

2014

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

LAND TAX AMENDMENT BILL 2014

EXPLANATORY STATEMENT

LAND TAX AMENDMENT BILL 2014

Summary

The *Land Tax Amendment Bill 2014* amends the *Land Tax Act 2004*.

Overview

The *Land Tax Act 2004* (the Act) charges land tax on residential properties which are rented or owned by a corporation or a trust.

There are inequities in the current system. It is estimated that although 55 per cent of properties subject to residential land tax were units or townhouses in 2013-14, these classes of properties contributed only 22 per cent of land tax during that financial year. This contrasts with standard residential properties which made up 44 per cent of properties but contributed 78 per cent of land tax revenues. This is the result of the current marginal tax regime, and represents a clear discrepancy and inequality between properties of a particular group and the land tax they are liable for.

This Bill introduces a fixed charge in the calculation of land tax and is an essential first step in recalibrating and rebalancing the land tax system to equalise the payment of land tax between standard residential properties and multi-unit dwellings. As a result of these changes, it is estimated that the fixed charge will make up roughly 40 per cent of the revenue raised under the Act and improve the equity of the ACT taxation system.

Commencement Date

The amendments will be effective from 1 October 2014.

Details of the Land Tax Amendment Bill 2014

Clause 1 – Name of Act

This is a technical clause that provides the title of the Act. The name of the Act is the *Land Tax Amendment Act 2014*.

Clause 2 – Commencement

The Act commences on 1 October 2014.

Clause 3 – Legislation amended

This is a technical clause stating that the legislation being amended is the *Land Tax Act 2004*.

Clause 4 – Imposition of land tax Section 9 (2)

This clause amends the calculation of the appropriate rate of land tax for a parcel of land to include a fixed charge (FC).

Clause 5 – Section 9 (4)

This clause amends section 9 (4) by defining average unimproved value (AUV), fixed charge (FC) and percentage rate (P), which are variables used to calculate the appropriate rate of land tax for a parcel of land.

Clause 6 – Multiple dwellings Section 15 (3)

This clause amends the calculation for determining the appropriate rate of land tax for parcels of land with multiple dwellings by including a fixed charge.

Clause 7 – Section 15 (4), new definition of FC

This clause inserts a new definition for the fixed charge (FC) introduced by clause 4 of this bill.

Clause 8 – Land partly owned by corporation or trustee Section 16 (2)

This clause amends the calculation for determining the appropriate rate of land tax for parcels of land partly owned by a corporation or trustee by including a fixed charge.

Clause 9 – Section 16 (3), new definition of FC

This clause inserts a new definition for the fixed charge (FC) introduced by clause 4 of this bill.

Clause 10 – Unit subdivisions – land tax Section 27 (5)

This is a technical clause that amends the formula for land tax payable for unit subdivisions to be consistent in order of terms with the formulas in other sections.