parker said he had only ever had one property owner ask to have the value of their residential site increased.

“I had one only a few weeks ago,” he said.

“That’s going to hurt”. Sydney-based investor Victor Kumar said his land tax will rise threefold when new regulations come into effect.

“I’m not sure why the particular gentleman did that. He came back and said ‘There was a rezoning and the value should be higher. Please revalue the property’. We were a bit surprised.”

It was far more usual for owners to ask to have their valuations lowered and to do this, they needed to be collecting sales data now, Mr Parker said.

“We’re saying start collecting your information for an objection now, just in case you might need it,” he said.