High-profile developer lobs land tax grenade

CAMERON ENGLAND

ONE of South Australia's biggest property developers says the industry should "look beyond our short-term interests" and swallow the State Government's controversial land tax reforms.

Jamie McClurg, pictured, executive chairman of Commercial & General and a former vice-president of the SA arm of the Property Council, says the sector needs to see the bigger picture, which is about growing the state's economy overall.

His views have been derided as "nonsense" by his peers.

Property Council SA president Steve Maras said he'd been "flooded" with angry phone calls since the State Budget.

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Property lobby angry at land tax grenade

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Mr McClurg's company is among the largest developers in the state and is building the new Calvary Adelaide Hospital, is the developer for SAHMRI 2 and is behind the redevelopment of the former Football Park site at West Lakes.

Mr McClurg said the Marshall Government's economic policies aimed to deliver a rising tide which would lift all boats, and that's what the property sector should focus on.

"I'm not suggesting the industry should bite its tongue," he says in an opinion piece submitted for today's *The Advertiser*, below.

"As one of the largest contributors to the state's economy and a major driver of jobs, skills and innovation, the sector must be able to hold the Government to account. It has been bold with its vision, so it can rightly anticipate scrutiny of its delivery.

"But at the same time, we need to look beyond our short-term interests and focus on the bigger picture.

"And, if that means we need to contribute a bit in order to support the Government's economic agenda and help grow a vibrant future for the next generation, that seems like a fair trade."

That contribution would be in the form of $40 million extra a year in land tax, which will flow from a change to how holdings are taxed.

Rather than being able to own numerous properties in separate legal entities, and potentially pay land tax at a lower rate, landlords will now have their holdings lumped together, which will boost many to higher, if not the top rate of tax. In concert, the top land tax rate will start to drop from 3.7 to 2.9 per cent, as previously announced, but this process will take seven years. Both measures come into force from mid-2020.

Treasurer Rob Lucas has argued the current system is "unfair", as not all landlords are able to "disaggregate" their properties to minimise tax.

He said he was willing to debate the issue with the industry and told a hostile crowd at a Property Council lunch last week he could not see how a system which taxed landlords differently could be considered fair.

"I don't know how anyone can defend a situation as stark and as clear as that," he said.

Mr McClurg points out that

the property sector stands to benefit from the State Government's planned $11.9 billion infrastructure spend over the next four years, and says the Government has the bigger picture in sight.

"The impact of the Treasurer's new Budget measure should not be underestimated," he says.

"For those caught by the changes to their marginal land tax rates, the impost will be significant."

But he said the Government's target of 3 per-cent average annual economic growth was a loftier ambition than what the state had managed over the past 15 years.

This would deliver property returns above and beyond the estimated $40 million a year that the tax changes were likely to generate, he said.

Mr Maras, who is also chief executive of the Maras Group which has significant landholdings around Adelaide, said Mr McClurg held a "minority view". "It is abundantly apparent to me that these views are not supported by the vast majority of South Australia's diverse property industry," Mr Maras said.

"The only way to view this Budget measure is through a lens of increased taxation that will result in a fire sale of property assets across 'mum and dad' investors, and beyond.

"That is the sentiment and the reality. Any other interpretation is nonsense."

Mr Maras said the message from the Budget was that property investors would be "taxed out of existence".

Property Council SA executive director Daniel Gannon said he'd had an "avalanche" of phone calls on the issue.

"That suggests something has gone horribly wrong with this Budget measure," Mr Gannon said.

"We know that an investor who owns three average-priced residential properties structured through discretionary trusts will see their land tax bill increase from $1100 to $21,000 next year."

"This is bad public policy that hasn't been well considered, and this is before the Valuer-General's statewide revaluation kicks in."

The Land Tax reform, which requires new legislation, looks set for a tough road through Parliament.

Independent John Darley said this week he would vote against the change because it unfairly penalised people.

OUTSPOKEN: Developer Jamie McClurg say the property industry needs to look beyond its own short-term interests.

FIRING BACK: Property Council chief Steve Maras.