



## NSW Legislative Council Hansard (Proof) Land Tax Management Amendment (Tax Threshold) Bill

Extract from NSW Legislative Council Hansard and Papers Wednesday 29 March 2006 (Proof).

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### Second Reading

**The Hon. HENRY TSANG** (Parliamentary Secretary) [5.55 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

#### Leave granted.

The purpose of this Bill is to implement the Government's announcement in January that the land tax threshold for the 2006 land tax year would be increased from 330,000 to 352,000 dollars.

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 NSW taxpayers and means that an additional 12,700 investment property owners won't pay any land tax this year.

This brings the number of investment property owners who paid land tax last year, but won't pay anything this year, to three hundred and ninety thousand.

The increase in the tax-free threshold of 6.7% matches the average increase in the value of land subject to land tax as determined by the independent Valuer General.

The 330,000 dollar threshold, initially set for the 2006 land tax year, was based on no increases in land values. Because values have been assessed to have increased by the Valuer General... 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 opposition was ever to win government in New South Wales.

State revenue is used to fund healthcare, social security and welfare services, transport, education, public order and security.

Over the last 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 percent 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 percent on the \$48,000 above the new \$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 percent, Victoria at 3.5 percent and South Australia at 3.7 percent.

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 hear 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
- Public gardens... recreation grounds and reserves

In addition, property owners will still have the option of gaining a 1.5% 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.

Reforming the land tax system, including the increase in the tax-free threshold, is another example of this Government's determination to keep the New South Wales economy strong.

Combined with the abolition of the vendor duty, the 5% 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 this Government's commitment to a strong New South Wales economy that is open for business.

The payroll tax measure was only one of a range of measures announced by the Premier on Thursday 23rd 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 the Department of State and Regional Development to drive investment and job creation in NSW, and
- Major reforms that will streamline the state's planning system...ensuring the economy remains competitive. This will cut zoning bottlenecks and delays, slashing red tape for major developments.

This Bill is another sensible taxation initiative from a government committed to sound financial management and a strong New South Wales economy.

I commend the Bill to the House.