



**AUSTRALIAN CAPITAL TERRITORY**

**SUBMISSION TO THE  
COMMONWEALTH GRANTS COMMISSION'S  
COMMISSION POSITION PAPER 2008/06:**

*Land Tax*

**January 2009**



## Introduction

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past four years. As part of this process the ACT has provided a number of submissions in response to the Staff and Commission Discussion Papers, incorporating subsequent multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position as to the validity of the conceptual case behind a number of assessments and the proposed assessment methodologies.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this light, a lack of objection does not imply support where such support has not been previously stated.

## Proposed Assessment

The continuation of the 2004 Review method for assessing capacity in land tax revenue and the use of State provided land value data is supported. Whilst it is acknowledged that there are reliability and comparability issues with the current datasets, the ACT does not consider that such a degree of policy influence exists so as to necessitate a shift to an alternate indicator.

It is anticipated that any reliability and comparability problems in the State provided land value data, which are material to the assessment, can be resolved through the ongoing State and consultancy work to improve its quality.

## Value Distribution Adjustment

The ACT had argued that Value Distribution Adjustments (VDA) should not be applied as a single broad disability to all revenue categories. Given different taxes have different policy objectives/considerations, and are not uniformly of a progressive nature, a case-by-case approach is needed to determine whether a VDA reflects the average State policy and whether to make such an adjustment is material.

As per the ACT's submission to Staff Discussion Paper 2007/03-S: *Proposed Methods for Revenue Assessments – Land Tax* and consistent with the findings of the Australian Valuation Office (AVO) consultancy on C&I land the distribution of property values across value ranges varies widely across jurisdictions and it is not clear that States explicitly seek to progressively tax land values.

Given the average State policy is to calculate an individual or entity's land tax liability based on the aggregated value of all land holding (less any exemptions), observations made by some States of differing average land values on individual properties across jurisdictions, or progressive tax rates, do not in themselves substantiate the need to apply a VDA to this particular revenue assessment.

## Differences in the Rates of Tax

The NSW proposal to adjust land values for the rate of tax that is applied to them is not supported. Whilst it is possible that the tax liability applied to a piece of land may have an impact on its price, this impact is likely to be both difficult to determine and immaterial. How individuals/entities aggregate their land holdings has an impact on the resulting land tax liability. Thus any 'negative value effect' due to the land tax liability would vary depending upon the owner's individual circumstances.

