

LAND TAX ACT — REVIEW

300. Mr F.A. ALBAN to the Treasurer:

Could the Treasurer update the house on the government's review of land tax exemptions for primary production and the targeted consultation process that will be undertaken to seek community and industry input, in particular from my constituents in the electorate of Swan Hills, and how they will apply?

Dr M.D. NAHAN replied:

I thank the member for Swan Hills for that question. I know it is one that he has asked me about as both Treasurer and Minister for Finance, and it is a very important one. As the member will remember, for a long time agricultural land was treated as exempt from the payment of land tax. A couple of years ago the State Solicitor's Office advised the state's Office of State Revenue of a change in its interpretation; that is, farms that had processing on their land were considered by the State Solicitor's Office to be no longer exempt. This precipitated a wide review of the act—not only that consideration, but also other aspects of that. In particular, the review looked at the issue of conditions placed around land in the urban areas that was used for such purposes. Two rules are applied. The first is the one-third income rule. Under that rule, in order to get the exemption, people must have one-third of their income from the agricultural use of the land. The second is the owner–user rule; that is, to get the exemption, the owner of the land has to be the farmer or user of the land.

Over the past two years, Treasury and the Department of Finance have undertaken a review of this. I will shortly release an options paper. We will go out and again have discussions with interested parties, and we would like the member's participation in that. The changes are manifold. First, we clarify that we intend to change the act to make it clear that land—even property that is used for primary production purposes—that has processing on it is exempt. However, the area of the land that has the processing facilities on it will be liable for land tax. The position we take is that primary production is exempt, but only that part of the property that is used for primary production rather than processing. That is a very important clarification and initiative. We will also get rid of the one-third income rule and apply a much more sophisticated business case test, as is done in Queensland. We will also broaden the owner–user rule to include various other types of trusts and instruments so that we clarify that the individual does not have to run it directly; he can run it and own it through various related business entities. Our intention is to go out quickly and consult and to bring in legislation so that this applies in the 2014–15 land tax assessment process.