

Tax rise discourages investment in land

■ Kim Cousins

The recent State budget announcement of a land tax increase of 12.5 per cent for property investors has the real estate industry concerned for Perth's already slow investment market.

According to the land tax amendment bill, the increase will be \$70 for most landholders and will offset lower than expected land values.

This equates to a \$1 million property in Western Australia attracting a total land tax of around \$700.

But investors with multiple properties will be hit harder as the volume of land is aggregated, a move that REIWA president David Airey said would punish property investors.

"It has a negative effect on property investment, it has a negative effect on those continuing in investment on property," he said.

Mr Airey said the tax applied to rental properties, holiday homes, showrooms, fishing shacks and vacant blocks — every property excluding the residential home owned by the investor.

"Who it really hurts are the tenants — in most commercial leases the cost has to be passed on," he said.

"In the case of private landlords, who provide 80 per cent of rentals,



Peter Peard

Liz Sterzel

David Airey

it's quite a burden. It's a heavy increase in tax and a very widespread tax. It shows the government's dependence on State revenue is too high."

Mr Airey said REIWA had calculated the tax would cost investors an extra \$200 to \$300 per year.

Peard Real Estate Group chief executive Peter Peard said the rises, along with existing property taxes such as local government rates, discouraged people investing in rental properties.

"If you own several (properties), all these property taxes add up to create a heavy financial burden," he said.

"Because the rental vacancy rate has levelled off in recent months, many landlords will have to absorb these property tax rises rather than passing them onto tenants."

Mr Peard said that instead of discouraging people from investing in property, the government needed to encourage the private sector to provide rental houses.

"The best way to encourage mum and dad property buyers to invest in property is to cut taxes and not increase them," he said.

Property Wizards managing director Liz Sterzel said the increase would not put off potential property investors, if they were smart.

"With low interest rates, continued population growth forecast and increasing capital growth and rental returns there are still opportunities to achieve above-average market performances," she said.

"(But) it is now even more important to choose the right property in the right location, and to buy at the right price."

The increase will apply as of the 2013-14 tax assessment year and be issued in late September.

It is expected to raise a total of \$338 million in revenue for the State Government during the next four years.

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DAVID AIREY

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