

LAND TAX AMENDMENT BILL 2013

EXPLANATORY MEMORANDUM

This Bill seeks to amend the *Land Tax Act 2002* to implement the changes to the land tax scale announced in the 2013-14 Budget.

These proposed changes help return the State's finances to a more sustainable position by reducing the current imbalance between revenue and expenditure growth while at the same time ensuring Western Australia's tax base remains competitive with other States.

Western Australia's land tax is currently substantially lower than all other jurisdictions – apart from the Northern Territory, which does not levy land tax.

If Western Australia applied the same effective land tax 'effort' as the average of all other States and Territories it would raise 63 per cent more land tax.

The changes announced in the State Budget and reflected in this Bill are far more modest. This Bill implements an increase in land tax rates of around 12.5 per cent across the board.

A 12.5 per cent increase in land tax rates will offset lower than expected land values and generate an additional 5 per cent in land tax revenue compared with forecasts in the Pre-election Financial Projections Statement.

The new land tax scale will apply from the 2013-14 land tax assessment year. Subject to the passage of this legislation, it is expected that the Commissioner of State Revenue will start to issue the 2013-14 land tax assessment notices from around late September this year.

Despite the increase in rates, Western Australia's land tax will still be significantly below that of other jurisdictions.

For a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will increase from \$630 to \$700, but will remain substantially below the amount payable in all other States. For example, land tax on an equivalent landholding would be:

- \$9,604 in New South Wales;
- \$4,500 in Queensland; and
- \$9,447 in South Australia.

Importantly, the majority of taxpayers are expected to experience only a small increase in their land tax bills in dollar terms as a result of the changed scale.

Approximately 45 per cent of taxpayers will experience an increase of less than \$20 per year as a result of these changes. For around 80 per cent of all taxpayers, the increase in their land tax bills will be no more than \$70.

For taxpayers with landholdings valued between \$1 million and \$2 million – about 13 per cent of taxpayers – their land tax bills will increase by between \$70 and \$670, reflecting the progressive nature of the land tax scale.

The changes to the land tax rates are estimated to raise \$73 million in 2013-14 and a total of \$338 million over the four years to 2016-17.

Clause 1: Short title

This clause provides that the short title of this Act is the *Land Tax Amendment Act 2013*.

Clause 2: Commencement

This clause provides the commencement dates for the Act.

Paragraph (a) provides that sections 1 and 2 of the Act come into operation on the day the Act receives the Royal Assent.

Paragraph (b) provides that the rest of the Act is deemed to have come into operation on 1 July 2013.

Clause 3: Act amended

This clause provides that the amendments in the Act are to the *Land Tax Act 2002*.

Clause 4: Section 5 amended

This clause amends the Land Tax Act to insert new land tax rates for 2013-14 and subsequent financial years. It also limits the land tax rates in Table 8 so they do not extend beyond the 2012-13 year of assessment.

Subclause (1) deletes the heading in Table 8 and inserts a new heading so that the rates in that table apply from the 2009-10 assessment year until the end of the 2012-13 assessment year.

Subclause (2) inserts Table 9, which sets out the land tax rates for 2013-14 and subsequent financial years.