

3rd December 2003

The Chairman
Independent Pricing and Regulatory Tribunal of NSW
Level 2
44 Market Street
Sydney NSW 2000

Dear Sir

Re: Rental for domestic waterfront tenancy.

I refer to the review of Rent for Domestic Waterfront Tenancy in NSW and would like to make the following submission:

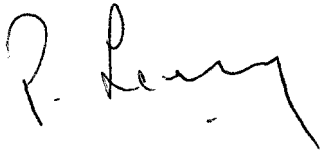
1. In the heading **The formula proposed by the Department of Lands and The Waterway Authority**, they indicate **“a six per cent rate of return is consistent with analysis of investment returns from residential properties rent throughout NSW and Court decisions.”** This statement I believe is incorrect under the present property and economic climate. The general net investment return for residential properties in Sydney is in the range of 2 – 3.5%. For higher value properties on the waterfront it is between 1 – 2%. I suggest that the Tribunal should consult more with the professionals in the property industry before assuming that an investment return of **6%** being consistent and realistic.
2. The formula to calculate the rent includes a GST being added to the rent. As the rent is derived from residential tenancy, a GST should not be added to it. Under the GST Act rent from residential property is an “input taxed supply”. The booklet published by the Australian Taxation Office on **“Property and The New Tax System revised 18/2/2000”** clearly stated on page 14 that “ If supplies are input taxed you do not charge GST on the supply Input tax supplies include most financial supplies, supplies of residential rent and residential premises ” The ATO’s view has not changed since publication of this guideline.
- 3 As the lease may not be transferable and the usage of the leased area are very much restricted, the land value used to calculate the rent should be substantially less than what is proposed.

My Alternative Proposal

1. In the formula proposed by Department of Lands and Waterways Authority- the word **6%** to be replaced by **2%**.
2. GST to be deleted from the rent.

3. Should there be **any** increase in rent or license fee, the Authorities should take into consideration the CPI increase in the same period and comparable increases in other State Government charges.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'P. Leung', with a stylized, flowing script.

Patrick Leung