

Media Release



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LAND TAX CONCESSION WELCOMED - BUT MORE RELIEF NEEDED

The Urban Development Institute of Australia (UDIA) (WA) has welcomed the reintroduction of the Land Tax Concession and the cap on annual land valuations outlined in the State Budget – however there is more scope for relief according to the group.

“As the Treasurer has noted - the Land Tax Concession will help to ensure smooth land supply throughout the year,” UDIA CEO Debra Goostrey said.

Land Tax has been a barrier to land supply because developers manage their lot production to limit their tax liability.

“The tax was charged on the value of titled lots held at June 30 and this has now changed to the ‘englobo’ or ‘unimproved’ value of that land instead,” Ms Goostrey said.

“Previously there has been a supply spike in April/ May as developers try to shed titled lots and then a lag in June during tax time,” Ms Goostrey said. “Hopefully this situation will be avoided in the future due to the concession.”

“In terms of the 50% cap on growth in land values – this will help minimise dramatic increases in land tax from year to year.”

“There have been significant increases in the value of land over the past few years, and this has hit land owners hard when it comes to tax time,” Ms Goostrey said.

“Now that the valuations for land tax purposes will be capped at 50%, we should see some relief in that sector.”

However the land tax scales also need to be reviewed according to UDIA.

Currently, the land tax scales increase at an exponential rate, with the higher the value of land you hold, the higher tax bracket you fall into.

“The current percent in the dollar paid on land valued at the higher end is a barrier to investment,” Ms Goostrey said.

“For example, based on 08/09 rates, if you own land to the value of \$5.5M or more, you will be taxed 1.46c for each dollar in excess of that \$5.5M. If you own land to the value of \$11M or more, you will be taxed 2.16c for each dollar in excess of \$11M,” Ms Goostrey said.

“The rate almost doubles between those two brackets.”

UDIA strongly believes that these scales should be reviewed in order to encourage institutional investment in property.

“A flatter scale for the determination of tax liability should be introduced to ensure that land owners are not penalised for investing in the growth of our state,” Ms Goostrey said.

“Investment in property is key to increasing the amount of much needed affordable rental properties available across WA,” Ms Goostrey said.

End.

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