



**NORTHERN TERRITORY VIEWS ON
CGC POSITION PAPER 2008/06**

LAND TAX

FEBRUARY 2009

**COMMONWEALTH GRANTS COMMISSION
GENERAL REVENUE GRANT RELATIVITIES
2010 REVIEW**

Key Points

- The Territory considers that it is average State policy to impose progressive rates of tax on land tax.
- The Territory strongly supports a value distribution adjustment in the Land Tax assessment.
- While recognising data limitations, the Territory supports the use of Valuers-General and Census data to determine the value distribution adjustment.
- The Territory considers that fire services levies should be included within the Land Tax assessment rather than the Miscellaneous Revenue assessment.

This submission provides the Northern Territory's views on the Commission's Position Paper 2008/06 *Land Tax*.

The Commission propose to broadly continue the 2004 Review approach to assessing land tax. The Commission do not propose to assess a value distribution adjustment as it does not consider progressive rates of tax to be average policy, and they consider the reliability of available data to be questionable. The Commission do not intend to assess an adjustment for the possible impact of land tax rates between states.

Value Distribution Adjustment

The Territory strongly supports a value distribution adjustment in the Land Tax assessment. While the concerns about data quality are recognised the Territory considers that equalisation outcomes would be significantly inferior without an assessment given clearly evident variations in land values between states. This differential is demonstrated, in part, through the stamp duty on conveyances assessment where a value distribution adjustment is material.

Average Policy of the States

While there are differences in land tax policies between states, all states that impose land tax have adopted a progressive tax rate structure. While Queensland's highest rate appears regressive the average tax rate increases as values increase to a maximum of 1.25 per cent. Six states provide for thresholds beneath which no land tax is charged.

Reliability of the Data on which a VDA would be Based

The Territory has a preference for the assessment to be based on Valuers-General data. Differences in owner occupation rates between states could be proxied through Census data. Census data could be adjusted if there was data available to show that owner-occupation rates varied through value ranges.

While there are some differences in comparability between states, the Territory considers that the Australian Valuation Office should be requested to make necessary adjustments to ensure any differences are not material to the assessment.

As noted in the Position Paper, the Valuers-General data implicitly assumes immateriality in respect of aggregation. This could be informed by the use of state data provided that there were a number of jurisdictions that could demonstrate the relationship between holdings by taxpayers and individual land values.

Differences in Rates of Tax

The Territory agrees with the Commission that there are a wide range of factors, including numerous state government policies that impact on land values (most significantly zoning) and considers that the impact of differential tax rates would be impossible to determine.

Fire Services Levies

As noted in the Territory's submission on Miscellaneous Revenue (Position Paper 2008/11), the Territory considers there is a strong conceptual case that fire and emergency services levies should be included in the Land Tax assessment rather than in Miscellaneous Revenue.

Position Paper 2008/11 demonstrates that fire and emergency services levies have a material impact on the distribution of GST revenue and are drawn from a revenue base which is substantially different from EPC.

Fire services levies across States are most closely linked to property values, as evidenced by policies in Western Australia, South Australia, Queensland, Tasmania and the Australian Capital Territory. In *Position Paper 2008/11, Miscellaneous Revenue*, it is suggested that the best measure for fire services levies would be some form of unimproved property values. As a measure of property values is the

most suitable method for determining a revenue base for fire services levies, it is appropriate to include fire services levies within the Land Tax assessment.

In comparison to the 2004 review approach, including fire services levies within the Land Tax assessment would result in a similar redistribution for those states which use insurance premiums to raise fire insurance levies (New South Wales and Victoria).