

Land tax

Overview

- 1 On 13 June 2023, the Commission issued a [consultation paper](#) on the draft land tax assessment. The paper considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission proposed to retain the 2020 Review assessment method.
- 3 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission's draft position and the draft 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

Consultation questions

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

- 5 All states broadly supported retaining the current land tax assessment method.
- 6 Victoria, Queensland and Western Australia had no further comments. The other 5 states raised concerns on the discount applied, the number of value ranges, elasticity adjustments, the adjustment made to the ACT's revenue base to account for its policy choice to not aggregate properties,¹ and the method of estimating the Northern Territory's distribution of land values. Each issue is addressed below.

Discount of 12.5% to data on the taxable value of land

State views

- 7 New South Wales, Victoria, South Australia and Tasmania commented on the Commission's preliminary proposal to retain the 12.5% discount in the land tax assessment. The Commission applied a discount because of concerns about the reliability and comparability of the taxable land value data provided by State Revenue Offices. The size of the discount was reduced from 25% to 12.5% in the 2020 Review because it was considered that the quality of the data had improved.

¹ In assessing land tax liability, most states aggregate a landowner's value of land holdings and deduct the value of land that is not taxable (such their principal place of residence).

- 8 New South Wales said the Commission should increase the discount to 25%. It expressed concerns about the ability of Victoria, Queensland and itself to adjust their taxable land values to ensure a comparable treatment of joint owners of land. It analysed states' taxable land values and hypothesised that states with low overall land values should have an above average share of land values in low value ranges, and a below average share of land values in high value ranges. It said the opposite should be true for states with high overall land values. New South Wales said its analysis showed the taxable land values for states not making the joint owners adjustment (Western Australia, South Australia, and Tasmania) were broadly consistent with its expectations. However, the taxable land values for states making the adjustment (New South Wales, Victoria, and Queensland) were not.
- 9 New South Wales also analysed the growth in states' taxable land values. It noted Queensland's taxable land values grew 1.1% between 2020–21 and 2021–22 compared to revenue growth of 7.7%. It said the 1.1% growth was also inconsistent with Queensland's 2021–22 budget, which acknowledged a strong growth in land values. New South Wales also compared the growth in state taxable land values with the growth in land values reported by the Australian Bureau of Statistics (ABS) in its National Accounts data. It said the growth rates for state taxable land values were lower than those for ABS land values for all states except New South Wales.
- 10 Victoria said it supported retaining the 12.5% discount, describing it as necessary due to concerns about the reliability and comparability of state data.
- 11 Tasmania said the discount should be removed when there was evidence that the data from states were comparable. If the data were not yet comparable, it asked the Commission to increase its efforts to improve their reliability. South Australia also supported removing the discount.

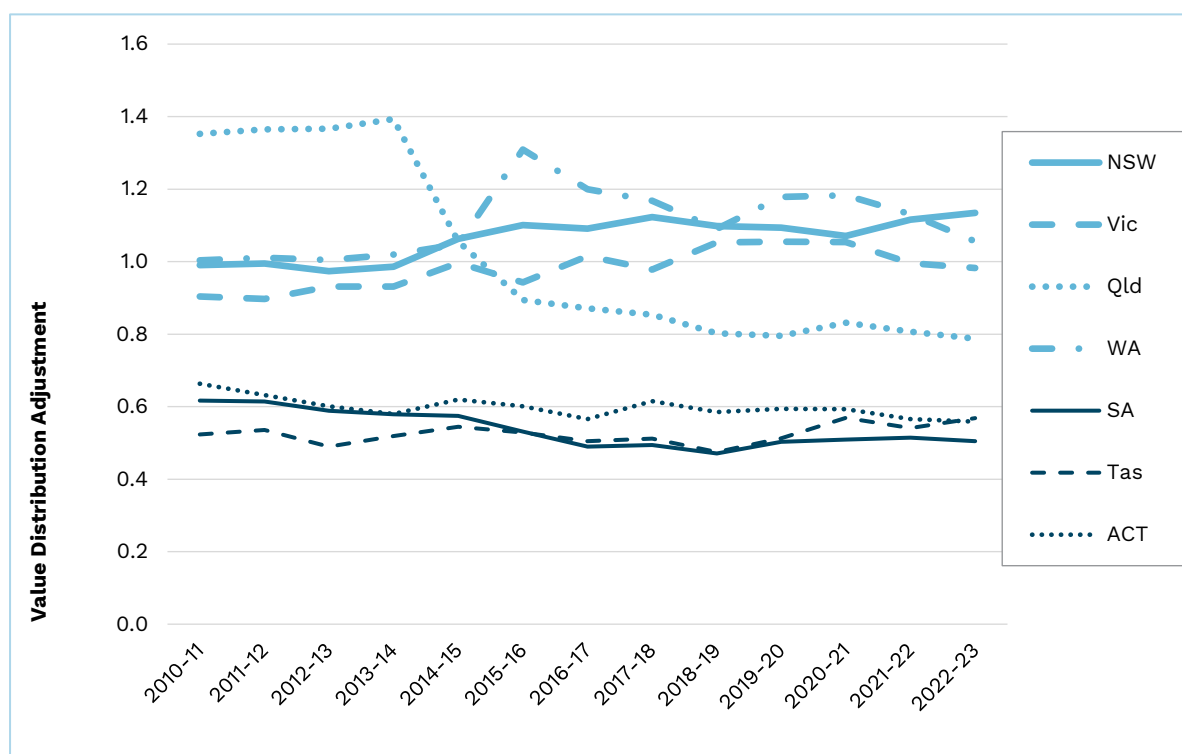
Commission response

- 12 The Commission has undertaken its own an analysis of the data and considers that the quality of the data used in the land tax assessment has not deteriorated since the 2020 Review.
- 13 The Commission's revenue assessments aim to measure the revenue each state would raise if it applied the Australian average tax rate to its revenue bases. For the land tax assessment, the revenue base is the value of land holdings that would be taxed under average policy. The Commission considers that data from State Revenue Offices best reflect how states impose land tax. In particular, these data capture the average policy to impose tax on the combined value of a landowner's taxable land holdings (aggregation) and the common exemption for principal place of residence.
- 14 However, the Commission recognises that State Revenue Office data can be affected by state policies that differ from the average. It asks state data providers to make several adjustments to their data to make them more comparable, including a common date of valuation, consistent treatment of land holdings of joint owners

(and of related companies) and exclusion of commonly exempt types of land. The Commission also assesses revenue raised from taxable land holdings below \$300,000 equal per capita, since data on the value of land holdings below a state's tax-free threshold can be less reliable.

- 15 The Commission applies a 12.5% discount to the assessment, reflecting a degree of uncertainty about the accuracy of the adjustments made by state data providers (particularly for joint owners).
- 16 In support of its case for an increase in the discount, New South Wales examined the extent to which states' shares of taxable land holdings in each value range varied from the average. It concluded that the adjustments to ensure comparable treatment of joint owners were unreliable since the data for the 3 states that made the adjustment did not conform to its expectation that states with high overall values would have higher proportions in higher value ranges.
- 17 As New South Wales said in its submission, an analysis of this nature is not definitive. Its analysis was based on data for a single year (2021–22). The Commission uses relatively narrow value ranges to ensure the assessment continues to capture the progressivity of land tax when land values and state tax rate scales change. This means individual states' proportions in each value range will vary over time, particularly relative to the average proportion.
- 18 Further, the states that make the joint owners adjustment were not all high overall land value states as the New South Wales analysis implied. While the Commission does not collect data on the number of individual land holdings, Queensland had lower taxable values per capita than New South Wales and Victoria. Similarly, South Australia had lower per capita taxable land values. Since 2020–21 South Australia has treated the land holdings of joint owners in the same way as New South Wales and Victoria and made a similar adjustment to its data.
- 19 The Commission observes that its value distribution adjustment has been relatively stable for all states since the 2020 Review. This provides a level of confidence that the quality of the data has not significantly changed in that time (Figure 1).

Figure 1 Value distribution adjustment, 2010–11 to 2022–23



Source: Commission calculation based on State Revenue Office data.

- 20 New South Wales said state provided revenue data did not always rise in tandem with land values, despite all states having a progressive rate structure. However, the Commission observes that, aside from the ACT which imposes a fixed charge, states' effective rates over the past 5 years were consistent with a progressive rate structure.²
- 21 New South Wales said Queensland's data provided another example of data reliability issues. It said Queensland's total taxable land values grew by only 1% between 2020–21 and 2021–22, compared to 7.2% growth in land tax revenue. The Commission observes that growth in land tax revenue does not precisely track growth in taxable land values for any state and that caution is needed when comparing year-on-year growth.³ For example, total taxable values in New South Wales grew by 22% in the year to 2021–22, whereas its revenue declined slightly. Queensland's total taxable values grew by 21% in the year to 2022–23 compared to growth in its land tax revenue of 10%. The New South Wales analysis used years that were impacted by the COVID-19 pandemic and associated state responses to the pandemic.⁴

² Land tax in the ACT includes both a variable component, similar to the other states, and a fixed charge per taxable property.

³ The Commission asks states to reconcile their data on revenue by value range to their total audited land tax revenue. Where they do not match, the Commission scales the revenue by value range to match total audited revenue.

⁴ Some states offered tax rebates or deferrals in 2021–22. Payment of deferred liabilities (or the cessation of rebates) may have inflated the revenue growth in 2022–23.

- 22 New South Wales also compared data provided to the Commission with ABS data on total land values (weighted to reflect the greater share of residential land in state provided data). It said growth in the ABS data between 2020–21 and 2021–22 bore little relationship to growth in the data provided to the Commission. The Commission notes that the 2 data sources are not directly comparable. The ABS data include principal places of residence (which are not taxable), but do not include aggregation and are not available by value range. For these reasons, the Commission uses State Revenue Office data in its assessment.
- 23 While caution needs to be exercised in comparing year-on-year growth, the Commission has replicated New South Wales’ analysis with 2 key differences. The Commission adjusted the ABS land values to exclude principal places of residence (rather than differentially weighting residential and commercial/industrial data) and it excluded the value of ‘other properties’.⁵ State provided data on taxable land values were closer to the adjusted ABS land values for all states except New South Wales (Table 1).

Table 1 Growth in land values, ABS national accounts and State Revenue Office, 2020–21 to 2021–22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Growth between 2020-21 and 2021-22	%	%	%	%	%	%	%	%
State taxable land values	22	14	1	4	11	7	14	N/A
ABS land values (a)	23	22	28	20	21	31	32	12
Difference between the 2 sources of land values (b)	-1	-8	-26	-16	-10	-24	-18	N/A
Adjusted ABS land values (c)	18	18	24	12	17	25	27	4
Difference between the 2 sources of land values (b)	4	-3	-23	-8	-6	-18	-13	N/A

(a) Comprises residential, commercial and industrial land values (excludes rural and other land).

(b) Comprises residential investment, commercial and industrial land values (excludes rural and other land, and principal places of residence).

Source: Commission calculation based on ABS data and State Revenue Office data.

- 24 Repeating the analysis for the 5 years to 2022–23 showed the differences in growth rates were significantly higher for several states in the year to 2021–22 (used by New South Wales) than in other years (Table 2). Notably, the difference in growth rates for Queensland (23%) was inconsistent with other years.

⁵ The Commission used data from the 2022–23 release of ABS 5204.0 *Australian System of National Accounts* which included some revisions compared to the 2021–22 release used by New South Wales.

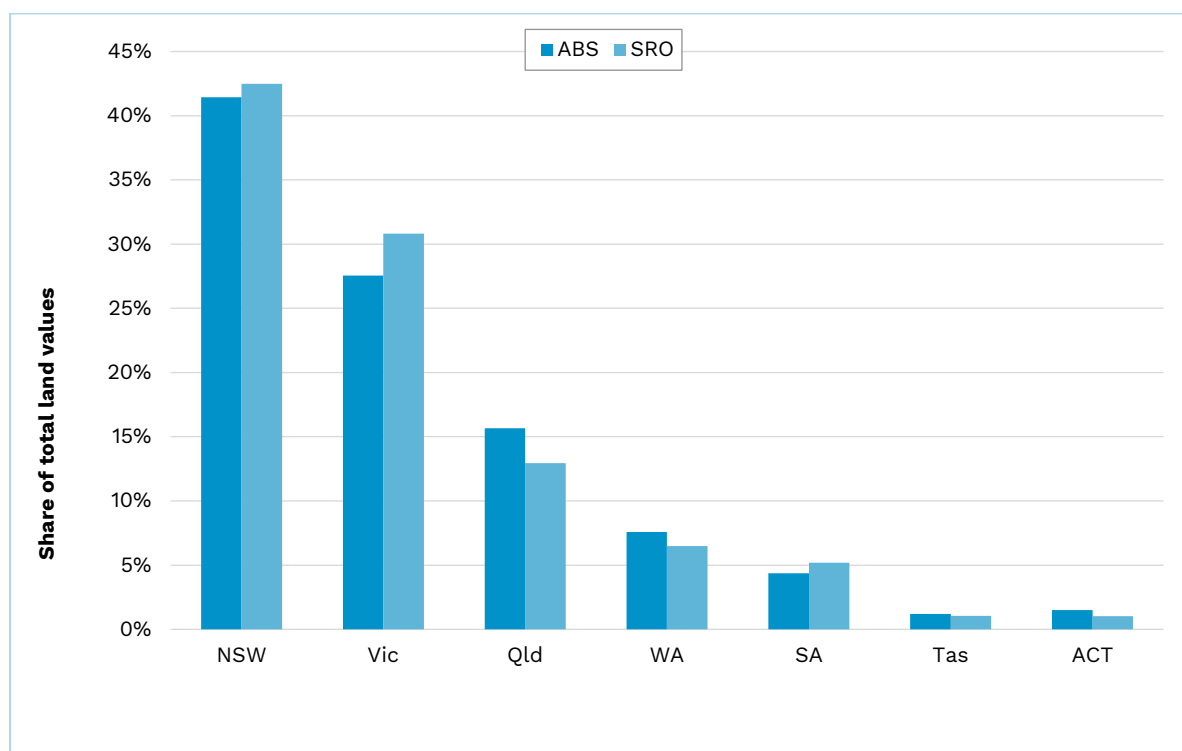
Table 2 Difference between growth in adjusted ABS land values and growth in State Revenue Office land values, 2017–18 to 2022–23

	2017–18 to 2018–19	2018–19 to 2019–20	2019–20 to 2020–21	2020–21 to 2021–22	2021–22 to 2022–23
	%	%	%	%	%
NSW	9.1	-0.7	-0.9	3.9	10.7
Vic	15.0	0.7	-2.6	-3.3	-0.9
Qld	0.4	5.0	-3.6	-23.1	-0.6
WA	-0.3	-3.5	-2.0	-8.5	-3.7
SA	7.5	5.8	-0.9	-6.0	1.1
Tas	-4.6	0.8	-0.6	-18.0	11.1
ACT	6.4	27.7	-7.5	-13.1	3.2
NT	N/A	N/A	N/A	N/A	N/A

Source: Commission calculation based on ABS data and State Revenue Office data.

25 The Commission also observes that, on average over the 5 years to 2022–23, states’ shares of taxable land values in the 2 data sources are broadly consistent (Figure 2). The differences between the 2 are consistent with the value distribution adjustment. This gives the Commission a degree of confidence in the direction and magnitude of its assessment based on state provided data.

Figure 2 States’ share of total land value by different data sources, average from 2018–19 to 2022–23



Source: Commission calculation based on ABS data and State Revenue Office data.

26 In summary, the Commission does not consider there is evidence to support a change to the discount. While the quality of the data used in the land tax assessment has not deteriorated since the 2020 Review, a degree of uncertainty as to the accuracy of the adjustments made by states remains. Therefore, the

Commission proposes to continue to apply the 12.5% discount to the assessment. The Commission would consider removing the discount if it had information showing the adjustments made by states and policy differences were not having a material effect on the state provided data.

Commission draft position

- 27 The Commission proposes to retain the 12.5% discount to recognise a low level of comparability concerns with the state provided data used in the assessment.

Value ranges

State views

- 28 South Australia said that there has been significant growth in the total value of taxable land since the 2020 Review. It said to reflect this change, the Commission should consider increasing the number of value ranges by further splitting the value ranges above \$1 million. South Australia said it is able to provide data for any new value ranges.

Commission response

- 29 The Commission captures the average state policy to apply progressive rates of land tax by assessing revenue capacity by value range. The choice and number of value ranges was not based on an analysis of the materiality of each range. Rather, the Commission decided on an extended number of value ranges to ensure the assessment continued to capture the progressivity of land tax in future updates without the need to change those ranges if states changed their tax scales. Frequent changes of value ranges would make data extraction more difficult for state data providers.
- 30 Currently, the land tax assessment has 17 value ranges with 7 value ranges above \$1 million. In the 2020 Review, the Commission split the highest value range (\$3 million plus) into 3 separate value ranges. While average land values have increased over that period, the split did not make a material difference to the assessment in the 2024 Update. The Commission considers further splitting the value ranges above \$1 million is not warranted at this time. Similarly, collapsing the lower value ranges would reduce the progressivity of the assessment for only a marginal gain in simplicity.

Commission draft position

- 31 The Commission proposes to retain the existing value ranges. It considers this provides the best balance between appropriately capturing the progressivity of state tax rates and avoiding the need for frequent changes to those ranges in response to state changes to their tax scales.

Elasticity adjustments

State views

- 32 New South Wales said that the Commission should incorporate an elasticity adjustment into the land tax assessment, as well as more broadly. New South Wales said that the introduction of elasticity adjustments would be material and their introduction was critical if Commission assessments were to be fit for purpose.
- 33 New South Wales said it agreed with the conclusion reached by the Commission's consultant during the 2020 Review, that state land taxes impacted their unimproved land values. However, it said the consultant's conclusion did not reflect that land tax is imposed progressively and only on a subset of properties. It provided analysis of the impact of its land tax on its high value properties. It said its analysis demonstrated that differences in states' land tax rates have a material impact on their unimproved land values, ranging from 24.8% in Western Australia to 41.5% in South Australia. New South Wales said while an elasticity adjustment would add complexity, an allowance should be made because elasticity effects were significantly material.
- 34 As land tax is applied to only a subset of properties, New South Wales said an elasticity adjustment should only be applied to properties valued at \$5 million and above.

Commission response

- 35 The Commission has retested the materiality of applying the consultant's elasticity adjustment to taxable land values. The adjustment was not material at the \$12 per capita data adjustment threshold for the 2024 Update. The Commission notes the issues raised by New South Wales regarding the subset of properties liable for land tax. However, given the significant complexities and uncertainties involved in implementing an elasticity adjustment, the Commission proposes not to introduce an elasticity adjustment in any revenue assessment for the 2025 Review. Further discussion of the issues involved in implementing elasticity adjustments can be found in the chapter on stamp duty and conveyances.

Commission draft position

- 36 The Commission proposes not to introduce an elasticity adjustment in the land tax assessment for the 2025 Review.

Adjusting the ACT's land value to account for its policy choice to not aggregate properties

- 37 The ACT does not aggregate the taxable land holdings of landowners. In the 2020 Review the Commission applied a 6% upward adjustment to the ACT's land values because of its policy.

State views

- 38 New South Wales said it had concerns about the size of the adjustment and its implementation. It provided analysis which showed aggregation increased its revenues by 33%. It said this analysis suggests the 6% adjustment for the ACT was too low. New South Wales acknowledged the effect of aggregation differed between states and it would not be appropriate to base the ACT's adjustment on its 33% figure.
- 39 New South Wales said it would be preferable for the ACT to update its analysis annually. If that was not possible, it said the ACT should provide its analysis to the Commission to support an appropriate adjustment. New South Wales also said the effects of aggregation likely differed across value ranges. It said the ACT analysis would allow the Commission to consider whether different adjustments were appropriate for different value ranges.
- 40 South Australia also said the Commission should test that the size of the ACT adjustment was still appropriate.
- 41 The ACT provided updated analysis which suggested the adjustment should be reduced from 6.0% to 5.2%.

Commission response

- 42 In the 2020 Review, the Commission accepted the ACT's analysis and increased the adjustment to the ACT's taxable land values from 2% to 6%. The Commission agrees it is appropriate to retest the effect of aggregation on ACT land values.
- 43 The ACT's estimate of 5.2% is lower than New South Wales' own estimate based on New South Wales data of 33%. The Commission notes that the effect of aggregation in each state depends on its individual circumstances, including the number of land holders with multiple investment properties, the values of those properties, and the state's land tax rates and thresholds.
- 44 Land tax in the ACT includes both a variable component, similar to the other states, and a fixed charge. The fixed charge is applied to each taxable property and is \$1,535 from 1 July 2023. If properties were aggregated in the ACT, the revenue from the variable component would increase, as aggregated properties would be moved into higher tax brackets. If the fixed charge continued to be applied to each property, the total revenue from the fixed charge would not change. Relative to the other states, the revenue from the fixed charge represents a large portion of the ACT's land tax revenue. Given this, aggregation is likely to have a smaller effect on land tax revenues in the ACT than in other states.
- 45 Additionally, the ACT's land tax rates are above the national average for lower land values but below the national average for higher land values. This is likely to reduce the effect of aggregation in the ACT compared with other states.

- 46 The ACT's highest land tax threshold is also lower than most other states (Table 3). Therefore, more properties are likely to already be in the highest tax bracket, and aggregating joint holdings would have a smaller effect on its revenue than other states.

Table 3 Highest marginal land tax rate and threshold for each state, 2023–24

	NSW	Vic	Qld	WA	SA	Tas	ACT
Highest rate	2.00%	2.65%	2.25%	2.67%	2.40%	1.50%	1.14%
Highest threshold	\$6,571,000	\$3,000,000	\$10,000,000	\$11,000,000	\$2,500,000	\$500,000	\$2,000,000

Note: These are land tax rates and thresholds for residential properties held by individuals.

Source: State Revenue Office websites.

- 47 The Commission has tested the materiality of a 5.2% adjustment. Using the 2025 Review materiality data adjustment threshold (\$12 per capita), the adjustment would not have been material in the 2024 Update. Across all updates since the 2020 Review, a 5.2% adjustment would have reduced the assessed GST needs of the ACT by no more than \$8 per capita. It is unlikely an adjustment of that size will become material in the short to medium term.

Commission draft position

- 48 The Commission proposes to remove its adjustment to the ACT's taxable land values on materiality grounds.

Estimating the Northern Territory's tax base

- 49 The Northern Territory does not impose land tax and is unable to provide taxable land values. The Commission estimates the Territory's missing taxable land values using adjusted ABS land values. The Commission estimates the adjustment annually.
- 50 For the 2024 Update, the Commission estimated the Northern Territory's share of taxable land values as 0.6% of the total land values provided by the other 7 states. It applies its estimate to states' taxable land values after adjusting for the progressivity of their tax rates. This approach implies the Northern Territory has the national average distribution of land values by value range.

State views

- 51 The Northern Territory said the Commission's 2020 Review approach overstates its revenue capacity.
- 52 The Northern Territory provided analysis that it said implied its distribution of land values was closer to the average of the smaller states than the national average. It said the Commission should distribute its land values using the average distribution of South Australia, Tasmania, and the ACT.
- 53 The Northern Territory included 3 pieces of supporting evidence.

- Darwin has the lowest median house price of any capital city and should not be expected to have a similar land value distribution to the major metropolitan centres.
- The Northern Territory’s assessed stamp duty base is, on average, the lowest per capita, of all states.
- According to Valuer-General data, the Northern Territory has only 7% of its overall property values above \$10 million, compared to 14% nationally and 5% in the smaller states. It also has 42% of its land values in properties below \$300,000, compared to 15% nationally and 30% in the smaller states.

Commission response

54 The Commission agrees that the Northern Territory’s distribution of land values is more likely to reflect the average distribution of the smaller states than the national average distribution.

Commission draft position

55 The Commission proposes to distribute the Northern Territory’s estimated land values across the value ranges using the average distribution of South Australia, Tasmania and the ACT.

Foreign Owner Land Tax Surcharge and Victoria’s COVID-19 Debt Recovery Surcharge

State views

56 South Australia said states had increased their Foreign Owner Land Tax Surcharges since the 2020 Review and Victoria had introduced a COVID-19 Debt Recovery Surcharge. South Australia said the current assessment method treats these changes as changes in the revenue collected and reflects them as an increase in the average rate of tax. It considered this treatment was appropriate and concluded no change in the assessment method was required.

Commission draft position

57 The Commission agrees the existing assessment method appropriately captures the changes identified by South Australia.

Commission response

58 The Commission proposes not to change to the assessment method for recent changes in states’ Foreign Owner Land Tax Surcharges and the introduction of a COVID-19 Debt Recovery Surcharge in Victoria.

Draft 2025 Review assessment method

59 Following consideration of state views, the Commission proposes to retain the 2020 Review assessment method with 2 changes. Firstly, the Northern Territory’s

estimate of land values will be calculated using the average distribution of South Australia, Tasmania and the ACT. Secondly, the adjustment to the ACT's land values to recognise its policy choice to not aggregate land holdings will be removed.

60 No new annual data requests will be required.

61 Table 4 shows the proposed structure of the 2025 Review land tax assessment.

Table 4 Proposed structure of the 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.	Yes
	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

Indicative distribution impacts

62 The impact on the GST distribution in 2024–25 from the proposed method changes is shown in Table 5.

63 Allocating the Northern Territory's estimated tax base across the value ranges based on the average distribution of South Australia, Tasmania and the ACT increased the Northern Territory's assessed GST need.

64 Removing the adjustment to the ACT's land values to recognise its policy choice to not aggregate land holdings increased the ACT's assessed GST need.

Table 5 Indicative impact on GST distribution (difference from an equal per capita distribution), 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
U2024 using R2020 methods	-2,160	-677	1,370	533	550	196	144	44	2,837
U2024 using draft R2025 methods	-2,181	-689	1,366	531	549	195	148	81	2,870
Effect of draft method change	-21	-13	-4	-3	-1	0	4	37	41
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
U2024 using R2020 methods	-253	-96	244	180	291	336	301	172	104
U2024 using draft R2025 methods	-256	-98	244	179	291	336	310	314	105
Effect of draft method change	-2	-2	-1	-1	0	0	9	142	1

Note: The GST pool and population estimates are equivalent to those used in the 2024 Update.

The data included in the table have not been subject to full quality assurance processes and as such, should be treated as indicative only.

Indicative GST impacts are provided for illustrative purposes only and should not be used to predict impacts on GST distribution for 2025–26.