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Committee Secretary,
Senate Select Committee on Housing Affordability in Australia

My apologies for this late submission and for that reason will just make a brief statement with an attachment of two of my recent papers on affordability and related areas to stimulate discussion in your committee's analysis of the housing affordability problem.

I write as an academic who has had some 25 years industry experience in the property industry and have been an active property economics academic for the past 20 years. In addition, I have served for several years on the NSW Churches Community Housing committee (two years as Chairman), whereby we aimed to house those less fortunate people suffering severe housing stress.

From the outset, I believe it is important for all three tiers of government to be pro-active in addressing the problem of housing affordability. Without, government action, the current problem may well in fact become a permanent one, whereby households will not be able to bridge the affordability gap.

Obviously taxation, levies and charges are areas where the government has absolute control. There are lots of inequities in taxation when it comes to housing, such as interest rates and capital gains tax. Interest rates are a tax deduction for the investor, yet not for the owner-occupier and on the other hand, the owner-occupier is exempt from capital gains tax.

There is no 'one fix solution' to the problem. It needs a combination of policies to assist.

Due to the lateness of my submission, other than making the above statements, I have not had the time to fully research the cost benefit of the above two inequities. However, the following two papers that I have written recently have been attached:

1. “Population growth and housing affordability in the modern city – Sydney a case study”, 14th Pacific Rim Real Estate Society Conference, Kuala Lumpur, 2008.
2. “Is property being over taxed – a NSW study” Australian Property Journal, API, Canberra, 2007

The first addresses the problem and uses Sydney as a case study, the second relates to the heavy burden of the accumulation of all taxes and government levies on property development whereby it impinges on a constant flow of more new dwelling supply to keep pace with demand.

Should the need arise, I would be pleased to discuss any aspect of my papers further.

Sincerely yours,

Associate Professor Angelo Karantonis

Population growth and housing affordability in the modern city - Sydney a case study.

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Keywords: Housing affordability, housing demand, housing supply, land costs, population growth, cities

Abstract

Urban populations are forecast to increase in coming decades. Population growth is a major underlying factor for the demand of housing and without a new supply of dwellings, it pushes up the prices for both renting and purchasing dwellings. The resultant fall in affordability is a problem that is further compounded in many large cities by the change in living preferences that has resulted in a fall in household occupancy rates, particularly in the western world.

Affordability is further eroded in many of the urban cities from the supply side of the equation, as new supply is needed to house the growth of population, which results in urban sprawl, which in turn is putting pressure to upgrade and extend existing infrastructure or provide new infrastructure. As the new supply is often in outlying areas of the city, the requirement for new infrastructure is more the norm and together with new environmental compliance costs and elevated quality expectations, it impacts on the cost of new supply.

In order to analyse the likely trends in housing affordability, Sydney is explored as a case study. It is expected to grow significantly and housing this growth is putting pressure on both urban redevelopment and fringe settlement. Both of these bring specific challenges that shed light on the question of long term trends in affordability. This paper will analyse several policy directions that could be considered in order to address these adverse trends in housing affordability.

Introduction

World population has risen to over 6.3 billion people and by 2030 over 60 percent of the world's population is expected to be living in cities. There are now over 400 cities with a population of over a million people[1].

As population growth is an underlying factor for the demand of housing, without new supply of dwellings, it pushes up the prices for both renting and purchasing dwellings. The problem is further compounded in many of the large cities with a change in living preferences that has resulted in a fall in household rates, particularly in the western world.

Hence, population movement to the city and fewer people per household means the supply of more housing is needed. This can only be brought about through urban consolidation and/or greenfield development, that is, the sub-division of outlying broad hectares. One major effect of this is the cost of infrastructure required, as either new infrastructure has to be put in place or upgrading and extending the existing infrastructure. Either way, in Australia, there has been a rapid increase in the cost of infrastructure. In fact, due to the increases in infrastructure costs that are required to service new sub-divisions over the past two decades, the cost of supplying new land for residential development in Sydney has risen at a far greater rate than the cost of construction of new dwellings.

Using Sydney as a case study, this paper will show how population growth is producing a housing affordability problem in a major city and will discuss options that could be considered by policy makers. The paper will concentrate on purchase affordability only and will not be addressing rental affordability.

Literature Review

The rising population in the cities has been identified as a contributing factor in rising housing costs, to the extent that housing affordability has been declining in Australia. Sydney's population continues to grow and the NSW Government's Metropolitan Strategy (2005), hereafter referred to as the "Metro Strategy", expects on average, Sydney to grow by about 40,000 people per year, or 780 people per week. About two thirds will be from natural increase and the remainder of the growth is expected to come from interstate and overseas migration.

Beginning with the National Housing Strategy definition of affordability to convey a notion of reasonable costs in relation to income, Gabriel et al (p8, 2005) define housing affordability as a "term usually denoting the maximum amount of income which households should be expected to pay for their housing". Similarly, PCA (2007) and Whitehead (1991) point out that housing affordability is expressed by the relationship between housing expenditure (rent or mortgage) and household income. In way or another, housing affordability is measured and expressed as a ratio between expenditure on housing and income.

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[1] http://www.prb.org/Content/NavigationMenu/PRB/Educators/Human_Population/Urbanization2/Patterns_of_World_Urbanization1.htm

As a general rule property analysts (PCA, HIA, UDIA) use 30 percent as the benchmark for housing affordability. Yates and Gabriel (2006) defined as having 'housing stress', those in the nation's lowest two income quintiles (40 percent) that need more than 30 percent of their disposable income for housing and refer to it as the '30/40 rule'. Using this definition, in a study for the Australian Housing and Urban Research Institute (AHURI), they have identified that there are 862,000 households in Australia experiencing housing stress.

A survey of 159 major markets in Australia, Canada, Ireland, New Zealand, the United Kingdom in 2006 by Cox and Pavlevich (2007) showed that Australia has the most "pervasive housing affordability crisis". The measure used " to rate housing affordability was the "Median House Price to Median Household Income Multiple," and thereby deriving the "Median Multiple" ratio. The survey also identified that "the housing cost escalation is principally the result of supply factors".

Day (2006) points out, that in Australia, it is not the house itself that has risen in price, rather it is the land the house sits on, which over the previous ten years (1995-2005) has nearly trebled across Australia and by comparison the cost of building a new house on that land has hardly moved. "Where land once represented 25 percent of the cost of a new house and land package, it is now 60 percent ".

UDIA's (2007) submission to the NSW Department of Planning regarding the City Centre Plans in four city centres (Penrith, Liverpool, Parramatta and Gosford) concluded that it is not feasible to undertake new medium and high rise dwelling development in these areas as the cost of supplying the new dwelling is less than the expected price realisation. UDIA contends that "regulatory and market conditions are presently unsympathetic to apartment construction" and contend that there need to be a reduction taxes and charges, in particular, developer contributions (Sect 94 levies). In a previous report, UDIA (2002) calculated that for every $10,000 increase in the cost of developing land, 240,000 Australian households are no longer able to afford a basic house and land package.

As noted from above, there are varying views as to cause of affordability as the REIA (2007) points out, "the affordability problem has been caused by a broad range of complex factors including policy inaction by various levels of government". In a case study of residential developments, Karantonis (2007) found that the government receives 60 percent of total income, whilst the developer with the risk, receives 40 percent. In a study for the Property Council of Australia, UrbisJHD (2006) found that government levies and compliances now make up for 35 percent of the total cost of homes in Sydney's northwest and 28 percent of the cost of new units. HIA (2003) also noted that state and local government approaches to the supply and funding of infrastructure associated with residential development have impacted negatively on housing affordability.

Internationally, in a review of housing supply in the UK (UK Treasury, 2004), known as the Barker Report, identified that the long-term upward trend in real house prices has been 2.4 per cent per annum over the last 30 years compared to the EU average of 1.1 percent. To bring the UK real price trend in line with the EU, an extra 120,000 houses each year would be required. In their submission to the review, the Home

Builders Federation (HBF) stressed that land supply is the key to sustainable housing (Anonymous, 2007).

Finally, UDIA (2003) noted that providing affordable housing is determined by three interacting factors; namely, demand side factors, supply side factors and government. The latter included its intervention in planning regulatory mechanism, provision of infrastructure, which are predominantly on the supply side.

Affordability

Using a multiplier ratio (Median House Price to Median Household Income), Cox and Pavlevich (2007) identified that comparing Australia with five other countries, Australia has the most "pervasive housing affordability crisis" as shown in Table 1. From the Table[2] we can see Australia with a multiplier of 6.6, which is more than 50 percent greater than the average and in relative terms, 10 percent greater than New Zealand and more than double Canada's affordability. The reason for Australia's high ratio was attributed to the increasing house prices across Australia.

Table 1: Median Multiplier

Country	Multiplier
Australia	6.6
New Zealand	6.0
Ireland	5.7
UK	5.5
USA	3.7
Canada	3.2
Average	**4.1**

Source Cox and Pavlevich (2007)

Examining Sydney, Figure 1 shows the dwelling prices, rents and average weekly income for the period 1992-2004. As can be noted, house and apartment prices are rising above average weekly earnings, especially since 1998.

[2] However the disaggregated survey shows the worst ranked Australian city, Sydney is ranked 7th worst, behind Los Angeles and six other USA cities. The reason for this could be that the Australian housing market is more closely correlated than the USA market.

Figure 1: Sydney dwelling prices, rents and average weekly income

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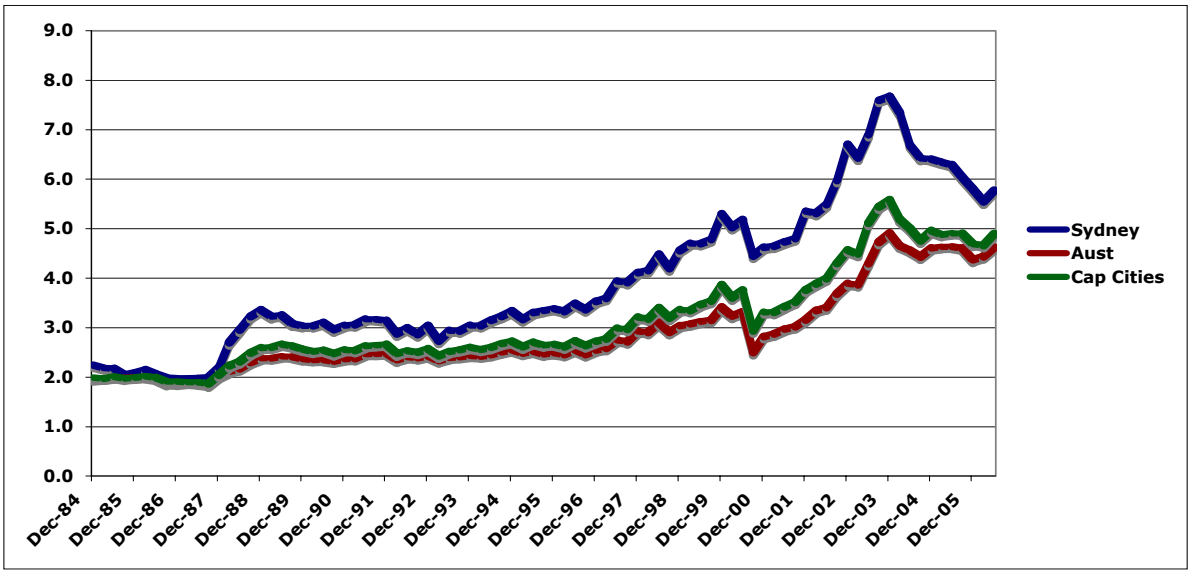
are needed to see this picture.

Source: Metro Strategy, 2005 (Figure C5)

Figure 2 shows the multiplier when applying the median house price to the household disposable income, for Australia, the Australian capital cities and for Sydney for the period December 1984 to March 2006. From the Figure we can note that Sydney has the highest multiplier, particularly from the early 1990s, where the gap between Sydney and the rest has significantly increased.

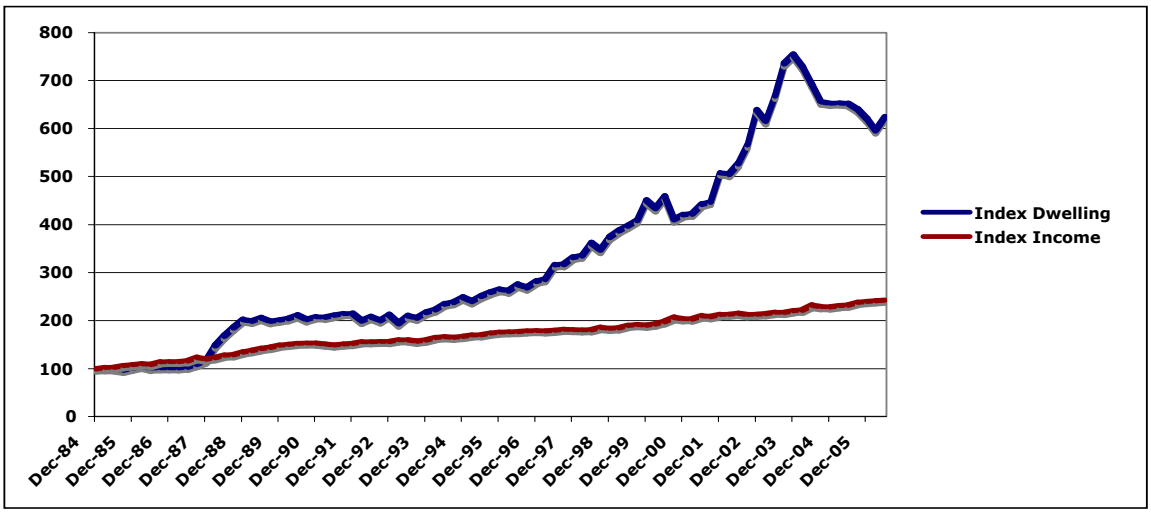
Figure 2: Dwelling/Income Multiplier



Source: Derived from HIA-Commonwealth Bank Affordability Report (various)

Using housing cost to income multiplier we see from Figure 3 that in the early 1980s the median house cost just over twice the household disposable income. In March 2006 the multiplier had risen to 5.77 for Sydney after reaching 7.67 in December 2003. That is, increasing by 345 percent (2003) and 259 percent (2006) respectively. This means that income has not kept pace with dwelling prices. The dwelling index has risen to 624 whilst household disposable income index has risen to 243. In other words housing prices in Sydney have risen 2.5 faster than disposable income.

Figure 3: Household disposable income and Sydney dwelling indexes



Source: Derived from HIA-Commonwealth Bank Affordability Report (various)

Finally, as discussed in the literature, housing stress is often defined when more than 30 per cent of household income is required to meet the repayments for the loan. Figure 4 shows the percentage of disposable income required to meet housing payments for Sydney median price dwelling from December 1984 to June 2006.

Figure 4: Percentage of disposable household income

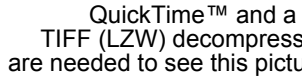
Source: Derived from HIA-Commonwealth Bank Affordability Report (various)

As can be noted, there are two periods when the ratio has been greater than 30 percent, the late 1980s and the period from December 1999, peaking at 52.3 percent in December 2003, but still at 41.1 percent at the end of the period (June 2006).

Sydney's population growth and changing demographics

The Metro Strategy (2005) expects Sydney's population to continue to grow. Figure 5 shows the historical and forecasted population growth for Sydney and adopting the Metro Strategy's moderate position, the population is expected to reach 5 million by 2021 and 5.3 million by 2031. This increase represents an additional 1.1 million people by 2031.

Figure 5: Predicted population growth for Sydney 2001-2050



Source: Metro Strategy, 2005 (Figure C1)

The Metro Strategy (2005) further anticipates that the average household size will fall from 2.65 to 2.36 people per dwelling, due partly to the ageing of the population, which tends to result in more single and two person households and more single and young people living alone.

These changes in household type and therefore occupancy rates mean that total demand for housing will be greater than population growth and a wider mix of housing types will be required. This will inevitably lead to a greater demand for smaller housing with good access to shops, transport and services such as health. Currently, 22 per cent of all households in Sydney are occupied by one person and by 2031, there are likely to be an additional 300,000 single person households in Sydney- representing 30 per cent of all households.

The Metro Strategy (2005) has calculated that with a population growing to 5.3 million and average household sizes anticipated to fall from 2.65 to 2.36 persons per private dwelling by 2031, a total of 2.2 million homes will be required in Sydney. Accounting for current stock it estimates that there will be a need for an additional 640,000 dwellings. It forecasts that two thirds of the new dwellings (420,000) will come from urban consolidation through more medium and multi density development and the balance (220,000) will come from green fields area.

Policy options

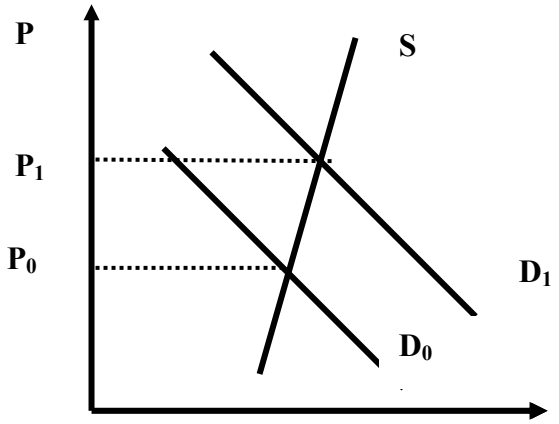
Like all markets, the property market is determined by demand and supply factors and one could argue in the typical classical economists way that in the long run the market will sort itself out. It is also important to note that in property markets, supply is relatively inelastic to demand and in particular as Warren (1994) and other property economist point out that “supply is primarily inelastic”.

However unlike other markets, property is both shelter and a wealth asset for the consumer and therefore there are social consequences for society when it become unaffordable. Accordingly the role of government is considerably pronounced in property markets affecting both the demand and supply side. Therefore in addressing the issue of affordability, we need to consider all three, demand, supply and government.

However, any option that alleviates affordability on the demand side without any accommodating increase in supply will result in making the current affordability position even worse. This is because, as discussed, the increase in demand is coming from population growth and to a lesser extent the falling household formation rates and therefore one could say that there will be a pent up demand if assistance is given on the demand side and therefore compound the current affordability problem.

In simple terms, it could be argued that any policy option that gives benefit to the buyer will only be passed onto the seller as can be demonstrated in Figures 6. Figure 6, show the typical demand and supply analysis with supply being relatively inelastic to demand, as is the case in property markets. As can be noted the consequences of easing affordability on the demand side (such as abolishing stamp duty on the purchase) will result in a movement in demand from D_0 to D_1 and price going from P_0 to P_1.

Figure 6: The demand and supply of housing



From the foregoing discussion, it is obvious that supply needs to increase. Not surprising, the industry bodies (UDIA, 2007, AREI, 2007, PCA, 2007) have identified many options on the supply side, which can mainly be summarised by the following options:

1. an increase in the supply of affordable housing,
2. a decrease in government charges, and
3. an improvement in transport infrastructure and employment in regional areas.

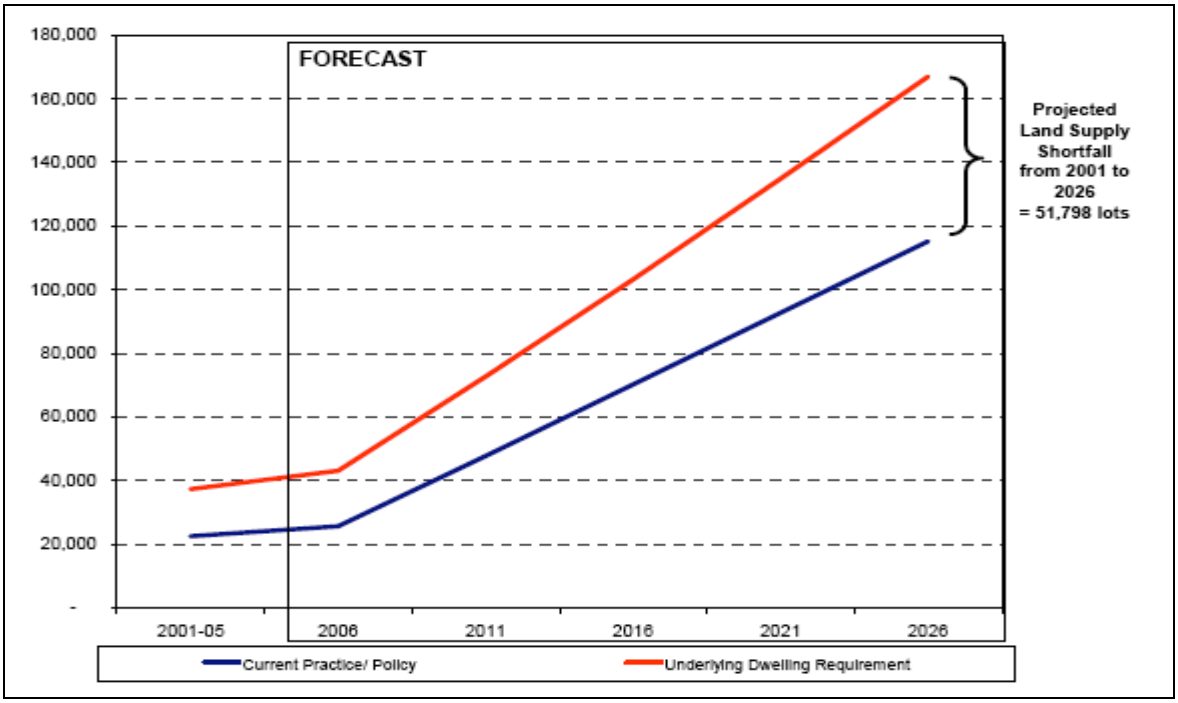
The above three have an interrelationship and indeed in all cases, governments (federal, state and local in varying ways) need to take a leading pro-active role, either directly or indirectly.

- **Increasing the supply of affordable housing**

In economic market theory, an increase in supply, *certirus paribus*, will have an effect of decreasing the price. However The PCA (2007) has also identified that there is a worsening demand supply imbalance in Sydney due to a number of factors, but most importantly the lack of long term supply as shown in Figure 7.

Figure 7 shows the underlying dwelling requirements and projected land supply to 2026. As can be seen, clearly, there is a need for governments to release more land for the purpose of development.

Figure 7: PCA Forecast of Land Supply

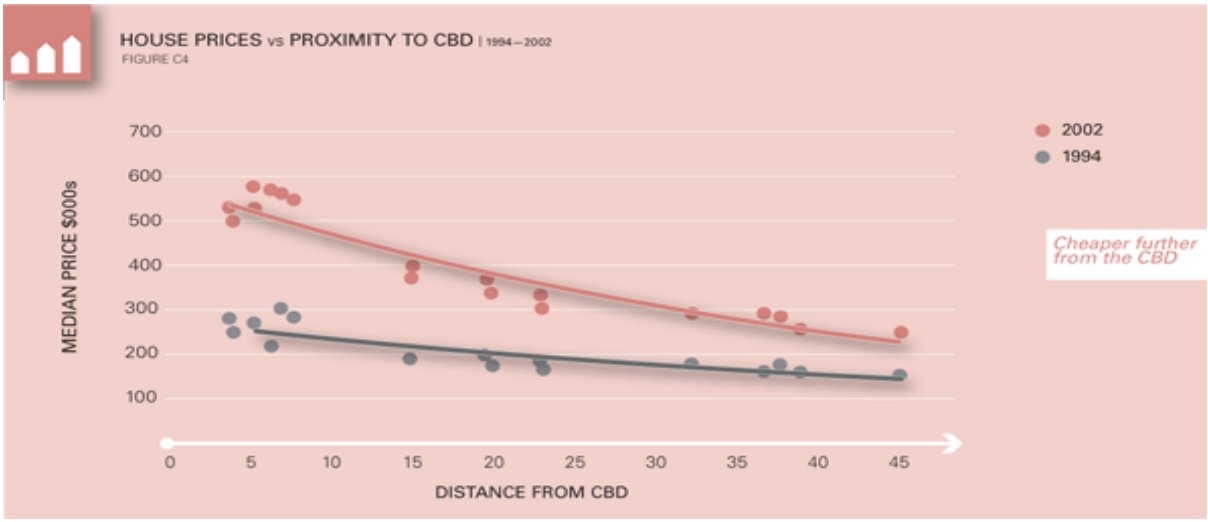


Source: PCA (2007)

Notwithstanding the shortage of land supply, a major problem that has been evolving for developers is the increasing cost of land or land and house supply is becoming so great that it is not feasible to undertake the development. This is because, on the one side costs are increasing and on the other, developers are faced with lower gross realisations as they move further from the CBD.

Figure 8 shows how values typically fall as property is further from the Sydney's CBD for 1994 and 2002. Thus, the one major stumbling block is the gross realisation of the developed dwelling may exceed the total cost of supply it, as invariably the total cost is so great that there is absolutely no benefit (even a loss) to a developer to undertake a development, be it a new greenfield release or a medium to high density development.

Figure 8: House price vs. proximity to CBD



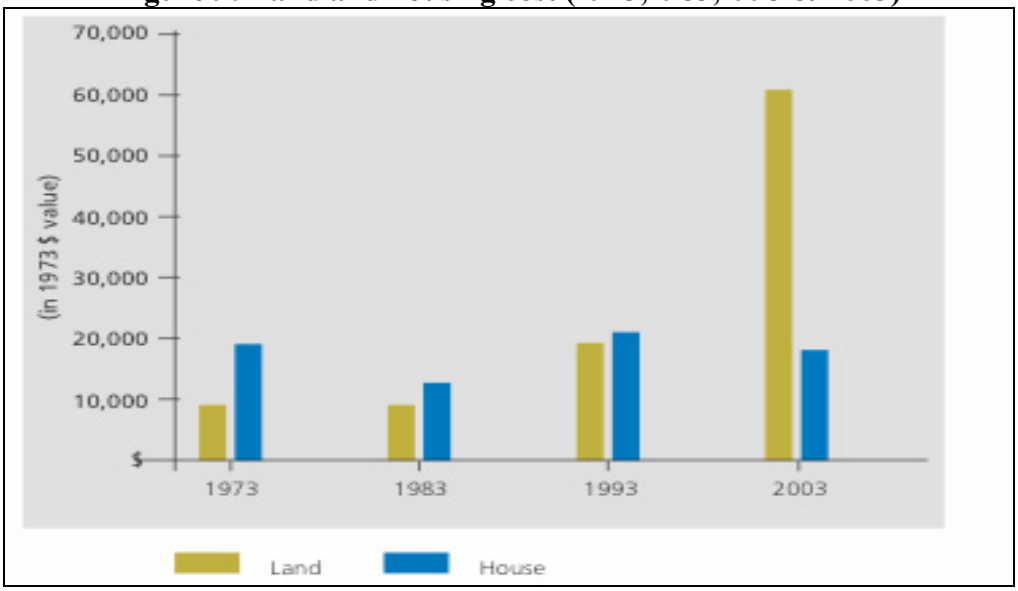
Source: Metro Strategy, (Figure C4, 2005)

In fact, as noted in the literature review, the UDIA (2007) submission to the NSW Department of Planning regarding the City Centre Plans in four city centres (Penrith, Liverpool, Parramatta and Gosford) the cost of supplying the new dwelling in these areas was less than the expected price realisation.

The problem for affordable supply is further compounded with the need for an upgrade of existing infrastructure in brownfield developments, whilst the greenfield development require new infrastructure. These costs are generally passed onto the developer though infrastructure levies and Section 94 contributions as discussed above.

Figure 9 shows land and housing cost supply for the years 1973,1983,1993 and 2003. It can be noted that land has not increasing relative to housing price for 1973,1983 and 1993, but increasing markedly in 2003 to be around 80 percent of the cost of a new house and land package (UDIA 2007a).

Figure 9: Land and housing cost (1973,1983,1993 & 2003)



Source: UDIA 2007a, p31

This has become a self perpetuating problem, because whilst developers cannot get a *reasonable return* on development, they will not provide the new supply needed and thereby have existing dwelling prices driven higher. So the problem is not one of simply increasing availability of land through government land release for subdivision in the city fringe area.

- **Decrease in government charges**

In regards to property development, as pointed out in the literature review, the AREI (2007), Karantonis (2007), URBIS JHD (2006) and HIA (2003) all found that government charges are a major contributing factor for the cost of providing new supply. This is even more relevant for the cost of providing new supply of land for housing, as the increasing cost of charges, levies and taxes are imposed by the various levels of government. UrbisJHD (2006) found that infrastructure cost for Sydney to be $68,223, an increase of 21.1 percent since 2000.

The UDIA (2003) identified that new and rising taxes and charges on a new dwelling in Sydney was about $167,000:

- GST introduced in 2000, adding between an average of $50,000
- Land tax and stamp, up by $30,000
- Infrastructure charges, $75,000, made up of:
  - $50,000 Section 94 levies
  - $15,000 transport levy,
  - $10,000 Water and sewerage headworks and charges
- Land dedicated for regional conservation, $10,000
- Additional application and incidental fees, $2,000.

Clearly, the government has an important role to play in lowering the cost of supply. But once again, any policy initiative must clearly lead to a reduction or at least stabilising the cost of providing new supply and not passing the benefits of policy onto the developer or land owner.

- **Improve the transport infrastructure**

As we have seen, the current cost of supplying the new development needs to decrease to make development feasible for the developer. On the other side of the equation, it can become feasible if the gross realisation increases. Whilst under the current climate, in addressing the affordability problem, the policy option needs to be more concentrated on supply side, there can be some justification for a policy option for increasing the price.

As identified by the Metro Strategy (2005), urban sprawl is necessary, but urban sprawl itself does not help ease the affordability problem, as there are issues that need to be addressed. People need employment and if employment is not nearby, then transport needs to be cheap and efficient.

Decentralisation policy such as subsidies to business encourages the population to grow in regional cities and other areas of the State. However as the Metro Strategy (2005) noted that, as Sydney is a global city any restrictions on its growth are more

likely to result in businesses moving interstate or overseas than to regional areas. Currently, regional areas outside the Greater Metropolitan Region lack the employment base or infrastructure investment to sustain or attract large increases in population.

Another major factor is the cost and efficiency of transportation for the fringe regional areas, as commuters need to travel to work. The Metro Strategy (2005) noted that "the average household spent 31 percent more on petrol in 2003-4 compared to 1998-9 and traffic congestion in Sydney was estimated at $5 billion in 1995 and is estimated to increase to $8.8 billion by 2015". In a USA study, Lipman (2005) has shown that for every $1 saving on housing, a working family spends an extra 0.77 cents. That is by moving to the cheaper fringe area, 77 percent of the saving goes to transportation costs.

This is where governments have to be proactive. Government need to make transportation more cost and time efficient and the same time needs to encourage employment in these regional centres. Both these will have the effect of an increase in demand for these areas, making it more attractive for developers to undertake new supply.

Whilst the theory of location property price is such as illustrated in Figure 8, it can also be noted that the difference in the real medium price for a dwelling 45 kilometres from the CBD to one 5 kilometres from CBD was much lower in 1992 than 2002. Therefore, with some justification, the increase in demand would increase the price in these areas and make it more viable for developers to undertake development. Under this scenario, for the purchaser, whilst price has increased, there are now benefits of employment and more efficient transport service.

Solution to housing affordability

The above analysis has highlighted the problem of housing affordability in a modern city that is also experiencing a continued population growth. The main problem stems from the inadequate supply as identified by PCA (2007) and HIA (2003), that the future underlying demand for new dwellings in the Sydney region is far greater than the expected annual release of land by the government.

However, there is probably no 'one fix' to the problem and further in depth research needs to be undertaken. However, it can be acknowledge that the following are positive factors that need to be considered in addressing the affordability problem:

- Government release of land for development,
- Lower infrastructure levies,
- A more efficient transportation system
- A proactive move to encourage industry to be located in the fringe region.

Other options

There have been many other options presented by various researchers on the demand side, two that are worthy of further consideration and research. The first by AREI (2007) is to make use of the trillion dollar superannuation vehicle in Australia,

whereby the government could include home ownership within self funded policies. The second by the PCA (2006), who proposed a government housing bond, which can be traded like other bonds. In the past, it was suggested to allow retirees to invest in such bonds and derive an income without jeopardising their pensions because of the means test. Although both of these options are on the demand side, they have merit and need further research for their development.

One final point, whilst this paper only analysed the affordability of purchasing housing, the end result of people not being able to buy is that they will demand rental accommodation and accordingly drive up rents as has been the case in recent times. REINSW (2007) latest media release said, that "for the 12th month in a row, the residential property vacancy rate in Sydney has remained at below 2 percent - the benchmark figure that indicates whether or not there is a rental crisis." The figure currently for Sydney is 1.5 percent. So whilst some commentators may say that people are better off renting, rental prices are also creating (rental) affordability stress.

Conclusion

This paper has discussed the growing affordability problem in Sydney, whereby households are spending more and more on housing as a ratio of their income. The paper also discussed Sydney's expected population growth, which will result in further increases in demand for housing. However, as shown, the problem is not one of helping those that are in affordability stress by introducing policies that will alleviate the current problem, as this would only drive demand and prices even higher in the long run.

The options need to address the supply side and in particularly in the fringe areas where new releases could be at more affordable prices for the purchaser of house and land packages. However, what has been clearly identified is that the problem is not one of simply increasing availability of land through government land release for subdivision in the city fringe area. This is because the cost of new supply is being driven upwards, due mainly to increases of government charges and as UDIA's four city centres study found, that the cost were so great that it is not feasible for the developer to undertake development in those areas.

There is the risk that the affordability problem is becoming a self perpetuating problem, because whilst developers cannot get a *reasonable return* on development, they will not provide the new supply needed to keep pace with the expected growth in population and thereby have existing dwelling prices driven higher.

There is no 'one fix solution' to the problem and it needs a combination of policies to assist, after all, all the factors that lead to the problem are interrelated in one way or another. The several policy options that were analysed in this paper were common among the various industry bodies and all were dependant upon government action in one way or another. All three tiers of government need to be pro-active in addressing the problem.

Without, government action, the current problem may well in fact become a permanent one, whereby households will not be able to bridge the affordability gap.

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Is property being over taxed – a NSW study.

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Keywords: property taxation, taxation, property investment, property development.

In recent times, property investment in Australia as an asset class has been seen less favourably due to the implications of taxation. On the one hand there has been a consistent growth of taxation and other charges by government on property as an asset and on the other hand, there have been some tax benefits given to alternative classes of investment assets and thereby making the opportunity cost of investing in property even higher.

Whilst in its early settlement, Australia had "excise and customs forms of taxes", it had no taxation on property whatsoever. Now, nearly two hundred years later there are over ten ways of taxing property in Australia, with property becoming a good source of revenue for all sectors of government.

In NSW, the revised (state) budget papers for the 2005-2006 financial year, showed that property continues to be the largest sector for tax revenue for the state government. Total property taxation accounted for 33.9% or $5,362 million of total State Government revenue ($15.8 billion). This included Stamp Duty ($3,100 million), Land Tax ($1,737 million), Mortgage Duty ($320 million), Leases ($68 million), Parking Space levy ($44 million) and the abolished Vendor Transfer Duty ($93million). In addition to state taxes, property in Australia is also subject to taxation, levies and fees in several ways at the local and federal government levels.

This paper will show the chronology of property taxes and the more recent historical analysis of tax receipts before applying their impact on property investment and residential property development in NSW. In analysing the latter, this paper will use case studies in Sydney to show that the overall level that the three tiers of government receive in a residential property development is far greater than that received by the property developer.

Introduction

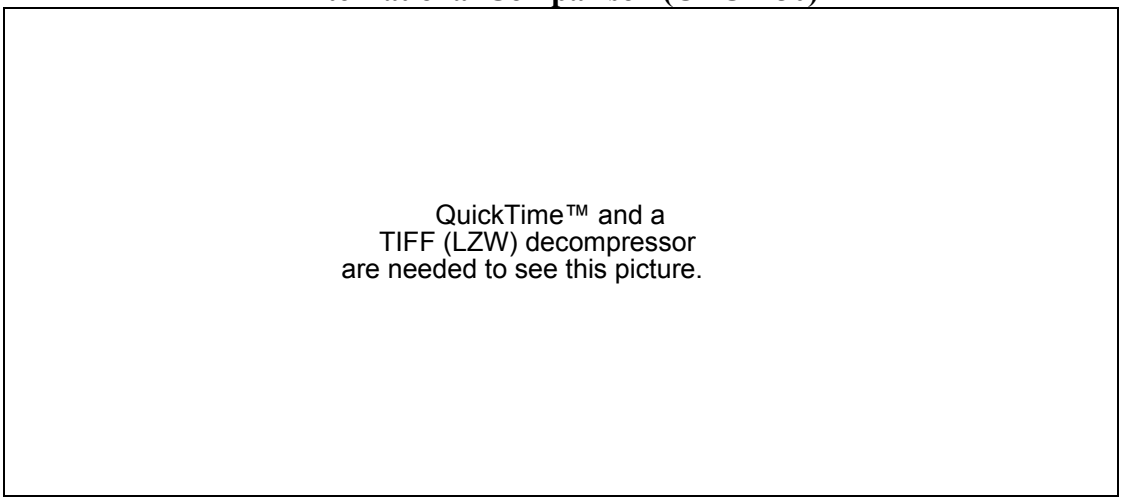
A tax can be described as "a financial charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of a state" (Wikipedia). Ricardo (1921) says, "taxes are a portion of the produce of the land and labour of a country, placed at the disposal of the government; and are always ultimately paid, either from the capital, or from the revenue of the country".

Historically, taxation has more or less been about since the beginning of time, with the oldest known tax levied about 6,000 years ago in Lagash, and with Egypt having the first systematic taxation, whose tax collectors were known as *scribes* (Avram). In Australia, taxes were introduced in the 19th century and the first taxes were a consumption type tax (Gibson, 1999).

Taxation can be used for many purposes; to raise revenue for government expenditure, for stabilising the economy, to reallocate resources and to redistribute income and wealth. Taxation can also be implemented by the various tiers of government, as is the case in Australia, where there are three tiers of government, namely, federal, state and local.

Total taxation in Australia has risen 30% to $278.5b in the five year period to 2004-5. But, over the same period, direct property taxes[3] have increased by nearly 54.5% to $21.3b mainly as a result of increases in state land tax across all states (ABS, 2006). Indeed, the Australia Government (2006) acknowledges, "Australia has a comparatively high reliance on property and transaction taxes relative to the OECD-30". Figure 1 shows show the various types of property taxes imposed by as a ratio of GDP for 30 OECD countries. As can be seen, Australia is above the average and ranked 8th highest in the group of 30.

Figure1
Property Taxes as % GDP
International Comparison (OECD-30)



Source: Australian Government (2006 Chart 16, p xxx)

[3] This excludes taxes on property rents and capital gain, as these are assessed under the normal "income tax" category.

Taxation has a direct influence on the property market. The esteemed economist, Keynes (1973) described taxes, which "discriminate against "unearned" income, such as taxes on capital-profits, death-duties and the like, are as relevant as the rate of interest" to the individual. Harvey (1987) adds that a major function of the property market is to allocate land, which is a scarce resource to its most profitable use (that is, its "highest and best use") relative to other land resources.

As pointed out by Waxman (2004), all levels of government may directly or indirectly influence the decision to invest in the property market. In a study where the government did reduce its level of stamp duty for first home buyers, Costello (2006) found that the reduction had an immediate and significant impact on the Perth housing markets. Whilst on the buyer's side, Rowland (1993) says that taxation of property investment has a major impact on buyers, as the tax system does not treat all owners or all property in the same way.

The efficiency of the market is impaired by market imperfections, one of which is taxation. Theoretically, in economics, taxation is seen as a barrier to the workings of the market, as Warren (1994) points out, without government intervention (such as taxation), the property market would operate as an efficient free market. However this does not mean the property market would otherwise operate under "perfectly competitive" condition, as property is a heterogenous and in reality taxation does exists in probably all economies, but its impact varies with the degree of taxation on the asset.

There are numerous writers who see property tax as the most relevant and efficient tax. Pierce (1999) argues that taxing unimproved land is one of the most efficient taxes available to the states and quotes Musgrave and Rubinfield to support his hypothesis. And of course, the proponent of a single tax on land, Henry George (1975, p421) said, "The tax upon land values is the most just and equal of all taxes. It falls upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained."

Whether taxation on property is philosophical good or bad, taxes do have an impact in decision making for property investors and property developers. A study for the Property Council of Australia's Residential Development Council by UrbisJHD (2006) analysed the impact of all taxation and compliance costs that are included a residential development and thereby paid by purchasers of the units. They concluded that these taxes and compliance costs were as high as 35 percent of the costs for new houses and 28 per cent for new apartments.

This paper will show how taxes impact on property investment and using case studies will identify the amount of all taxes, charges and fees paid by the developer and the relevant distribution between developer and government in. Whilst this paper examines taxation on property in NSW, it should be understood that all states in Australia have similar taxes with varying rates and the results would vary state by

state, but not to the extent as to significantly change the findings presented in this paper.

Taxation on property

Property is an asset that is both consumption good and a capital good and accordingly, can be taxed in many ways, as a source of income, as a form of wealth (capital), on transfer. In addition to taxes, duties and fees can be imposed by the various tiers of government. Table 1 traces the evolution of the current tax, charge and duty implications for property in Australia since Federation in 1901.

The taxes shown for the state and local tiers of government are predominantly in NSW, however in most instances, similar taxes are imposed in the other states and territories of Australia.

Table 1
Taxes impacting on property in NSW since Federation (1901)

Year	Tax	Tier of government	Abolished
By 1901	Income Tax	All colonies	
	Death Duties	All State (NSW first in 1851); Federal (1910)	1977 (Queensland) 1979 Federal. By early 1980s, all states (NSW, 1981)
	Gift Tax	Federal	1979
	Council Rates	Local	
	Land Tax	1st in 1877 (Victoria) By 1915 all states	
1910	Land Tax	Federal	1952
1915	Income Tax	Federal/ state	1942 for states
1915	Company Tax	Federal	
1920	Stamp Duty	State (NSW)	
1942	Income Tax	Exclusively Federal	
1956	Land Tax	State (NSW)	
1974	Property Income surcharge	Federal	1975 (February)
1970s (late)	10% Capping Council Rates	NSW	
1979	Infrastructure charges (Section 94 Contribution)	NSW Local Councils	
1985 (Sept)	Capital Gains Tax (CGT)	Federal	Modified 1999
1992 (July)	Car Parking Levy	State	
1999	Changes to CGT	Federal	
2000 (July)	GST	Federal	
2004 (June)	Vendor Transfer Tax	State (NSW)	2005 (August)

Source: various – ATO (website), Table 2.1 (Warren, 2004), Smith (2004), Gibson (1999)

As can be seen from Table 1, both federal and state were applying similar taxes in the early years of federation. 1942 was a major turning point for taxing in Australia, the catalyst being World War II, which required a national war effort and the federal took over the taxing of income exclusively and many of the other taxes, including land tax went to the states.

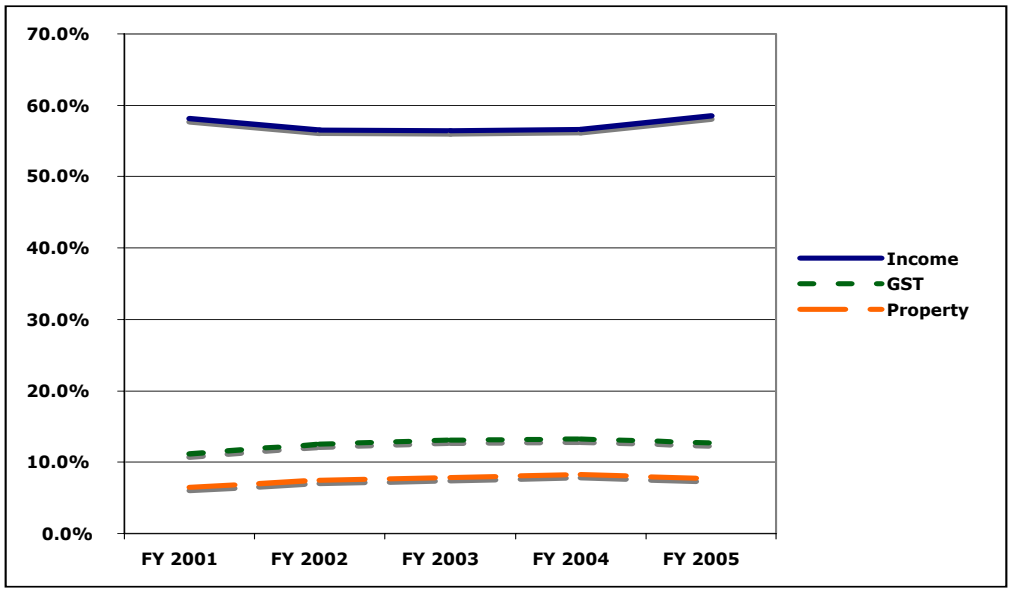
Up to 1942, the states had substantial financial autonomy in raising taxes and at the same time accounted for "around two thirds of all public expenditure" (Smith 2004, p79). State governments were left with residual taxes, which are mainly narrow and according to Pierce (1999), these state taxes do not have good efficient and equity taxes because they are narrowly based taxes. He adds, that the "ability of tax base to move transactions between jurisdictions magnifies the efficiency costs of State taxes, making their design more critical" (p17). The same goes for equity, as there is no significant redistribution of wealth in state and local taxes.

The unpopularity of taxes is best highlighted with two taxes, one federal and one state, which only lasted for about a year. The first was the federal tax of a "10% surcharge on "unearned" property income", this applied to rents, dividends and interest earned on savings introduced in 1974. The second was the NSW state's "vendor transfer tax" in 2004, which meant that anyone selling a property[4] in NSW had to pay 2.25%, thereby the government received stamp duty from the buyer and transfer tax from the seller. Both these taxes lasted for just over a year due to the large public opinion against them.

Current Property Tax

Together with income tax and GST, property taxes make up for just over seventy five percent of the total taxes collected by all three tiers of government. Figure 2 shows the percentage of each of these three taxes for the period 2001-2005 and as can be noted, property explicitly derives around 8% of all taxes. However, as property is also taxed as income and consumption, it is also included in part of the income and GST taxes. In addition, there are other fees and charges that are not part of the taxation calculations.

Figure 2 - Percentage of Total Taxes (FY 2001-2005)



Source: ABS (2006) Cat 5506.0

[4] New property and sub division land were exempt as were properties that sold for less than 12% of their purchase price.

Writing about the history of taxation in Australia in the *Australian Marxist Review*, Gibson (1999) is critical of the government of the early nineteenth century for having "excise and customs forms of taxes" and for looking after the "land owning gentry" by not having a tax on land. Now, nearly two hundred years later, there are over ten ways of taxing property in Australia.

Table 2 shows the various taxes, fees and charges on property by the three tiers of government in Australia. However not all these taxes do not apply to every property transaction.

Table 2
Taxes[a] on Property
For all levels of government

	Federal	State (NSW)	Local[b]
Income	• Rent		
Consumption	• GST o Construction o Non-residential sales & leases	• Stamp duty on mortgage[c] • Stamp duty on commercial leases[d] • Parking space levy [e]	• Infrastructure charges (Sect 94 contribution)
Wealth	• Capital gains tax	• Land Tax	• Council rates
Transfer		• Stamp duty on sales	

[a] Taxes implies all taxation, charges and fees.
[b] Local government also charge for development approvals and construction certificates.
[c] To be abolished 30 June 2007
[d] To be abolished 1 January 2011
[e] Parking space levy" is required for developments within the City of Sydney, North Sydney, Milsons Point, Bondi Junction, Chatswood, Parramatta and St Leonards business districts.

Whilst Table 2 shows taxes that are imposed in NSW, all other state and territories impose taxes for property transfers (stamp duty) and land taxes. Likewise, council rates are applied by all local authorities in one way or another, that is they are sometimes reclassified as charge for services provided. Finally, several states have similar infrastructure contributions for new developments, like the section 96 contributions imposed by NSW local authorities and as noted by the UrbisJHD study for the PCA (2006), " whilst some variation exists across jurisdictions … the significant local government cost components relate to infrastructure charges".

- ***Federal Taxes***

The federal government taxes that are imposed on all states and territories, tax the property's rental income and its capital gain through the entity's income tax, which as noted from Figure 2 above, makes up about 60% of total taxes in Australia. The federal government also captures all property in varying ways under its 10% consumption tax (GST). For instance, commercial rental properties attract GST whist residential rent properties do not, however all property repairs (including residential owner occupiers) attract GST and the impact on a sale GST varies with class of property and whether the "margin scheme" is employed.

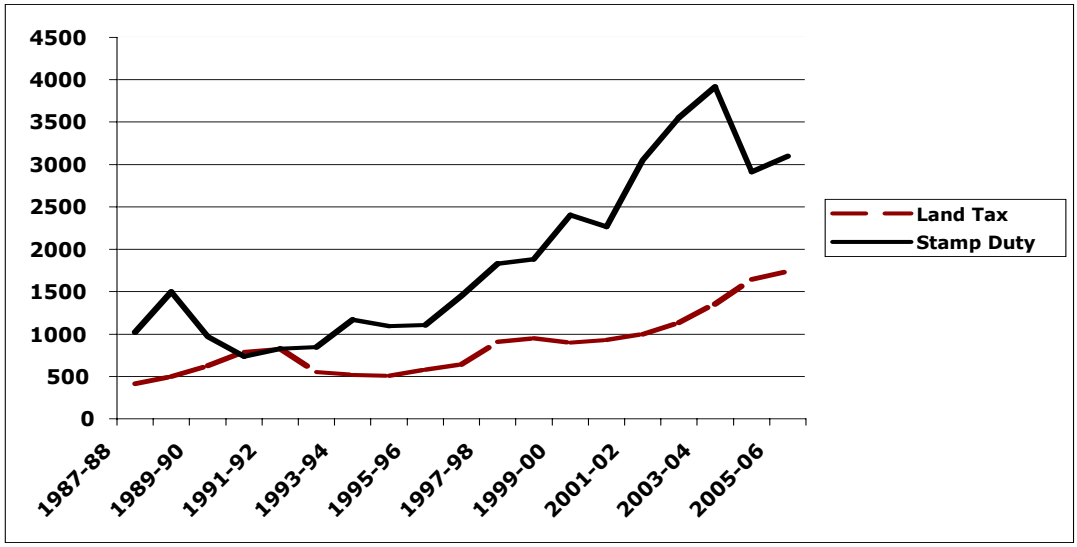
- ***State Taxes***

State taxes on property are more explicit and have been a major issue for some time, especially in NSW. Industry groups such as the Australian Property Institute, the Property Council of Australia and the Real Estate Institute of NSW have been continuously lobbying the government for an easing of the tax burden on property.

The revised NSW (state) budget papers for the 2005-2006 financial years, showed that property continues to be the largest sector for tax revenue for the state government. Total property taxation accounted for 33.9% or $5,362 million of total State Government revenue ($15.8 billion). This included Stamp Duty ($3,100 million), Land Tax ($1,737 million), Mortgage Duty ($320 million), Leases ($68 million), Parking Space levy ($44 million) and the abolished Vendor Transfer Duty ($93million).

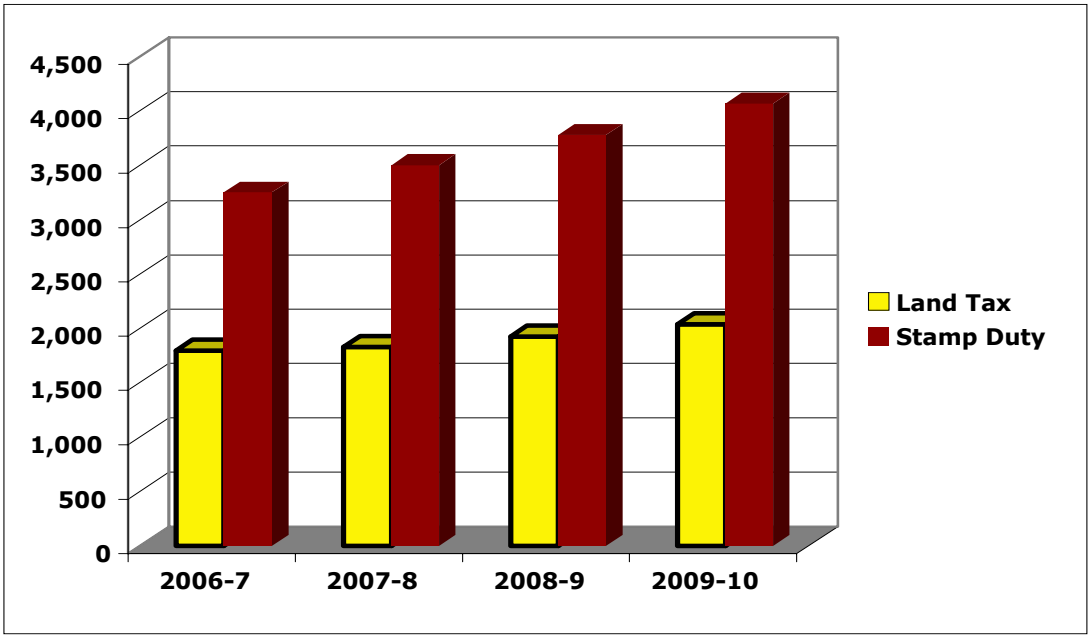
Figure 3 shows the level of both land tax and stamp duty in NSW from 1987-8 to the 2005-6. As can be seen, stamp duty's huge growth is the result of the recent housing boom particularly in the Sydney market up until 2003-4, before the *correction* of the market caused a fall in revenue to the government. But, land tax receipts have continued to grow, notwithstanding the market correction. In addition Figure 4 shows that forecast receipts for both stamp duty and land tax are set to increase over the next four years.

Figure 3
NSW State Tax revenue
1987-8 to 2005-6



Source: NSW Budget Papers – 1987 to 2006
Note: Land tax assessed for 1994 applied to all property with a land value of more than $25,000 (other than the principal place of residence).

Figure 4
NSW State Tax revenue (Forecast: 2005-6 to 2009-10)



Source: NSW Budget Papers – 1987 to 2006

- ***Local government taxes***

The main local government taxes are the council rates which apply to all land (vacant and improved) within their jurisdiction. These taxes are levied/rated on the "land value" as assessed by the NSW Valuer General's Department and each local government has its own rating scale (¢ per $), which is applied to these values to determine the annual rate.

Under state legislation, in NSW, the state government "capped" the rate charged in the late1970s. However, sometimes referred to as an infrastructure levy, under Section 94 of the NSW Environmental Planning and Assessment Act, 1979, local governments have the authority to impose a levy contribution on new developments for public amenities and services required as a consequence of development. This is known as Section 94 contribution. As a consequence of the rate capping, Section 94 contributions have become a "de-facto" way of raising funds for local governments. As noted above, similar types of infrastructure levies are imposed across other state jurisdictions.

Taxation Benefits

- **Property**

Whilst the discussion above has focused on the tax burden of property, one needs to also be aware of two taxation benefits that property investors can derive. These are the negative gearing allowance and the write off of construction costs.

Negative gearing is a direct tax benefit for property investors that whose interest payments exceed the net rental income from the property. The negative amount is

then deducted from the property owner's normal taxable income. The benefit is equal to the marginal rate of tax payable by the taxpayer, for instance, if the taxpayer is on the highest marginal rate of 48.5%, then the direct benefit of negative gearing is 48.5%.

Another benefit that exists for property investors is the loosely termed *depreciation*, but more specifically, the "write off of construction costs" which deducted as an outgoing for the property. This applies to new properties, extensions and improvements and if sold, depreciation allowance is carried forward to the new owners. The current rates are 4% p.a. for manufacturing and tourism buildings and all other classes of buildings receive a rate of 2.5% p.a.. In all cases, a property investor can get an accelerated rate for building inputs, such as air conditioning. However, since 1999, the amount deducted during the "holding period" is then added "back in" when calculating any capital gains tax at the time of the sale. Thus, even this benefit has been somewhat eroded since 1999.

- **Other asset classes**

Other assets also are captured by taxation and likewise also attract some benefits. However in the more recent era, many of the other assets have also received benefits.

Shares are an asset that is generally regarded as an alternate property investment. Since the late 1980s, investors in shares receive the benefit of a "fully franked" dividend if dividends are paid from "after tax earnings". That is the investor receives the full dividend free from any personal income tax or to use a property term, is equal to the "after tax" cash flow..

A more recent impact for alternative investment, came from the 2006 federal budget, whereby the government gave an enormous incentive to invest in superannuation. This occurred by allowing new tax benefits for investing into superannuation, especially for those aged over 55 years of age. This has resulted in a rapid growth of cash flowing into superannuation funds and in some cases the sale of property to give individuals the cash to invest.

Hence, on the one hand, as demonstrated above, property taxes and fees have risen, whilst on the other hand, alternate asset investments have derived *liberal* tax benefits. This means that the *opportunity cost* of investing in property has risen.

Methodology and data

To demonstrate the impact of the taxes, charges and duties on property, this paper will use three methods. The first will show a typical office strata unit investment in the Sydney CBD to explain how the "return on the property" is taxed. The second will show the amount of tax the investor pays when a residential dwelling is purchased and eventually sold. Finally using eight case studies, the paper will derive the level of taxation, fees and charges paid by a property developer undertaking a development.

Data for the analysis has been given to author by leading real estate and valuation firms on a confidential basis and for this reason, no property details will be identified.

The first method uses a Sydney CBD office strata unit, the second method uses the NSW Real Estate Institute's medium prices of the nominated suburbs and the third method uses valuations undertaken by independent valuation firms, which have included the feasibility analysis of the respective development being undertaken.

- **Tax on Investment return**

Table 3 shows a typical scenario of a 500 square metre strata office unit in the Sydney CBD, with its rental income and total expenditure. Column 3 of the table identifies the tax applicable, that is council rates, land tax and park levy, whilst all of the other outgoings (apart from water rates) are taxed under the 10% GST.

The Table then derives the net return of the property ($102,552), which is then taxed at the taxpayer's marginal rate. For this example, it was assumed that the taxpayer was an individual who is on the highest marginal rate.

Table 3
A typical 500 sq. m. office strata unit in Sydney CBD

	$	$	Applicable tax	Govt ($)
Gross Income		**152,280**		
Outgoings				
Council Rates	6444		Council Rates	6444
Land Tax	7619		Land Tax	7619
Car Park Levy (1)	900		Car Park Levy	900
Water Rates	900			
Energy	6086		GST	553
Insurance	1713		GST	156
Air Conditioning	3750		GST	341
Cleaning	2475		GST	225
Fire Protection	1504		GST	137
Gardening	393		GST	36
Lifts & Escalators	2445		GST	222
Repairs & Maintenance	6023		GST	548
Security	1101		GST	100
Management (5.5%)	8375		GST	761
• **Total**	**49,728**			**18,042**
• **Net**		**102,552**		
• **Income Tax**		49,738	Income Tax	49,738
• **After tax income**		**52,814**		
• **Total Govt**				**67,780**

Notes: Assumes individual taxpayer on the highest marginal rate.

The final column shows the amount of tax paid by the investor. The result shows that the investor receives an "after tax" income of $52,814, whilst all three tiers of government receive a total of $67,780. That is the investor is receiving 43.8% of the total income generated form the property, whilst the government is receiving 56.2%.

Once again, whilst the Table applies taxes and local rates applicable to NSW, as other states in Australia have similar taxes, the results would not diminish the argument presented, as the brunt of the taxes are from the federal government.

- **Tax on Property investment transactions**

Table 5 show the effect of the various taxes applicable to hypothetically buying a dwelling for investment in June 2000 and selling the property in December 2005. The data used is the NSW Real Estate Institute's medium prices both at the time of purchase (June 2000) and at the time of sale (Dec 2005) for six randomly selected suburbs[5] together with the Sydney average.

The analysis does not consider the holding period s this was discussed in the previous analysis. From Table 5, one can see the amounts paid for stamp duty on the purchase, stamp duty on the mortgage and capital gains tax on the capital gain of the property. The last column derives the percentage that the government receives from the profit (capital gain on the property).

Table 5 - Houses
The effect of taxes in buying and selling an investment property.

	Sold Dec-05	Bought Jun-00	Cap Gain	Stamp Duty Purchase	Stamp duty Mortgage	CGT	Total Tax	% of Profit
Ashfield	625000	438700	186300	13,845	1345	45,178	60,367	32.40%
Botany	615000	425000	190000	13,365	1301	46,075	60,741	31.97%
Fairfield	355000	217200	137800	6,092	636	33,417	40,145	29.13%
Ku-ring-gai	931000	600000	331000	19,490	1861	80,268	101,619	30.70%
Nth Sydney	925000	732500	192500	24,128	2285	46,681	73,094	37.97%
Strathfield	941000	422500	518500	13,278	1293	125,736	140,307	27.06%
Sydney Av.	518000	315000	203000	9,515	949	49,228	59,692	29.40%

Source: NSW REI "Property Market Focus" – June 2000 and Dec 2005
Table assumes individual taxpayer at the highest marginal rate.

As can be noted, the government receives on average 29.4% for a dwelling in Sydney, ranging from 27.06% (Strathfield) to 37.97% (North Sydney) for the selected suburbs. In other words, nearly a third of the property's gain is absorbed by the government in one form or another. In addition to this, government would also be receiving taxes during the holding period, in the form of council rates, possibly land tax (depending on the land value) and tax on the rental income.

- **Property development - case studies**

To analyse the taxes in property development, eight case studies will be used. These case studies are based on feasibilities undertaken for the respective sites that were used for their purchase and/or finance.

The total expected gross realisation of these developments is $81 million and included in total 201 new residential apartments, 7 town houses and 2 retail shop units. All

[5] The suburbs were selected by taking every 7th suburb listed, starting from the first one for homes and the second for home units.

these developments are in Sydney, however as discussed, for reasons of confidentiality no address or property identification is given.

Table 6 shows for each development, the expected gross realisation, that is income from the sale of the property, and the profit (before company tax) made by the developer. The Table then identifies all the taxes, fees and charges imposed on each of the developments including the tax on profit (company tax) and derives the total tax, fees and charges for each development. Company tax, GST, stamp duty and land tax rates are the same for all developments, whilst council rates and Section 94 contribution vary depending on which local authority the developments are situated.

The Table then identifies the total amount of tax paid in each of the developments, which is the same as the total the government receives. On the other side, the developer receives the *bottom line* profit, that is the net "after tax" profit. In other words, this is the amount the developer gets after all expenses, including all the taxes are paid.

Table 6 - Case Studies – Taxes on Property Development

	15 Apts	7 T/Houses	2 Retail + 26 Apts	19 Apts	18 Apts	21 Apts	35 Apts	67 Apts
Gross Realisation	4,975,000	**3,670,000**	8,954,000	**6,300,000**	5,830,000	**6,784,091**	20,277,273	**24,214,477**
Profit	**359,388**	**451,105**	**599,327**	**810,883**	**707,343**	**549,465**	**2,046,423**	**2,462,489**
Corp Tax on Profit	107,817	135,332	179,798	243,265	212,203	164,839	613,927	738,747
Net "after tax" Profit	251,572	315,774	419,529	567,618	495,140	384,625	1,432,496	1,723,742
Taxes								
Stamp Duty	55,615	37,790	150,490	73,490	74,315	63,865	238,490	219,240
Stamp Duty on Mort*	8,252	5,707	15,139	9,270	8,786	10,908	4,034	39,257
Council Rates	13,347	2,711	4,214	13,178	2,000	30,082	34,968	79,104
Land Tax	31,400	11,000	10,000	46,000	3,228	18,241	77,316	66,366
Sect 94	45,855	26,874	121,080	58,083	61,842	64,192	373,862	400,000
GST (margin scheme)	336,364	248,182	541,273	427,273	383,182	487,190	1,425,207	1,814,952
Corp Tax on Profit	107,817	135,332	179,798	243,265	212,203	164,839	613,927	738,747
Total Tax	**598,650**	**467,595**	**1,021,993**	**870,559**	**745,556**	**839,318**	**2,767,803**	**3,357,666**
• **Developer**	251,572	315,774	419,529	567,618	495,140	384,625	1,432,496	1,723,742
• **Government**	598,650	467,595	1,021,993	870,559	745,556	839,318	2,767,803	3,357,666
Total	**850,221**	**783,369**	**1,441,523**	**1,438,177**	**1,240,696**	**1,223,943**	**4,200,300**	**5,081,408**
Developer share (%)	**29.59%**	**40.31%**	**29.10%**	**39.47%**	**39.91%**	**31.43%**	**34.10%**	**33.92%**
Government share (%)	**70.41%**	**59.69%**	**70.90%**	**60.53%**	**60.09%**	**68.57%**	**65.90%**	**66.08%**

Notes: 1. The analysis assumed 50% funding for purposes of stamp duty on mortgage;
2. The developer was treated as a corporation. Had the developer been an individual entity, the tax rate on profit would be far greater, as normal individual tax rates would apply;
3. The margin scheme has been applied to assess GST on the sale of the development.

The last two rows show the percentage received by government and the developer in each of the respective developments. As can be noted from the Table, the developer derives between 29.1% and 40.31% of the total, whilst the three tiers of government receive between 59.69% and as high as 70.9%. In simple words, the developer, with

all the risk gets less than 40% in most cases, whilst the government's total for all three tiers, with no risk at all, gets around 60% as a percentage of the total.

In addition, the government receives; GST on the goods and services used in the development, taxation from all sub contractors, and professional consultants employed for the development and then stamp duty from the purchasers of the completed development. In other words, from property, the government is in a *windfall* position.

To fully understand the impact of all the taxes in property development, if NSW had been an *absolute tax haven*, the profit would be the figures shown for "Total" in the Table. However if there were no tax, more than likely, developers would bid up the price of the land (site) as there margins would improve enormously and therefore part of the savings in tax would flow onto the seller of the site.

Several important points need to be noted which have not been taken into account in this paper. The UrbisJHD report (2006) highlighted two additional costs namely the costs due to compliance for producing new housing (such as BASIX) and additional costs due to excessive delays of gaining approval, which implicitly impact on "holding costs" and "interest". In addition, neither was payroll tax taken into account. Payroll tax, which has a threshold of $600,000 per financial year and a rate of 6 percent on wages thereafter would obviously be a factor for the larger development companies. Overall any of these would further increase the government's share and decrease the developer share respectively.

Finally, as also can be noted from Table 6, the major impact of the taxes are the GST (margin scheme) and the company tax, both of which are only levied when the property is sold. To minimise their taxes, this can lead to the practice of retaining a proportion of the development as part of the profit, in which case the developer would need to comply with the GST 5-year rule, which states that if the developer retains the property for period of 5 years or more, then the developer is required to repay any "tax credits" received in GST. However, should this practice become prevalent, it would mean fewer funds are being reinvested into future development and thereby have major implications for future supply.

Conclusion

As this paper has shown, property is an asset that can be taxed in many ways both in Australia and abroad. The number of taxes and other charges has now grown to ten and as noted direct property taxes have attracted around 8% of total tax directly in Australia plus the amounts paid in the uncategorised income tax and GST receipts.

Whilst this paper has presented a NSW perspective, as discussed in the paper, similar property taxes and charges are imposed by other states and territories in Australia with varying rates and the results would vary state by state, but not to the extent as to significantly change the findings presented in this paper. Indeed in all methods, the major tax component was the Federal company tax and GST.

The paper has demonstrated that taxation has a major impact on the cash flow derived from property; in an investment holding, in buying and selling an investment property; and in property development. In all cases, the government is receiving a substantial share, particularly in the from property development

The eight independent case studies have further demonstrated the cumulative impact of the taxes and other charges in property development. In all cases the three tiers of government are receiving around 60% (and as high as 70% in two cases) of total money generated form property development, whist the developer is receiving around 40% or less. It should also be noted, that the return to the developer is dependant upon the "expected" sales realisations. Whilst in the past Sydney residential property boom, prices may have exceed expectation, in a more stable market, expected prices may not be realised.

Author's comment

The purpose of the paper is not for all property taxes, charges and fees to be completely abolished, after all, taxes do have a role, as they are needed to finance the public sector (which includes infrastructure needed for property) and to a certain extent redistribute some wealth and income. However, as pointed out in the paper there are a large number of taxes in property and whilst some rates may not be excessive, **cumulatively** when added together they have a major impact on property developers and property investors as is demonstrated in this paper. Many of these taxes also extend to owner occupiers. Perhaps Henry George was correct after all. If there was a single tax on land only, at least there would only be one! All this begs the question, "is property being over taxed?"

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