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# Devine Property promotes discussion on infrastructure

In association with the Property Council, Devine Property was pleased to partner a lunch forum on the topic of Infrastructure as a Catalyst for Urban Regeneration.

Discussion was stimulated by an insightful presentation from Michel Masson CEO of infrastructure Victoria who recounted challenges and wins that Victoria have experienced. With the well-publicised pressure points in our state including housing and health services the topic is very timely.

The Property Council as the peak industry body for property investors continues to lobby government agencies on the need for appropriate planning and resource allocation to infrastructure projects. Devine Property were happy to facilitate and sponsor this event.



Mark & Libby Devine with Michel Masson (far left) and Brian Whiteman (far right)



# The end of an era

Good things eventually come to an end and so it is that after 30 years of service to our company and clients Julie Arnold is retiring!

Over a career that includes property management work, Julie has more recently been in the background performing a key and important role in our trust accounting support functions. Julie is well known to many of our clients and not only has seen it all in the industry, but probably knows it all as well.

Julie is a “one off” and will be missed, and no doubt will be looking forward to having more time with her grandchildren, longer walks and cups of tea with her friends. All at Devine Property thank Julie for an amazing contribution.



Mark & Libby Devine with the lovely Julie Arnold

# Land tax looming large

Land Tax is a tax imposed on landowners by the State Government. Some properties exempt from paying the tax include

- a principal place of residence
- land used for primary production
- land owned by religious charitable and education institutions

Land tax is a passive measure - government does nothing for it, and the money raised goes into the “pot”. It is, in the parlance of Treasury, an “efficient tax”, which means it costs little to collect.

Land tax scales are well publicised. It is charged at the rate of 1.5c in the dollar above a land value of \$350,000, and after an amount of \$1837.50 has been levied. Below this threshold, a rate of 0.55% is charged.

Land tax is calculated on the unimproved land value of a property – if the land value of the property increases, then so does the tax. Property valuations occur in the municipality revaluation cycle approximately each 7/8 years, with a calculated adjustment being made in each of the intervening years.

It is a significant part of government revenues, being around 10% of all tax collected (9.47% to be precise). States need to show they are doing what they can to raise

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revenue in order to make their claim against GST funds, and land tax is an important component of that claim.

Land that is exempted from paying tax could also be a significant contributor. Treasury estimates the exemptions to be worth over \$230m (table to the right - was derived from Treasury Budget paper 1).

In reality, land tax is a tax that is imposed on commercial activity, as most commercial activity (other than primary production) occurs on land that is subject to the tax.

And as such it is related to what a tenant pays the landlord as a recoverable cost, or pays direct to government.

Residential property investors are also levied land tax and, as opposed to commercial landlords, have no means of recovery from tenants - other than higher rents - a well publicised issue and a topic for another day.

Our point is this, that the tax cannot be seen in isolation from the commercial world, and in many cases where such charges are set, an increasing impost only damages the ability of the tenant or owner to pay the tax, either through rental adjustments, or directly to the tax office. In recent times, property values have increased significantly, and valuations have followed suit. In part this has been driven by developer demand, and partly by an increasing interest in the property market generally. The rate of increase is already having an effect on a tenant's ability to pay, with a result that defaults are rising.

In the "real world", we are witnessing a continuing housing crisis, and it is now being reported that people in work are finding it difficult to meet the costs of living, which includes the cost of renting a property. In a market where demand and supply rule the day, added imposts make it that much more difficult to weather the storm.

	2018-19 (est) (\$'m)	2019-20 (budget) (\$'m)	Increase (%)
Payroll Tax	369.3	379.4	2.78
Property Taxes			
Land Tax	113.3	119.0	5.0
Conveyancing	245.8	236.7	-3.7
Other	79.4	84.7	6.7
Sub Total	438.5	440.4	2.1
Gambling Taxes	191.6	194.4	1.5
Vehicle Taxes	195.7	201.6	3.0
<b>TOTAL</b>	<b>1195.2</b>	<b>1215.5</b>	<b>1.7</b>

Exempted Land			
Residences	125.2	132.4	
Farms	95.6	88.7	
Other	10.9	10.3	
<b>TOTAL</b>	<b>231.7</b>	<b>231.4</b>	

## It is a significant part of government revenues, being around 10% of all tax collected

And in the commercial world, the net profitability of the enterprise subject to the tax is also affected, particularly so where margins, contracts and prices are pre-set. Already many retailers are pulling the pin, and shops are vacant.

These effects are not solely the result of land tax, but it is a contributing factor.

The City of Hobart will be confronting its next municipality revaluation cycle in the near future. If the land value of the municipality was to increase by say 20% is it reasonable for Treasury to benefit from a corresponding windfall of revenue growth of an "efficient tax" of 20% or should the scale be reviewed.

As can be seen from the table, there is much that can be said regarding one tax versus another tax, or whether the exemptions themselves need to be reviewed. However, we make this critical point to government that the rate of tax on land charged cannot be divorced from commercial reality, and the time has come to reconsider the thresholds and the rates controlling the tax take.

# Recent listings



[Rare level West Hobart allotment](#)  
7 Rossendell Avenue  
West Hobart

[devineproperty.com.au/1p9089](https://devineproperty.com.au/1p9089)



[Giddy Up Foodstore - popular & profitable](#)  
50 Princes Street  
Sandy Bay

[devineproperty.com.au/1p9126](https://devineproperty.com.au/1p9126)



[High profile North Hobart site](#)  
290-296 Argyle Street  
North Hobart

[devineproperty.com.au/1p9057](https://devineproperty.com.au/1p9057)



[Central Huonville development site](#)  
149 Main Street  
Huonville

[devineproperty.com.au/1p9071](https://devineproperty.com.au/1p9071)



[Popcorn Street - prime retail location](#)  
319 Elizabeth Street  
North Hobart

[devineproperty.com.au/1p9061](https://devineproperty.com.au/1p9061)



[Brighton industrial subdivision](#)  
60-61 Crooked Billet Drive  
Bridgewater

[devineproperty.com.au/1p1501](https://devineproperty.com.au/1p1501)

119 Harrington Street  
Hobart TAS 7000

**p** 03 6238 4800

**e** [info@devineproperty.com.au](mailto:info@devineproperty.com.au)

[devineproperty.com.au](http://devineproperty.com.au)

