




Australian Government  
Commonwealth Grants Commission

# 2025 Methodology Review

Land tax consultation paper

June 2023

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## Overview of category

- 1 The land tax category consists of revenue from annual charges on the value of taxable land holdings, excluding principal places of residence.<sup>1</sup>
- 2 The category excludes revenue from:
  - stamp duty on the transfer of land ownership, which is assessed in the stamp duty on conveyances category
  - other land-based taxes.<sup>2</sup> The majority of these revenues (property-based fire and emergency services levies) are offset against spending on emergency services, which is assessed in the other expenses category. The remaining other land-based taxes are assessed equal per capita in the other revenue category.

## Current assessment method – 2020 Review

- 3 For revenues included in this category, state and territory (state) capacity is assessed using the total value of taxable land values in each state, split into value ranges.
- 4 Value ranges are used by the Commission to reflect the progressivity of state land tax rates.
- 5 Assessed revenue for each value range is derived by calculating an average tax rate for each range and applying it to each state's taxable land values for each range.<sup>3</sup> A state's total assessed revenue is derived by summing over value ranges.
- 6 The Commission applies several adjustments to the land tax assessment:
  - revenues from taxable land values below \$0.3 million are assessed equal per capita because states expressed concerns about their ability to reliably separate taxable and non-taxable land at value ranges below their tax-free-thresholds<sup>4</sup>
  - an adjustment is made to the ACT's taxable land values because of its policy to apply land tax on a per property basis, whereas most other states impose land tax on the value of a landowner's combined taxable land holdings
  - an estimate of the Northern Territory's land tax base is made because it does not impose this tax

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<sup>1</sup> States generally exempt principal places of residence and land used for primary production, general government and charitable purposes.

<sup>2</sup> Other land-based taxes comprise property-based fire and emergency services levies, Victoria's Growth Areas Infrastructure Contribution, metropolitan levies, parking space levies and the ACT's Safer Families levy. Property-based fire and emergency services levies are the largest of these revenues, with states raising \$1.9 billion from them in 2021-22.

<sup>3</sup> For each value range, the average tax rate is the total revenue raised divided by the total value of taxable land.

<sup>4</sup> This assessment means land values below \$0.3 million do not affect states' GST shares.

- the low discount (12.5%) is applied to the assessment because of concerns about the reliability and comparability of states' taxable land value data.<sup>5</sup>
- 7 In the 2020 Review, the Commission considered this approach to best capture states' capacity to raise land tax. It reflects that states impose land tax:
- on all non-exempt property
  - with aggregation of one or more land holdings of an owner
  - with progressive rates of tax.
- 8 In the 2020 Review, the Commission considered whether land values were too policy influenced to be used. The Commission noted that it assesses the lowest 3 value ranges up to \$0.3 million equal per capita because of concerns about the quality of land value data in those ranges but concluded that there was no evidence the remaining policy effects for land below this value were both differential and material.
- 9 In the 2020 Review, the Commission also considered whether to continue to make an adjustment to capture the effect of progressive rates of tax. The Commission decided to continue with this adjustment since it reflects what states do and has a material effect on their revenue capacity.

## Data used in the assessment

- 10 Data on the revenue raised by states are sourced from the Australian Bureau of Statistics (ABS) Government Finance Statistics and, for the last assessment year, State Revenue Offices.
- 11 Value range data on revenue raised and the value of taxable land are obtained from State Revenue Offices.

## Category and component revenue

- 12 While land tax revenue rose over the period 2018–19 to 2021–22, it declined as a share of total state own-source revenue (see Table 1). This was mainly due to the faster growth of conveyance duties and mining revenue.

**Table 1 Land tax revenue, 2018–19 to 2021–22**

	2018–19	2019 –20	2020 –21	2021 –22
Total revenue (\$m)	10,509	10,765	11,024	11,941
Share of total own-source revenue (%)	8.0	8.5	8.0	7.2

Source: Commission calculation.

<sup>5</sup> The Commission reduced the discount in the 2020 Review to reflect the improvement in State Revenue Office data over the previous decade. It did not remove the discount because it did not have evidence on how the comparability of State Revenue Office data is affected by asking New South Wales, Victoria and Queensland to adjust their treatment of jointly owned property (to treat these properties as separate landowners) and by states' aggregation policies. For further information on discounting see [Commission's position on fiscal equalisation, supporting principles and assessment guidelines](#), June 2023.

13 States raised \$11.9 billion in land tax in 2021–22, representing 7.2% of total own source revenue (Table 2).

**Table 2 Land tax revenue, by state, 2021–22**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total revenue (\$m)	4,840	4,130	1,544	749	384	137	158	0	11,941
Total revenue (\$pc)	598	630	293	271	212	241	348	0	464
Share of state own-source revenue (%)	9.7	11.2	4.5	2.8	4.3	4.9	4.6	0.0	7.2

Source: Commission calculation.

14 Table 3 sets out the capacity measure that applies to the land tax assessment.

**Table 3 Structure of the land tax assessment, 2021–22**

Component	Component revenue \$m	Driver	Influence measured by driver
Land tax	11,941	Value of taxable land holdings	Recognises that states with a greater total value of taxable land holdings have a greater revenue capacity.
		Value distribution adjustment	Recognises that states with proportionally more high value taxable land holdings, which attract higher rates of tax, have greater revenue capacity.

Source: Commission calculation.

## GST distribution in the 2023 Update

15 Table 4 shows the extent to which the assessment results in a different distribution of GST from an equal per capita distribution. In the 2023 Update, the distribution of GST from the land tax assessment differed by \$2,464 million (\$93 per capita) when compared to an equal per capita assessment. States assessed to have above average capacity (New South Wales and Victoria) had lower GST needs. The remaining states were assessed to have below average capacity, and higher GST needs.

**Table 4 GST impact of land tax assessment, 2023–24**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total (\$m)	-1,684	-780	1,190	376	528	199	138	33	2,464
Total (\$pc)	-204	-115	219	132	285	340	292	126	93

Source: Commission calculation, 2023 Update.

16 Further detail on the land tax assessment, the scope of the adjusted budget and the underlying conceptual cases for assessment methods are explained in Vol 2 Chapter 7 – land tax of the [Report on GST Revenue Sharing Relativities, 2020 Review](#).

## What has changed since the 2020 Review?

17 From 16 January 2022, New South Wales introduced a new scheme for first home buyers that allows the owner to choose to pay an annual property tax instead of

stamp duty. The new state government has indicated it intends to abolish the annual property tax. The implications of these policy changes are considered in the consultation paper for the 2025 Review on stamp duty on conveyances.

- 18 The Commission’s preliminary view is that there have been no developments that warrant changing the land tax assessment method.

### Consultation question

Q1. Do states support the continuation of the land tax assessment in its current form?

## Proposed assessment

### Differences from the 2020 Review approach

- 19 Subject to state views, the Commission does not propose to make changes to its 2020 Review approach.

### Proposed assessment structure

- 20 Table 5 presents the proposed structure of the land tax assessment for the 2025 Review.

**Table 5 Proposed assessment structure for land tax assessment**

Component	Driver	Influence measured by driver	Change since 2020 Review?
Land tax	Value of taxable land holdings	Recognises that states with greater total value of taxable land holdings have greater revenue capacity.	No
	Value distribution adjustment	Recognises that states with proportionally more high value taxable land holdings, which attract higher rates of tax, have greater revenue capacity.	No

Source: Commission calculation.

## Consultation

- 21 The Commission welcomes state views on the consultation question identified in this paper (outlined below) and the proposed assessment. State views should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

Q1. Do states support the continuation of the land tax assessment in its current form?