

Palladium property Insights

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Welcome to our current insights on key factors that impact the property and development in NSW.

NSW Property Tax reforms

The NSW Government has proposed a new Property Tax reform to help the people of NSW achieve their dream of home ownership, particularly young generations, and to grow the NSW economy. According to The Commonwealth Productivity Commission^[1], 25% of the households were unlikely to move soon as they cannot afford the costs associated with moving. This situation binds the homeowners into properties that does not suit their lifestyle.

The NSW Government is considering a once in a generation change of giving buyers a choice between paying the stamp duty (and any existing land tax, where applicable) upfront or a smaller annual property tax. Tax reform would enable more mobility and property transactions. It is estimated to increase the property transactions by 50 percent in the long run^[1].

Economic recovery from the COVID-19 Crisis

The proposed tax reform would bring \$11 billion back into the economy over the first four years and help the economy to recover from the COVID-19 crisis. It is expected to expand the NSW economy by 1.7 per cent or more than \$10 billion additional annual income for residents of NSW. This would increase the NSW economy and potentially would provide an additional 75,000 jobs in the market^[1].

How would the proposed NSW property tax reform impact us?

First home buyers: The key part of reform is a focus on first home buyers. The proposed NSW property tax reform will help the first home buyers to enter the housing market much earlier than before. The proposal gives eligible first home buyers with an access to a \$25000 grant and the choice to pay a once off stamp duty or an annual property tax^[2]. This would lower the upfront cost of home purchases for all first home buyers.

Buying the next home: This proposal gives the home buyer options that suits their lifestyle and plans by potentially saving money and having greater flexibility.

Residential investors: The tax reform would provide the residential investors a choice to pay stamp duty and land tax or an annual property tax when purchasing an investment property. However, the rate of property tax would be higher than the owner occupier properties^[3].The

amount of tax would be based on the individual property and not the aggregate landholdings, unless the investment portfolio is large enough to make the investor liable for a portfolio surcharge.

Commercial investors: The proposal includes the commercial investors by giving them the option to pay stamp duty and land tax, or an annual property tax. However, the annual tax would be higher than the residential investors^[4]. The proposal gives the business owners an opportunity to grow their business with the freedom to move and expand more frequently. They could also benefit from higher income tax deductions.

In Summary

Mooted to be gazetted in Quarter 4 2021, this NSW Government legislation will stimulate significant residential and non-residential property transactions as homeowners and business property owners commit to the option of paying stamp duty and land tax, or an annual property tax for the lifetime of the asset.

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We identify optimum solutions and deliver tangible benefits for our clients through analysed research, independent advice, diligent and rigorous project management, ensuring the maximum return on our client's time, investment funds and property development projects.

Our client base comprises local and foreign high net worth individuals and family offices, private investment trusts, global banking institutions and the NSW Government.

Contact

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Reference:

[1] "NSW Property Tax Proposal," June 2021. [Online]. Available: <https://www.nsw.gov.au/sites/default/files/2021-06/property-tax-progress-paper-june-2021.pdf>.

[2] "NSW Government," June 2021. [Online]. Available: <https://www.nsw.gov.au/initiative/property-tax-reform/what-this-could-mean-for-you/i-am-planning-to-buy-my-first-home>.

[3] "NSW Government," June 2021. [Online]. Available: <https://www.nsw.gov.au/initiative/property-tax-reform/what-this-could-mean-for-you/i-am-planning-to-buy-a-residential-investment-property>.

[4] "NSW Government," June 2021. [Online]. Available: <https://www.nsw.gov.au/initiative/property-tax-reform/what-this-could-mean>.

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