Submission
No 15

INQUIRY INTO LAND VALUATION SYSTEM

Name: Name Suppressed

Date Received: 13/02/2013

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Submission to the Inquiry into the Land Valuation System,

Joint Standing Committee on the Office of the Valuer General

Parliament of New South Wales

From

Dear Committee Chair,

Re: **Land tax payable on properties** **Dee Why**

Previously known as **Dee Why**

We wish to comment on the dire effects that Section 6A (2) of the Valuation of Land has had on our retirement income.

As medical practitioners who entered practice in 1974, we had no access whatsoever to the taxation benefits of superannuation nor did we have an employer to fund our superannuation. We therefore decided to follow the avenue of investment in residential real estate to provide income in our retirement 40 years in the future. Superannuation was not then available to the self-employed. We have not used the technique of "negative gearing" to avoid tax.

Between 1975 and 1980 we acquired the three properties Dee Why to form the backbone of our retirement income. However, by 1990 land tax consumed almost all of our net income from the rental of these three properties, leaving us with a return of about 0.2%! We had no choice but to act.

At that time it was permissible to build dual occupancy dwellings on a suburban block and then achieve separate titles. Hearing about the "5 year land tax holiday" for newly constructed rental accommodation introduced by Ms Clover Moore MP, we constructed 6 children-friendly town houses on the three blocks and obtained separate titles.

After the "5 year land tax holiday", our land tax on these properties was around $20,000 pa but quickly jumped to $50,000 and is now $70,000 pa. Our other outgoings on these properties are $57,000 pa.

After the rise in land tax to $50,000, we arranged an objection to the valuation through a valuer. The valuer was told by the Valuer General that Section 6A (2) of the Valuation of Land permitted our properties to be valued on "***current use***" when "***current use***" is a higher use than the permitted use.

Everyone understands that land is valued on the highest permitted use for that land and that if the land use is not the highest permitted, the land valuation and tax are not reduced. However, if land value is not reduced when land use is less than the highest permitted use, it is palpably unjust that land value and tax can be increased when the current use is above the "***highest permitted use***".

This is a "***Heads I win, Tails you lose***" situation that grates with the Australian concept of fairness.

We ask that your committee recommend that Section 6A (2) of the Valuation of Land Act be changed to prevent land valuation to be based on "***current use***" when "***current use***" is a higher use than the "***highest permitted use***", in the interests of fairness.

Yours sincerely,