



NSW Legislative Assembly Hansard

Land Tax Management Amendment (Tax Threshold) Bill

Extract from NSW Legislative Assembly Hansard and Papers Tuesday 28 February 2006.

Second Reading

Mr JOHN WATKINS (Ryde—Deputy Premier, and Minister for Transport) [7.38 p.m.]: I move:

That this bill be now read a second time.

The purpose of the bill is to implement the Government announcement in January that the land tax threshold for the 2006 land tax year would be increased from \$330,000 to \$352,000. This measure will make land tax fairer and simpler, and exempt thousands of mum and dad property investors from paying land tax this year. Increasing the threshold provides a \$53 million tax cut for New South Wales' taxpayers and means that an additional 12,700 investment property owners will not pay any land tax this year. This brings the number of investment property owners who paid land tax last year, but who will not pay anything this year, to 390,000.

The 6.7 per cent increase in the tax-free threshold matches the average increase in the value of land subject to land tax, as determined by the independent Valuer General. The \$330,000 threshold initially set for the 2006 land tax year was based on no increase in land values. Because values have been assessed by the Valuer General to have increased, the Government has responded quickly to adjust the threshold. This Government believes in sensible taxation along with providing essential services which, as we all know, would be slashed if the Coalition was ever to win government in New South Wales. These taxes fund health care, social security, welfare services, transport, education, and public order and safety. Over the past five years the growth in expenditure across these areas alone has exceeded \$9 billion.

In the 2005-06 budget, the Government announced a fairer and simpler land tax system. This system reinstated a single land tax rate of \$100 plus 1.7 per cent of the land value above the threshold.

For example, if a liable property has a land value of \$400,000, the tax payable would be 1.7 per cent on the \$48,000 above the \$352,000 threshold, plus \$100. In this instance the tax paid would be \$916, a reduction of \$684 on the previous system. The new single rate replaces the previous three-tiered tax scale that applied in the 2005 land tax year. As a result of the Government's actions New South Wales remains more than competitive compared to other jurisdictions. New South Wales now has the second highest tax-free threshold in the country, dwarfing those of Victoria at \$200,000, Western Australia at \$130,000 and South Australia at \$110,000. New South Wales also has one of the lowest top marginal land tax rates in the country, well below States such as Western Australia and Tasmania at 2.5 per cent, Victoria at 3.5 per cent and South Australia at 3.7 per cent.

Principal places of residence and land used for primary production will remain exempt from land tax. These two exemptions are the most well known but it may interest the House to learn that many other groups are granted land tax exemptions in New South Wales, including the following: boarding houses for low-income persons; retirement villages; child care centres; friendly societies; sporting clubs; community land development; non-profit societies, clubs and associations; charitable and educational institutions; and public gardens, recreation grounds and reserves. In addition, property owners will still have the option of gaining a 1.5 per cent concession on their land tax bill should they decide to pay the total amount owed by the due date, rather than in three instalments over a longer period of time.

The reforming of the land tax system, including the increase in the tax-free threshold, is another example of the lemma Government's determination to keep the New South Wales economy strong. Combined with the abolition of the vendor duty, the 5 per cent cut in workers compensation premiums and, most recently, a \$90 million payroll tax package for businesses setting up in employment priority zones, the increase in the tax-free threshold is more evidence of the lemma Government's commitment to a vital New South Wales economy that is open for business.

The payroll tax measure was but one of a range of measures announced by the Premier on Thursday 23 February. Other initiatives include a four-year \$2.5 billion public sector savings plan, building on \$395 million in savings in IT and property outlined in last December's budget review; a \$13 million boost to increase the ability of the Department of State and Regional Development to drive investment and job creation in New South Wales, and major reforms that will streamline the State's planning system, ensuring the economy remains competitive. This will cut zoning bottlenecks and delays and in so doing slash red tape for major developments. The bill is another sensible taxation initiative from a Government committed to further strengthening the NSW economy. I commend the bill to the House.