



**Queensland Government**  
**Treasury**

Queensland Treasury Response to  
Commonwealth Grants Commission  
Position Paper 2008/06

**Land Tax**

January 2009

**Contact Officer:**

Peter Johnson  
Inter-Governmental Relations Branch  
Queensland Treasury  
(07) 3225 8261  
[peter.johnson@treasury.qld.gov.au](mailto:peter.johnson@treasury.qld.gov.au)

## **SUMMARY OF QUEENSLAND'S POSITION**

Queensland believes the existing methodologies for the assessment of revenue categories are generally robust, measure the revenue base using reliable data and that simplification in the 2010 Review proposed assessments is likely to be largely presentational. The proposed assessment of land tax is to continue using the 2004 Review methodology.

Queensland supports the continued use of the 2004 Review methodology in assessing a state's capacity to raise revenue from land tax. Queensland maintains that the 2004 Review methodology is conceptually sound, robust, simple and transparent.

The land tax assessment relies on State provided land value data and Queensland recognises that further work is required to ensure that the data provided to the Commission is comparable and consistent. Queensland believes that this task will become clearer once the Commission receives responses to its land tax data request, as this will indicate where discrepancies in State data exist.

Since the release of Position Paper 2008-06 changes have been made to the New South Wales land tax policies and this may influence the Commission's position on whether progressive rates of land tax is now considered 'average policy' of the states. Given this development, Queensland believes the Commission should reconsider the basis for the inclusion of value distribution adjustments (VDA) in the assessment. Queensland notes the Commission has sought information about the availability of data to make a VDA. Subject to state responses, the Commission should collect the necessary data from states to establish whether VDAs can practically be included in the Land Tax assessment.

Queensland proposes that the fire service levy (FSL) be included in the Land Tax category and assessed on a differential basis.

### ***Key Issues***

- Land tax to continue to be assessed using the 2004 Review methodology;
- Further consideration of whether VDAs should be made in the assessment, including the collection of data to check the practicality of such an adjustment;
- Further work to establish that state provided data is consistent, reliable and comparable; and
- The inclusion of revenue from the fire services levy in the Land Tax category.

## **METHODOLOGICAL ISSUES**

### ***Assessment structure and data***

Queensland supports assessing revenue raising capacity in two component parts:

- commercial and industrial (C&I) component – based on commercial and industrial land values adjusted for differences in distribution in those values; and
- non-principal residential (NPR) component – based on value of residential land adjusted for differences in proportion of people who rent privately owned properties (using ABS data).

Queensland believes the proposed methodology is simple; transparent; and is sensible. The methodology produces outcomes which are sound and defensible.

Also, it is reassuring that the Commission is not pursuing the planned engagement of an external consultant to audit interstate land values. Queensland believes this would have been a costly and complex exercise that may not have improved the assessment. However, Queensland believes rigour should be applied to determine the comparability and reliability of state provided data to ensure a robust assessment methodology.

### ***Value Distribution Adjustments (VDA)***

An outstanding issue is whether value distribution adjustments should be made. Queensland notes that in the position paper the Commission noted its intention to not include VDAs in the assessment because there is:

- no conceptual case, as VDAs do not reflect what states do and there is no commonality between states in policies about progressive rates or thresholds;
- lack of reliable data to make VDAs; and
- the complexity of aggregating properties.

### **Conceptual case**

Since the New South Wales mini-budget was handed down on 11 November 2008, it can be argued that changes in the State's land tax policy impacts on the average policy of all states:

*“From the 2009 land tax year, a marginal rate of 2 per cent will apply to land tax payers with total taxable land holdings above \$2.25 million. The higher rate will only apply to the land holding in excess of \$2.25 million. The land holding below this amount will remain subject to the 1.6 per cent rate.”<sup>1</sup>*

On average, the land tax policy for states is to impose progressive rates of taxation. There now appears to be a conceptual case, based on the principle of what states do to, for the inclusion of VDAs in the Land Tax assessment.

### **Data concerns**

Queensland shares the Commission's concerns about the lack of reliable data to appropriately determine VDAs. Following the 22-23 October 2008 Staff Conference, a data request was sent to states seeking advice on whether the data are available. Queensland believes this will be a useful exercise in determining whether data are available from states and that the data are comparable and consistent across jurisdictions.

The following data are available from Queensland's Office of State Revenue:

- Queensland can provide data on the distribution of rateable properties, but only for those individuals who have not already claimed the principal place of residence exemption elsewhere on either unimproved value (annual basis) or a taxable value (three-year averaged, 50% capped); and
- Queensland collects data on exempt properties except for exempt charitable institutions (ECI). Land held by ECIs is treated as non-taxable and non-rateable and is not valued in Queensland.

It is understood that the Commission may consider using partial data, that is data from some states, to determine the VDA. Queensland believes it may be difficult to get comparable data across the states at the level of detail required by the Commission.

---

<sup>1</sup> [http://www.treasury.nsw.gov.au/data/assets/pdf\\_file/0016/12706/08-09\\_Mini-Budget.pdf](http://www.treasury.nsw.gov.au/data/assets/pdf_file/0016/12706/08-09_Mini-Budget.pdf)

It will be beneficial to consider this issue once the Commission has received responses to the request about availability of the necessary data from states. Given there is a conceptual case for VDAs in the assessment, the survey will determine whether they can practically be made and Queensland awaits the outcomes of these requests.

## **OTHER ISSUES**

### ***Fire Services Levy***

Queensland believes that states face differing capacities to raise revenue from the fire services levy and that it should be assessed on a differential basis. A number of states raise the fire services levy through property rates collected by local government authorities and these vary according to property location and value. Land values may provide a suitable proxy for a differential assessment.

Queensland believes that the simplest way to include the fire services levy in the land tax assessment is to add the revenue raised from the levy to the land tax revenue to determine the assessment category average revenue. Fire services levy data is currently collected in the annual actual revenue data request. There would be no need to alter any other aspect of the methodology for the land tax assessment.