

FACSIMILE MESSAGE

Date: 16/3/2004
To: Productivity Commission, Melbourne
From: Sam Spitzer

MESSAGE:

I understand that Mr David Singer has forwarded to you our submission to the Nile Inquiry to the Legislative Council.

I take the liberty to forward further evidence for you to read to see where we are coming from, and what this never ending problem of land tax in NSW creates!

I hope that I am not burdening you with the enclosed.

This cross subsidy must disappear the sooner the better!

I remain,

S Spitzer

P.S. We have been fighting this issue for almost 20 years.

Legislative Council

LEGISLATIVE COUNCIL GENERAL PURPOSE STANDING COMMITTEE No. 1

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13 May 1998

Mr S Spitzer
Bondi Junction NSW 2022

Dear Mr Spitzer

- Transcript of Evidence -

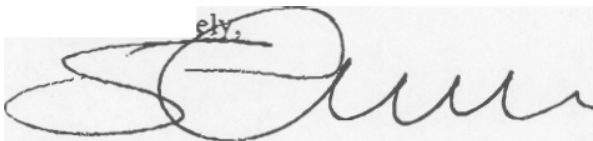
Thank you for giving evidence before General Purpose Standing Committee No.1 in relation to the inquiry into Changes in Land Tax in New South Wales on Monday 11 May 1998. Please find enclosed the transcript of the evidence you gave. I would be grateful if you would read the copy and make your amendments bearing the following in mind:

The transcript should show what you said, therefore you may make alterations only if they are necessary to correct the record. Specifically, you should not attempt to improve sentence construction or refine meaning. The Transcript is regarded as a record of oral evidence, with its normal differences from written expression. Material alterations or insertions may be made only upon your being further examined before the Committee. Please make alterations in the margin, and do not obliterate the original words. You may not make alterations to the questions.

Please return your transcript in the enclosed stamped addressed envelope before Friday 22 May 1998.

Once again, thank you very much for your contribution to our Inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Warren Cahill', written over a light grey rectangular background.

Warren Cahill
Clerk to the Committee

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 1

INQUIRY INTO CHANGES IN LAND TAX IN NEW SOUTH WALES

At Sydney on Monday, 11 May 1998

The Committee met at 10.00 a.m.

PRESENT

Reverend the Hon. F.J. Nile (Chairman)

The Hon. Dr Marlene Goldsmith
The Hon. J. H. Johnson

The Hon. P. T. Primrose
The Hon. J. F. Ryan

Dr GOLDSMITH: I move that the public hearing being held this day be transmitted on the in-house audio and visual system.

CHAIRMAN: Those in favour please say aye?

Mr PRIMROSE: Yes.

Mr JOHNSON: Yes.

CHAIRMAN: I declare this General Purpose Standing Committee open. Before the questioning of witnesses commences I remind Committee members that at the hearing on 29 May, 1997 the Committee authorised the broadcasting of the public proceedings. Should it be considered that the broadcasting of these proceedings be discontinued a Member will be required to move a motion accordingly. We have also passed a motion that it be broadcast on our in-house services.

I remind the members of the media the Committee resolved on 29 May, 1997 that the press and public be admitted to the proceedings of the Committee. I wish to explain to you what is required by the Standing Orders of the Legislative Council in this regard so that you will be aware of the position. Legislative Council Standing Order 2.3 provides:

Evidence taken by any Select Committee of the House, and documents presented to such Committee which have not yet reported to the House may not, except with the permission of the Committee, be disclosed or published by any Member of such Committee or by any other person.

In reporting proceedings of this Committee, as reporting proceedings of both Houses of Parliament, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee.

Also for the members of the public, we are aware that there is a wide-spread interest by the members of the public in this Inquiry, and that is why it is open to the public, but I must remind members of the public that the Committees are regarded as extensions of the Legislative Council and are governed for the most part in the proceedings by the same rules as those which prevail in the House.

While the Committee welcomes members of the public you should observe the same courtesies as are expected of the public attending when the House itself is sitting. Visitors in the galleries are required to refrain from any interruption to proceedings or discourtesy to the Legislative Council, particularly any interjection or demonstration of support or dissent in relation to these proceedings.

There is an attendant on duty who will assist visitors. Should you have any particular request you should advise the attendant on duty.

MARA ASHMORE, President, Property Owners Association of New South Wales, *****
Kensington, sworn and examined:

SAM SPITZER, Member, Property Owners Association of New South Wales, *****
Bondi Junction, affirmed and examined:

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Ms ASHMORE: Yes, I did.

Mr SPITZER: Yes.

CHAIRMAN: Are you conversant with the terms of reference of this Inquiry?

Ms ASHMORE: Yes, I am.

Mr SPITZER: Yes.

CHAIRMAN: Do you wish your submission to be included as part of your sworn evidence?

Ms ASHMORE: Yes, I do.

Mr SPITZER: Yes.

CHAIRMAN: Do you wish to briefly elaborate upon your submission or make a short statement?

Ms ASHMORE: Yes, yes I do.

Mr SPITZER: Yes.

CHAIRMAN: We will start with Ms Ashmore.

Ms ASHMORE: This Committee has heard a lot of evidence on the effect of this tax on investors and home owners and the effect it will have on tenants, both residential and commercial. Nothing which has been said at this Inquiry is new, I repeat nothing is new, just as this is not the first time that an Inquiry has been held on the matter of land tax.

Unless we all wish to meet again in this place in eight years' time, which is the average time between land tax protests and inquiries, it is necessary that a permanent solution be found to this problem.

While the preferred position of the Association is that land tax should be abolished, realistically we know this is unlikely. Therefore the main objection we have is not so much the fact that we have to pay land tax but the amount of tax that we have to pay.

We do understand that in a civilised society it is necessary for governments to ensure that the public has adequate hospitals, schools, roads, police force, public parks, sporting and cultural facilities and support and assistance for the genuinely disadvantaged. We do understand that governments do not have any money of their own and therefore must use taxpayers' money for these things.

We do, however, also believe that a government which is elected by the people and for the people should not in that same civilised society victimise people, ruin their lives, force them into bankruptcy or confiscate their retirement assets or their homes, which is what is happening now.

While raising the threshold will give temporary relief to some investors, it will not solve the problem which is basically that 16 per cent of property investors are expected to pay 100 per cent of land taxes. This subsidisation of 84 per cent of investors by a very small number is unjust and inequitable.

The Association will present to this Committee a solution which we believe will not only bring equity and justice to the levying of this tax, but which would have the effect of raising the same amount of money without causing financial difficulties for investors and tenants. Our proposal also would be more economical to administer and collect and would minimise the errors in assessment.

My colleague Mr Spitzer will present our proposal.

Mr SPITZER: Mr Chairman, I would like to present my submission.

CHAIRMAN: Would you like that to be included in your evidence today?

Mr SPITZER: Yes. Mr Chairman, I brought with me a paper and I have got four things written on it, one is 800 million, another is Mr Whelan the Minister for Police & Acting Treasurer, Leader of the Opposition and the last is the Valuer-General.

Firstly, I have to emphasise what Mrs Ashmore said, our President, that we need taxes and the bottom line we understand, from both sides of politics, is that we must have those moneys to support hospitals, police and schools and therefore we came along with a solution. We thought about it very hard to be able to provide those funds to the Government which in turn provides the services to us but at the same time it is absolutely unacceptable that a cross-subsidy of \$800 million is to be borne by around 65,000 to 70,000 non-residential property owners and the rest by property owners such as flat owners and people who own units for themselves to provide for their retirement.

Cross-subsidy, this evil way of collecting from one and not let other people pay has been condemned by Professor Perry of the Government Pricing Tribunal and in his deliberation on the problem of water charges it has been decided that his cross-subsidy must be eliminated and it is being eliminated gradually since 1992.

As far as the land tax is concerned, we feel that if this is for services such as hospitals, like everybody is entitled to get those services so why should we not devise a system whereby everyone who is able to do so should chip in? By that I mean that there may be a better system but for the time being we could not find a better one.

We know that the local governments are collecting \$2,500 million per year on council rates. The council rates to some extent have been paid so that we choose that as a benchmark to compare the \$2,500 million collected by councils against the \$800 million intended or collected by Government; it makes the ratio three to one. In other words 800 million represents one-third of the 2,500 – 2,400 million.

Taking into consideration, and we put that in our submission, that under privileged people such as pensioners and people in similar categories should be assessed by the government, should be exempt. The whole population should subsidise those people, the under privileged, the people who are unable to pay, but the rest of us Mr Chairman I see no reason for anyone to think that the little hairdresser in Blacktown or the little shoe maker in Dubbo is a multi-billionaire and a person like me living in luxury in Bondi Junction should not pay.

I should pay land tax where I live, and so should everybody else in proportion of a three-to-one ratio. If that is achieved I think we are heading in the right direction.

I am not here to represent what you call the local whinger, but I think it is absolutely also not fair that the person who pays say \$5,000 in rates in Vacluse should be paying \$40,000 in land tax. He should be paying about one-third. Anyone, as I said, in the country who pays \$100 in rates he should be paying only \$30.00 land tax. On that scale, three-to-one, it should become a user pays tax on land.

We heard here the other day that somebody asked the Valuer-General how they did it in other countries. I suggest he would not know. I come from another country, a long time ago. There always has been tax on land, on property, everywhere. It was not much. In the villages the poor went with 4 dozen eggs to the notary and paid their taxes because they had no money, there was no cash flow. This is nothing new under the sun.

If this tax cannot be abolished then there should be tax on land in proportion to the capability of people to pay.

Thank you very much.

Mr JOHNSON: Ms Ashmore, how many members of the Property Owners Association are there?

Ms ASHMORE: Mr Johnson, I would actually ask you how many members there are of the Labor Party and how many vote for you

We have 400 members, however that is irrelevant, because we actually represent all investors of residential real estate, whether they are members or not.

Mr JOHNSON: So there are 400 members?

Ms ASHMORE: Yes.

Mr JOHNSON: They are all tax payers in the sense that their land tax---

Ms ASHMORE: Mr Johnson, if you are---

Mr JOHNSON: Mr Chairman.

CHAIRMAN: Ms Ashmore, let Mr Johnson finish his question.

Ms ASHMORE: I am sorry, I thought he had finished his question.

Mr JOHNSON: Are they all land tax payers?

Ms ASHMORE: No, of course they are not, because it depends on how you have your investment. If you own a million dollar penthouse unit in a high rise city building you probably would not pay any land tax. However, if you own a small semi built in the 1930s you probably are paying about \$3,000 land tax if that semi happens to be in Maroubra.

Mr JOHNSTON: Are you personally affected by land tax?

Ms ASHMORE: Of course I am.

Mr JOHNSON: On how many properties?

Ms ASHMORE: On two properties, one of which happens to be a unit and therefore because there is no threshold individually on properties I have a unit which is paying the equivalent on 1,100 a year or \$28 a week for my tenant.

Dr GOLDSMITH: Ms Ashmore and Mr Spitzer, is it the view of the Property Owners Association that land owners pay a disproportionate share of taxes in New South Wales?

Ms ASHMORE: Yes, absolutely. In fact, if you look at the papers put out by the New South Wales Treasury, which is a comparison of state taxes, we actually bear an enormous burden because when we buy the property we have to pay enormous amounts of stamp duty proportionate to, for instance, the stamp duty payable on shares. We are of

course forced to pay council rates which at least we get a service for in so far as the Council usually collect our garbage. We have to pay an enormous amount of maintenance which of course is not a State problem. Then of course we get slugged with the land tax.

So that actually, realistically, the returns on property these days is so low, basically I think because of some of the State charges, that many people are now deserting the market, as was evidenced by the article in yesterday's *Sun-Herald*.

Mr PRIMROSE: Mr Spitzer, can I ask just a simple question. In your submission, so I am clear on it, do you support land tax on owner-occupied residences, on investment properties, or both?

Mr SPITZER: The lot. Everything should be, because Sir if I may elaborate. I said I have got four things on my thing then I am finished. We have been talking to Government and to Opposition on this issue for some time. Two years ago we have written to the Premier, Mr Carr, who passed it on to the Treasury and I have got a letter in my possession signed by Mr Whelan, who is the Acting Treasurer of the time, who amongst other things said "Mr Spitzer, your suggestion has got Merit" only he implied it will be a political bombshell and it will be a game politician who is prepared to introduce it. However, where in his reply he was faulty was that he said it would not be fair if the land tax would be user pays — it should be equal to everybody.

I think, even with my accent, I have clearly indicated that this is out of the question. If it would be an average everyone would have to pay say 2.5 million, say \$350 land tax; we do not go for that. We go from starting at \$30 and finishing at \$2,000 or \$3,000. Based on the existing valuation of my friend the learned Valuer-General we do differentiate between Walgett, Moree and Vacluse. That is the situation. The same reply I have got from the Leader of the Opposition staff, and himself, I asked him the same question last week in Willoughby, he replied exactly the same as Mr Egan, that we need the land tax, we agree with it, but.

You people are afraid. You were afraid when the water problem was on. There was nobody shot. Nobody was killed. Anyone who sings opera today in his bathroom let him pay for it.

Mr PRIMROSE: You have correspondence from the Leader of the Opposition?

Mr SPITZER: Yes.

Mr PRIMROSE: Indicating support for land tax?

Mr SPITZER: No, from the Leader of the Opposition we have got an expression. I have got a letter from a Minister of the Crown, Mr Whelan, who has said it has got merit.

Mr PRIMROSE: But you basically believe it should be expanded?

Mr SPITZER: Of course.

Mr JOHNSON: Mr Spitzer, how many properties do you pay land tax on?

Mr SPITZER: One.

Mr JOHNSON: One only.

Mr SPITZER: One only.

Mr JOHNSON: And that is your principal place of residence?

Mr SPITZER: No, definitely not. In my answer to you sir, I said that I am speaking on behalf of 60,000-odd non-residential property owners, so that we do not live on the premises. As a matter of fact, we are disenfranchised, we cannot vote, we cannot protest, because we do not live there.

If I may elaborate. To get the record straight, in plain economics the question is what came first, the chicken or the egg? But the non-residential properties are providing this country, and all other countries in the world, with the life line, with the jobs, with the employment, and once you get the jobs and once you get the employment in the factories and in the offices, then you can save up and buy yourself a house. The home is not the first thing, it is the jobs. You can have a home without employment and it is a miserable life.

Mr PRIMROSE: I think your position is very clear and you have outlined it and I look forward to hearing more from you.

CHAIRMAN: The only question I have is I am just wondering when you compared it with the council rates, the way you want the tax collected, you are still happy with the State Government collecting the tax or do you think the tax should be collected by local government?

Mr SPITZER: Collected by local government because (a) it would save money, the machinery is there, the mechanism is there. You could transfer part of the Valuer-General's Department to the Hunter Valley to drink chardonnay, because they are a useless mob of brown bombers who have not even told you people the truth.

Last week I witnessed when a question was asked of the Valuer-General and on a point that he should have said yes, he said no. The people are scheming, milking and take no consideration whatsoever to the welfare. We all are in it, Chairman. We all live in this society. There is no way in the world that in the long run you can outsmart each other. We should all contribute.

Ms ASHMORE: If I could also elaborate on that, Mr Chairman.

CHAIRMAN: Just while you are answering the question, could you clarify whether you agree with what Mr Spitzer is saying, or whether it is his own personal view or it is the view of the Property Owners Association?

Ms ASHMORE: As far as getting local government to collect the land tax we would support that, basically because the amount of errors that come out of the Land Tax Office are absolutely astounding.

Mr Johnson was asking me personal details. This is the third year running that I have been charged land tax on my principal place of residence, which is a very modest unit with a land value of under \$600,000. Every time I complain, on a yearly basis, they tell me that obviously I must have put in a variation, which I say I do not, and then they tell me that is obviously because I have a different mailing address, my mailing address happens to be a post office box.

These sort of errors become very distressing. This year my mother, who does not have a post office box and who lives in a home which is well under the millionaires' threshold, was also charged land tax on her own home.

CHAIRMAN: Charged or assessed?

Ms ASHMORE: She was assessed and she complained. When you are assessed you are basically charged, whether you pay for it is irrelevant. You obviously do not pay for it. But she was assessed and she had to complain to have the thing changed.

These errors cost money. They distress people. If you are an 80 year old with very limited English skills, to receive bills like that do not help your health at all. There are many other errors that happen.

By abolishing the Land Tax Office, which could be done if the councils collected the rate, we would save an awful lot of money.

As far as the owner-occupier, quite honestly I cannot see that there is any justification for people who own their own homes not to pay land tax when tenants basically have to pay it. As long as we protect the disadvantaged, I would most happily pay land tax on my principal place of residence. As a matter of fact, since I am considering selling my real estate investments because they are just not performing any longer, I would possibly in two years' time be in a situation of not being an investor, but paying land tax on my home which I think would be just because I have to use the land on my home just as much as my tenants use the land that their homes stand on so I do not honestly understand why I should not be taxed on that as well.

CHAIRMAN: To clarify something else you said, you said earlier that your mother, had been sent an assessment and charged for a property that was below the level of owner occupation?

Ms ASHMORE: Yes

CHAIRMAN: Have you had any sort of survey of other people? Was that just a one off?

Ms ASHMORE: I have had so many phone calls from people who have had similar things happen to them, people who have sold properties, have notified the land tax office and have still be charged, but basically what has happened this year to a lot more people is that their own homes have been included.

As I have said, it is not the first time it has happened to me. This the third year running, and prior to that it used to happen every two years. Basically I do not mind, because they have to fix it up, and by the time they fix it up I get a six-month holiday, because I still have not received my new assessment. It just means that I get an extension on my land tax.

But I feel that if a person is reasonably elderly – and we must remember that a lot of property owners are migrants who do not have very good English skills, who possibly are not looking after their own affairs because of their age or infirmity – it would be extremely easy for somebody else to pay that bill not realising that that home was exempt, and, so, possibly people are paying land tax that they should not have to pay, and this has been going on, I believe, for quite some time.

CHAIRMAN: Would you forward copies of the letters that you referred to earlier, if you want to, in reply to your proposal?

Mr SPITZER: I think, sir, I sent it off in my submission.

CHAIRMAN: It is attached to your submission?

Mr SPITZER: It has been attached. Only I might make a little correction because I came here to tell the truth. I have been known around town as a person who was involved in the Government Pricing Tribunal. Now, a young teacher came to me. He said, “Look, I have got two units, and I have to pay land tax. Will you help me?” I gave him my water board submission and said, “Put it on this line and add it on a little bit further.” I compiled the letter for him but he sent it in his name. So he sent it in his name to Mr Carr. The letter came back from the Treasurer, addressed to him, forwarded to me and it said very clearly –

CHAIRMAN: So you have copies of the letters?

Mr SPITZER: Oh yes, definitely.

CHAIRMAN: Not addressed to you personally?

Mr SPITZER: No, but it does not matter.

CHAIRMAN: Thanks for making that clear.

Mr SPITZER: I admit it because I do not swear easily.

(The witness withdrew)