

From: CGC
Sent: Tuesday, 22 December 2009
To: State Treasuries
Subject: Data Options for the Land Tax Assessment

Dear All,

Below I set out the data options for finalising the Land tax assessment. Because of time constraints, the deadline for providing your views on the two options is end of business on 7 January 2010. I am sorry if this tight deadline causes you any inconvenience.

BACKGROUND

- 1 The Commission is finalising its assessment of Land Tax.
- 2 During this review, the Commission has sourced land value data from both State Revenue Offices (SROs) and State Valuers' General (VGs). It has been considering two options:
 - using SRO data as the revenue base; or
 - using VG data as the revenue base.
- 3 The two data sources do not agree well with each other. There are both advantages and disadvantages with each data source, although neither is perfect.
- 4 On conceptual grounds, the Commission is inclined to use the SRO data as the revenue base.

USING SRO DATA

- 5 The advantages of using SRO data are:
 - The data are on a holdings basis that States actually use to levy land tax;
 - They are conceptually better than VG data which are on individual property basis.
- 6 The disadvantages are:
 - they are policy influenced (reflecting differences in land tax legislation and potentially tax compliance)¹ and hence are not as comparable as VG data; and
 - an estimate is required for the Northern Territory because it does not levy land tax and has no such data.

¹ Considerable efforts have been put by the States and CGC staff to improve the comparability of the SRO data, but it appears that some problems still exist. The main problem is with each State's data for the below threshold land value holdings, as discussed at the teleconference, also as commented by Queensland and New South Wales.

- 7 Under this option, the assessment would be done in the following way:
- starting with SRO data as the raw revenue base;
 - estimating the raw revenue base for the Northern Territory;²
 - calculating a VDA using information from the SRO data by value ranges;
 - adjusting the raw revenue base by the VDA; and
 - applying an appropriate discount to per capita differences in the calculated revenue base between the States on data reliability grounds.

USING VG DATA

- 8 The advantage of VG data are:
- there are VG data for the Northern Territory; and
 - the data are on a comparable basis;
 - such data had been used in the previous inquiries and had been considered as comparable.
- 9 The disadvantages of using VG data are:
- they are not in the exact form on which States actually calculate the tax liability of taxpayers:
 - VG data are not able to aggregate all land held by the same land holders; instead they report their data on a per property basis; and
 - they include land that is not taxable (principal places of residence) and would need to be removed to derive the taxable non principal residential (NPR) land value.
- 10 Under this option, the assessment would be done in the following way:
- starting with VG data:
 - commercial and industrial land value;
 - estimating NPR land value by applying ABS data of private renters' proportion in a sliding scale to the residential land value³; and
 - add these two values to derive the raw revenue base;
 - calculating a VDA using information from the VG data by value ranges and also taking into account information from SRO actual revenue collections;
 - adjusting the raw revenue base by the calculated VDA; and

² One option would be to set its values as a proportion of the total values for other States. In the 2009 Update the Territory's share of assessed Land tax revenues was 0.6 per cent.

³ Commission staff analysis of Census data shows that the proportion of rented properties is lower for value ranges above \$1 million and even lower for above \$3 million, by average property values by ABS CD classification. Staff proposes removing land value for land value ranges above \$3 million and 25 per cent for land values ranges above \$1 million to take account this.

- applying an appropriate discount to per capita differences in the calculated revenue base between the States on data reliability grounds, due to both the NPR estimate and the lack of aggregation by the same land holders.
- 11 The attached tables present some summary information of the SRO data and VG data for your information. Analysis and comparison of these tables indicate some of the potential problems with the two data sets.
- 12 We would appreciate your views on the use of each of the data sets in the Land tax assessment for the 2010 Review, in particular, whether States' SRO data are fit for its purpose.

Notes

1 Considerable efforts have been put by the States and CGC staff to improving the comparability of the SRO data, but it appears that some problems still exist. The main problem is with each State's data for the below threshold land value holdings, as discussed at the teleconference, also as commented by Queensland and New South Wales.

2 One option would be to set its values as a proportion of the total values for other States. In the 2009 Update the Territory's share of assessed Land tax revenues was 0.6 per cent.

3 Commission staff analysis of Census data shows that the proportion of rented properties is lower for value ranges above \$1 million and even lower for above \$3 million, by average property values by ABS CD classification. Staff proposes removing land value for land value ranges above \$3 million and 25 per cent for land values ranges above \$1 million to take account this.

SUMMARY INFORMATION TABLES

Table 1 Total SRO values

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Original data	\$b	\$b	\$b	\$b	\$b	\$b	\$b	\$b
2006-07	259.4	185.7	200.7	73.2	37.5	7.1	n.a.	n.a.
2007-08	273.0	188.4	210.1	109.9	36.0	8.2	n.a.	n.a.
2008-09	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Revised data								
2006-07	231.3	172.9	103.4	74.9	33.8	7.1	7.3	3.8
2007-08	244.8	194.0	122.2	110.1	38.8	8.2	8.7	4.4
2008-09	252.2	222.5	126.1	142.9	45.0	8.6	8.7	4.8

Source: State provided data.

Table 2 Average tax rates by value range, 2007-08

	NSW	Vic	Qld	WA	SA	Tas	ACT	Average
	%	%	%	%	%	%	%	%
\$0 to \$0.1m	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.0
\$0.1m plus to \$0.2m	0.0	0.0	0.0	0.0	0.1	0.5	0.6	0.0
\$0.2m plus to \$0.3m	0.0	0.1	0.0	0.0	0.2	0.5	0.6	0.1
\$0.3m to \$0.4m	0.1	0.1	0.2	0.0	0.2	0.6	0.8	0.1
\$0.4m to \$0.5m	0.5	0.1	0.3	0.1	0.3	0.8	0.9	0.3
\$0.5m to \$0.6m	0.7	0.2	0.4	0.1	0.4	1.1	0.9	0.4
\$0.6m to \$0.7m	0.9	0.2	0.3	0.1	0.5	1.2	0.9	0.4
\$0.7m to \$0.8m	1.0	0.2	0.4	0.1	0.7	1.3	0.9	0.5
\$0.8m to \$0.9m	1.0	0.3	0.5	0.1	0.9	1.4	0.9	0.6
\$0.9m to \$1.0m	1.1	0.3	0.6	0.2	1.0	1.5	1.1	0.6
\$1.0m plus to \$1.5m	1.2	0.4	0.7	0.3	1.5	1.6	1.0	0.7
\$1.5m to \$2.0m	1.4	0.5	0.8	0.4	2.1	1.7	1.2	0.9
\$2.0m plus to \$2.5m	1.3	0.7	0.9	0.6	2.4	1.8	1.1	1.0
\$2.5m to \$3.0m	1.4	0.8	0.9	0.7	2.6	1.8	1.1	1.1
\$3.0m plus	1.5	1.7	0.7	1.5	3.1	1.9	1.2	1.3
Total	0.7	0.4	0.5	0.4	0.6	0.8	0.8	0.6

Source: State provided SRO data

Table 3 Distribution of land value on a land holdings basis by value range, 2007-08

	NSW	Vic	Qld	WA	SA	Tas	ACT	Average
	%	%	%	%	%	%	%	%
\$0 to \$0.1m	5.2	7.6	0.9	2.2	11.5	21.9	7.5	5.2
\$0.1m plus to \$0.2m	12.1	22.0	7.4	11.7	20.0	24.4	17.4	14.5
\$0.2m plus to \$0.3m	12.3	9.7	7.3	12.9	16.3	12.8	16.4	11.1
\$0.3m to \$0.4m	9.0	7.5	5.8	8.3	10.5	7.9	9.7	8.0
\$0.4m to \$0.5m	6.2	5.9	4.6	6.9	7.5	5.1	5.7	6.0
\$0.5m to \$0.6m	4.9	4.7	3.7	5.5	5.4	3.3	4.7	4.8
\$0.6m to \$0.7m	3.8	3.8	5.0	4.7	3.9	2.5	3.3	4.1
\$0.7m to \$0.8m	3.1	3.1	3.5	3.8	2.9	1.9	2.7	3.2
\$0.8m to \$0.9m	2.5	2.6	2.8	3.3	2.2	1.5	1.7	2.7
\$0.9m to \$1.0m	2.1	2.3	2.4	2.8	1.9	1.2	1.5	2.3
\$1.0m plus to \$1.5m	6.8	7.1	8.3	9.1	5.1	3.8	5.2	7.3
\$1.5m to \$2.0m	4.0	3.8	5.0	5.0	2.4	2.3	3.5	4.2
\$2.0m plus to \$2.5m	2.7	2.4	3.5	3.0	1.5	2.1	3.1	2.7
\$2.5m to \$3.0m	2.0	1.7	2.5	2.1	1.1	1.3	1.9	2.0
\$3.0m plus	23.3	15.7	37.1	18.6	7.8	8.1	15.9	21.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: State provided SRO data

Table 4 Distribution of VG land values by value range, 2007-08

	NSW	Vic	Qld	WA	SA	Tas	ACT	Average
	%	%	%	%	%	%	%	%
\$0 to \$0.1m	2.1	7.2	4.2	0.8	6.8	28.6	0.1	4.0
\$0.1m plus to \$0.2m	9.4	17.4	18.0	7.7	21.2	30.1	13.7	13.5
\$0.2m plus to \$0.3m	12.2	14.5	14.7	12.6	20.2	11.4	17.5	13.7
\$0.3m to \$0.4m	10.0	12.2	8.3	9.1	11.9	6.7	9.9	10.1
\$0.4m to \$0.5m	8.7	7.9	5.2	7.4	7.3	4.4	6.2	7.5
\$0.5m to \$0.6m	6.6	5.6	3.7	6.3	4.8	2.6	4.6	5.6
\$0.6m to \$0.7m	4.7	4.7	3.0	5.3	3.4	2.2	3.9	4.4
\$0.7m to \$0.8m	3.6	3.7	2.2	3.7	2.5	1.4	3.1	3.3
\$0.8m to \$0.9m	2.8	2.8	1.8	3.6	2.0	1.2	1.9	2.7
\$0.9m to \$1.0m	2.3	2.1	1.8	3.1	1.7	1.1	1.8	2.2
\$1.0m plus to \$1.5m	7.0	6.1	5.1	9.2	5.6	3.1	6.6	6.6
\$1.5m to \$2.0m	4.5	3.1	3.6	5.5	2.9	1.7	5.0	4.0
\$2.0m plus to \$2.5m	3.2	2.0	2.5	3.4	1.8	1.2	3.9	2.7
\$2.5m to \$3.0m	2.4	1.3	1.9	2.6	1.3	0.7	2.6	2.0
\$3.0m plus	20.7	9.3	23.8	19.7	6.6	3.4	19.3	17.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total value (\$b)	262.2	180.2	141.6	105.6	33.4	6.0	8.8	

Source: State provided VG data.