



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [Inquiry into the methodology for determining rates and land tax in strata residences](#))

**Members:**

**MRS V DUNNE (Chair)**  
**MR M PETTERSSON (Deputy Chair)**  
**MS B CODY**  
**MR A COE**

**PROOF TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**WEDNESDAY, 8 AUGUST 2018**

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**Secretary to the committee:**  
**Dr B Lloyd (Ph: 620 50137)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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## **Privilege statement**

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*Amended 20 May 2013*

**The committee met at 9.31 am.**

**BARR, MR ANDREW**, Chief Minister, Treasurer, Minister for Economic Development and Minister for Tourism and Major Events

**NICOL, MR DAVID**, Under Treasurer, Chief Minister, Treasury and Economic Development Directorate

**GOTH, MS KATHY**, Director, Economic and Financial Analysis, Economic and Financial Group, Chief Minister, Treasury and Economic Development Directorate

**SALISBURY, MR KIM**, Executive Director, Revenue Management, Chief Minister, Treasury and Economic Development Directorate

**THE CHAIR:** Welcome to the fourth public hearing in the inquiry by the Standing Committee of Public Accounts into the methodology for determining rates and land taxes in strata residences. Today the committee will be hearing from the Treasurer, Mr Barr, and his officers, and Ms Heather Peart, a private submitter.

Before we begin, I would like to note that today's proceedings will be recorded and transcribed and are subject to parliamentary privilege. After the hearing, witnesses will receive a proof transcript from the committee for comment.

Could witnesses please indicate that they have read and understood the privilege statement. Mr Barr, I suspect that you understand the privilege statement.

**Mr Barr:** I do, yes.

**THE CHAIR:** Thank you very much. Mr Barr, do you want to make an opening statement?

**Mr Barr:** No.

**THE CHAIR:** In relation to the rating determination for strata residences, the committee has heard a lot of evidence from people affected, and all of the submitters bar one have been opposed to the system. One submitter made a brief comment to say that he was in favour of it, but it was simply a comment. Every other submission has come from private submitters who have problems with the process.

The evidence that we have heard is that it is not a progressive tax; it is a regressive tax. It places almost all strata owners in the same rating category, which is at the high level, and it does not differentiate between the size and value of the property. You might have a one-bedroom unit in a complex and a penthouse paying roughly the same rating level. And there has been a lot of evidence drawn to our attention that compares the level of rates for small amounts of unimproved land in a unit plan compared to large residential blocks and seeing quite comparable rates bills for quite disparate sized blocks of land.

For the benefit of the committee, could you outline the reasons for the change in the methodology and what things were considered in changing the methodology. And did you consider what appears to be the regressive impact of these rating methodologies?

**Mr Barr:** There are about nine questions in that.

**THE CHAIR:** Yes, but we are all intelligent people; we can work through it.

**Mr Barr:** We will endeavour to speak to each of those; if I miss any, I will ask officials to provide some further information.

The rationale for the legislation is contained within the Revenue Legislation Amendment Bill 2017, and the parliamentary debate and explanatory statement associated with it. I refer the committee to that. The Assembly debated that bill. I am conscious of standing order 52 and would not be reflecting on decisions of the Assembly; I hope the committee would be similarly cautious in relation to not reflecting on decisions of the Assembly. That is all there on the public record; the committee can focus on that particular debate and information. This has been contained within two budgets now, so there is a myriad of information available to the committee through budget papers and the like.

To go to some of your observations, in the old system, the exact same concerns would be applicable, in that a penthouse and a one-bedroom unit would have attracted the same rate of taxation. That is the same regardless of whether we are talking about the new or the old system.

The government's intent here is to ensure greater equity across all ratepayers. This is not just a discussion about equity amongst those who pay rates on units but a discussion across the entire territory rating base. It is important to acknowledge that the equity issues are broader than just what the rates are for distributions within units.

It is also important to note that the unit entitlement would be a significant differentiator between a one-bedroom unit and a penthouse in the context of a block of units, in that the strata rules—this would also go to the strata fees that would be payable within a multi-unit context—are that different sized dwellings within a multi-unit complex would receive a different unit title and rating, reflective of their size and value. That provides a differentiation to your example that although they might be levied at the same rate in certain locations, the difference between the size of the two dwellings and their value is taken into account in terms of the unit entitlement.

**THE CHAIR:** Sorry, unit entitlement is not necessarily an expression I know.

**Mr Barr:** Okay. Say we have 10 units in a complex. Eight, for example, are of similar value, and there are two penthouses. The penthouses are rated not at one-tenth but at a higher rating because they are larger. That is how the unit entitlements are calculated. In most strata title arrangements, those dwellings would pay more to the body corporate and would also then attract a larger rates calculation in the context of their overall unit entitlement. Once you get the value of the block, you divide it by the number of dwellings, but you do not divide it just by the number; you also divide it in the context of their relative share of that overall block. That was the same under the old system: a one-bedroom dwelling would pay exactly the same tax rate as a penthouse under the old system.

**THE CHAIR:** What you are saying, and this seems to be at variance from what

witnesses presented to us, is that under the new system and under the old system the rate of taxation was the same irrespective of the size of—

**Mr Barr:** The rate of taxation has increased between the two systems, but it is not differentiating.

**THE CHAIR:** Thank you for that.

**Mr Barr:** Yes.

**THE CHAIR:** It certainly has been put to us that there was more of a differentiation between the rate of taxation, the rate of levying rates, under the old system than under the new one. So that is not the case?

**Mr Barr:** I do not believe that to be the case on average across the system. The point of difference is the unit entitlement, its share of the total unit value.

**THE CHAIR:** So that has changed over the system?

**Mr Barr:** No, that has not changed.

**MR PETTERSSON:** What does Treasury data analysis show about how the change in methodology has played out in practice?

**Mr Nicol:** I might call on Kathy Goth to answer the question about the detail of the data.

**Ms Goth:** The original driver for the change, as mentioned previously, came out of the review of stage 2 of tax reform, which showed that in the first phase of tax reform the increases experienced by houses had been significantly higher than the increases experienced by units. On average, the increase per house was around 10 per cent per year; the increase per unit was around five per cent per year on average. That showed a discrepancy, and that was not what was intended. The intention was that all increases would be similar across the board.

The reasoning behind the change was to rectify that and to bring units back into line with the increases across the average, across the period. What has happened is that the change in calculation has been designed to, yes, make the increases for units greater in that period. And that is what has happened. However, if we look at what has happened over the eight-year period, both units and houses have had a similar increase over the whole eight years since tax reform came into play. That has basically brought the increase for units up to the same level as houses over that period of time.

**THE CHAIR:** When you looked at this and you saw that units had not been contributing as much as stand-alone houses, did you look at a number of methodologies to bring this up to parity, as you see it?

**Ms Goth:** We basically were tied to the unimproved value model, noting that we do have a fixed model for how we calculate rates. We looked at the model. We actually took the whole value of the whole complex into consideration. The reason we did that

is that the AUV of the whole block is much closer to the market value of the whole block of units. By looking at that, you are then splitting that whole AUV using the same method as the strata entitlement.

The unit entitlement will say how that charge is split back amongst each unit, but when you add the sum of the parts, the total amount of the AUV charge is closer to reflection of the total market value of the units. So whilst that has brought that into the highest category, the actual charge paid by units is much closer to an average charge, because it is split between the number of units. With a house that falls into the highest category, that whole AUV component is paid by the one home owner. In a unit entitlement, that whole AUV portion is split back amongst the number of units in the complex, in line with their unit entitlement.

**THE CHAIR:** That did not answer my question. What you did was describe what you went for. I was asking you: when you consider that there was disparity between stand-alone dwellings and dwellings in unit plans, did you consider a variety of methodologies for addressing this before you lit upon the methodology that is in the legislation?

**Mr Nicol:** Chair, perhaps I can answer that question.

**THE CHAIR:** Thanks, Mr Nicol.

**Mr Nicol:** The answer is: yes, we did. We looked at what we could do to change the rating factors and the fixed charge under the whole system. Our rate system currently is a single system, irrespective of dwelling type. We apply the same rating factors and thresholds whether it is a unit property or a detached house.

We found that we could not come up with different rating factors and different value thresholds that would address the historical difference in rates since tax reform began, which Ms Goth outlined in terms of increases. That introduced the other choice that we considered, and that the government ultimately adopted, which was to essentially change the methodology of distributing rates between units in a unit complex. Previously values were distributed by unit entitlement; now we distribute rates essentially by unit entitlement.

The other factor that we considered, and that the government adopted, was the rebate arrangement that it introduced. It phased the change in over a number of years instead of having the hit in one year. And the government made a further amendment to that in the previous budget.

That was the process we went through to come up with the answer. We essentially could not change the rating factors and rates in a way under the old system that would have rebalanced the rating system between houses and units in the way that we intended.

**MR COE:** What modelling has been done about the increase or impact this is going to have on rents in the ACT?

**Mr Nicol:** It is very difficult to draw a direct link with one particular input cost in

rents. Rents by and large are determined by a complex range of factors. The most significant factor is the balance between supply and demand in a market. In our view, if a rental market is tight, that will put upwards pressure on rent. If a rental market has high vacancy rates, rental rates will tend to come down.

We do not believe it is a big factor. We did not do any explicit modelling to try to determine that because, in my view, such modelling would not have provided significant evidence either way of the impact of this change on rents.

**MR COE:** How could you have a major policy shift that has led to apartment and unit owners paying considerably more in rates and not model the impact that that is going to have on the market? How is it possible for you to have such a major policy position and not model that?

**Mr Barr:** It is not a major policy decision.

**MR COE:** It certainly is a major policy decision for all the people we have heard from, and for thousands of Canberrans who are struggling with the cost of living mainly because of charges that you are imposing on them.

**Mr Barr:** The rates for units are not quite 60 per cent of the rates for an average house. They are \$1,000 a year cheaper than an average house: \$1,400 versus \$2,400 now, on average. I would remind the committee that rates and land tax on rental properties are fully deductible.

**MR COE:** Not if you are an owner-occupier. Only if you are an investor.

**Mr Barr:** But that is not going to impact on rents, is it? If you are an owner-occupier, you are not paying rent.

**MR COE:** No, but it is a major policy decision.

**Mr Barr:** I am responding to your question.

**MR COE:** I see it as a major policy decision for people who are struggling with the cost of living, regardless of whether that is rent or rates.

**Mr Barr:** I am responding to your question on rates.

**MR COE:** Either way, it is going to have a huge impact.

**MR PETTERSSON:** Do you want to hear the answer?

**THE CHAIR:** Order! One person at a time.

**Mr Barr:** I am responding to your question on the impact on rents.

**MR COE:** My subsequent question was not about rents.

**Mr Barr:** I am still responding to that question. I am pointing out to you, as you know

and as this committee knows, that rates and land taxes are fully deductible for rental properties. In relation to owner-occupiers, those people who have bought in the last seven years have saved thousands of dollars in stamp duty and associated interest costs. That is the tax reform. We are making it cheaper to purchase properties by removing stamp duty progressively over a period of time, and we are replacing that revenue with the simplest, fairest and most efficient tax line available to the territory government, and that is a municipal rate.

**MR COE:** So regardless of your tax reform package, which Mr Quinlan said is unrelated, how is it that you could not do modelling about the impact on rent or supply and demand for apartments?

**Mr Barr:** With rent, the rates and land tax are fully tax deductible.

**MR COE:** The question is about why you chose not to do modelling on this.

**Mr Barr:** The Under Treasurer has responded to that question.

**MR COE:** What information was presented to the government about the impact of this change?

**Mr Nicol:** Impact in general?

**MR COE:** Yes.

**Mr Nicol:** It was a complex process. Cabinet submissions were prepared, arguments were prepared—

**MR COE:** What is the context of the cabinet submissions if they are not about the impact on the cost of living and rent?

**Mr Barr:** That information, around what it would mean for properties at various values, and the equity issues that cabinet considered in relation to the inequity of the previous system where, for example, multimillion-dollar units in certain parts of the city paid significantly less in annual rates than did modest outer suburban properties, those issues were brought to cabinet's attention, and cabinet responded in the only way that we could, putting principles of equity front and centre in determining taxation policy.

No-one likes paying tax. Everyone likes someone else paying tax. The government has to make difficult decisions in each budget round to ensure that we have sufficient resources to provide for the health, education, community, municipal, police and emergency services of this community. We have made a determination. We took it to the Assembly. The Assembly has voted on this. I am very conscious of standing order 52 and not reflecting on decisions of the Assembly.

**MR COE:** The Assembly has since commissioned this inquiry, so we can—

**Mr Barr:** The Assembly has voted on this legislation and passed it. It is now in action, and it is providing a fairer and more equitable distribution of the overall rates burden.

**MR COE:** If that is the case, why did you reduce the top marginal rate in this year's budget?

**Mr Barr:** We looked at—

**MR COE:** If last year's budget and last year's change was so good and so perfect, why did you have to change the rates?

**Mr Barr:** We looked at a range of factors, as we do every year, in determining the overall rates system.

**MR COE:** But why did you change it? I want to know that. Why did you lower the top marginal rate?

**Mr Barr:** We looked at a range of issues. We looked at the mix between the fixed and other rates. We looked at the distribution of rates collection across the territory and made a determination that we have a very progressive system and that we would make some changes in order to ensure that that progressive nature was maintained. It has been. We will continue to do that each year, to adjust the system to meet either prevailing circumstances or changes in the market to ensure that we have the fairest possible system that raises a sufficient level of revenue to meet the territory's ongoing needs.

**MR COE:** In terms of that top marginal rating factor, why did you need to change it this year compared to last year? What do you know this year—

**Mr Barr:** We have changed that every year.

**MR COE:** It went down this year as a top marginal rating factor from the change that you put in place regarding rates for apartments and units. What new information came to light in the 12 months between the 2017-18 budget and the 2018-19 budget that called on you to reduce that top marginal rating factor?

**Mr Nicol:** The way the government considers the rating factors and the rates: perhaps I can explain that. That might shine some light on your question.

**MR COE:** I understand that. I want to know specifically what caused you to reduce the top marginal rating factor.

**Mr Nicol:** We do not specifically look at each rating factor individually on its merits. We look at the entire system. The government considers the impact of the entire system on the entire housing stock—that includes changes in values in the entire housing stock—and makes considered decisions about where the average increase will be, where the maximum increases will be, where the lowest increases will be. And we adjust the system and the rating factors and thresholds.

**MR COE:** What information did you get over the past 12 months that led to reducing that top marginal factor?

PROOF

**Mr Nicol:** All of the marginal rates were set in order to achieve the most desired outcome in terms of impact of rate increases on the entire market.

**MR COE:** The Chief Minister just said we have a progressive tax system.

**Mr Barr:** We do.

**Mr Nicol:** That is right.

**MR COE:** However, the changes that have been put in place actually, in effect, create a regressive tax system.

**Mr Nicol:** No.

**MR COE:** Because just about everybody is on that top marginal rating factor.

**Mr Barr:** No, they are not.

**MR COE:** Before, everybody got the benefit of each marginal ratings bracket. Now, virtually no benefit is attributed to each apartment owner.

**Mr Nicol:** The progressivity in the system is in the ultimate rates bill you pay in relation—

**MR COE:** So it is not actually about the rating factor; it is not actually about a progressive bracket.

**Mr Nicol:** No. The rating factor—

**MR PETTERSSON:** I have a supplementary.

**THE CHAIR:** Yes. Let Mr Nicol answer the question.

**Mr Nicol:** The rating factors, including the fixed charge, the combination of the rating factors and the combination of the value assigned to the property, determine the ultimate rates—

**Mr Barr:** And the unit entitlement when you need—

**Mr Nicol:** And the unit entitlement; that is right. And the value of the property. That determines the ultimate rates bill you pay. The progressivity is in the value of that rates bill compared to the value of the property.

**MR COE:** But in order—

**Mr Barr:** You are effectively arguing for a flat tax rate. You would be arguing for—

**MR COE:** No. You have actually created—

**THE CHAIR:** Order!

**Mr Barr:** We had a flat tax rate before.

**MR COE:** You have in effect created a—

**Mr Barr:** We put in place marginal rates.

**THE CHAIR:** Chief Minister!

**MR COE:** You have created—

**THE CHAIR:** Mr Coe! Mr Pettersson has a supplementary question.

**MR PETTERSSON:** Could someone explain to me what effect the number of units would have on the rates that someone pays? Does that determine progressivity of the tax bill?

**Mr Nicol:** The number of units will have an effect. It will depend on the value of the block that they are on and the value of individual unit entitlements. You cannot come out with a single answer on that. A greater number of units, all else being equal, will tend to reduce the value assigned to each unit, but a greater number of units are generally on a block that has higher value.

**Mr Barr:** Or a larger block.

**Mr Nicol:** Or a larger block. You cannot say that we will seek a win in this situation.

**Mr Barr:** The market also makes those determinations.

**Mr Nicol:** That is right.

**Mr Barr:** So people—

**Mr Nicol:** A smaller number of units on a larger block will tend to have—

**Mr Barr:** Have a higher value.

**Mr Nicol:** for each unit entitlement because there will be more amenity on the block, et cetera. That is the difficulty in answering that question.

**Mr Barr:** These are decisions that households make. “Will I be one of 500 units on a particular block or am I in a block where there are only 10 or five, or 50 or 100?” The unit entitlements are what share of the total is determined by the amount of space or the amount of relativity of your particular dwelling within a larger multi-unit complex. If you sit atop a 15-storey building and you have a 500 square metre penthouse with five bedrooms and three bathrooms, you are going to be paying more than someone—

**MR COE:** The level does not make a difference, actually.

**Mr Barr:** who is in a one-bedroom apartment on the ground floor.

**MR COE:** The level does not make a difference.

**Mr Barr:** The market values of the two properties—

**MR COE:** No. The level does not make a difference on unit entitlements; it is only on size.

**Mr Barr:** If I can finish my answer—it is not even your call, Mr Coe—the market values of the properties are also a factor in the government's consideration of equity, and this was one of the fundamental principles behind the change. As I pointed out previously, in my own electorate there were multimillion-dollar units paying less than outer suburban houses in your electorate, Mr Pettersson. That is inequitable, and we have addressed it.

**THE CHAIR:** Could I just follow up on one of your last comments, Chief Minister, because this seems to be at odds with the notion of the whole rating system. You said that the new rating system takes into account the market value of the property, but that seems to be at odds with the—

**Mr Nicol:** No, the unimproved value.

**Mr Barr:** Yes, unimproved value.

**THE CHAIR:** That is not what the Chief Minister said. Perhaps when we get to the *Hansard*, you might like to reflect on that.

**Mr Barr:** I have made the political observation around market values being a factor driving our reason for making the change, in that properties of equivalent market value were paying very different rates. Properties that would rent for the same amount would pay very different rates under the old system.

**THE CHAIR:** Perhaps you could reflect on what is in the transcript. I do not think that that is what was in the transcript.

**Mr Barr:** I will have a look at it.

**MR COE:** Can I ask a supplementary going to what I said about the system being more aggressive now. Say there is a parcel of land worth \$1.2 million. In times gone by, if there were four equal properties there, they would each be worth \$300,000 and their rates would be calculated based on \$300,000. Therefore, they would not engage the top tax bracket. Now it gets calculated and then divided. So all these unit owners are now engaging the top tax bracket.

**Mr Barr:** If there was one dwelling on the \$1.2 million piece of land, they would pay, let us say—

**MR COE:** They would base it on \$1.2 million.

**Mr Barr:** For argument's sake, at 1.2 they would pay \$4,000 in rates: one dwelling,

\$4,000. Under our system now, four dwellings of equal value would share that \$4,000 between the four of them: \$1,000 each.

**MR COE:** No, because it is fixed components as well.

**Mr Barr:** But on the variable component.

**MR COE:** Previously, you have four properties that would all maximise the lower thresholds in the rating factors. Now—

**Mr Barr:** They would pay less, yes.

**Mr Nicol:** Yes.

**Mr Barr:** In total.

**Mr Nicol:** That is right. Yes.

**MR COE:** But now they do not.

**Mr Barr:** That was the purpose of this change.

**MR COE:** How can it possibly be a more progressive system now that everybody is paying a portion of the top tax bracket as opposed to maximising the lower tax bracket?

**Mr Barr:** Because those four properties would be rented at a rate similar to a property of a much lower value in terms of the unimproved value elsewhere.

**MR COE:** That does not suggest why this is a more progressive system.

**Mr Barr:** It is a fairer system.

**MR COE:** So it is not a more progressive system? It is a fairer system, is it? Is it more progressive or not?

**Mr Barr:** It is more progressive since tax reform, and the changes we have made ensure that high value units in very good locations that rent for very high amounts are paying a greater contribution than they were previously. Why should the three-bedroom house in Crace be paying three times the rates of a \$1 million penthouse in Kingston?

**MR COE:** With regard to the changes you have put in place, which are the basis of the terms of reference for this inquiry, how is it that the changes you put in place have made this a more progressive tax system—

**Mr Barr:** I have just answered your question.

**MR COE:** compared to the previous rates?

**Mr Barr:** I have just answered your question.

**MR COE:** So just the sheer fact that they pay more makes it progressive?

**Mr Barr:** It ensures that, across the territory, across houses and units, it is a fairer system. We will provide the community—

**MR COE:** Not more progressive?

**Mr Barr:** Progressive and fairer. We will provide the committee with many examples—

**THE CHAIR:** This is deteriorating into a debate rather than a series of questions and answers.

**Mr Barr:** We continue to do so.

**THE CHAIR:** Mr Pettersson, you have a substantive question.

**MR PETTERSSON:** I was wondering if you could give me some examples about how rates differ between houses and units before and after the changes.

**Ms Goth:** Before tax reform, rates paid by units and houses were very similar in terms of their relationship to their unimproved value, so when rates went up from year to year, they would all go up by a similar amount. All units had lower AUVs under the old system.

Sorry, just to clarify: was that before tax reform or before the change in calculation methodology?

**MR PETTERSSON:** Give me both.

**THE CHAIR:** That is three different ones. That is before 2012 and before the methodology changes in 2017.

**Ms Goth:** Our starting point was pre tax reform. Increases were similar across the board, and units generally were on the lowest AUV because of the way the calculations worked. As tax reform progressed and—

**MR PETTERSSON:** Do you have some dollar figures on that?

**Mr Barr:** We will provide the committee with that information. I think that is easier than reading out numbers.

**THE CHAIR:** Yes. A table would be much easier to read. Would you be happy to get that sort of information on notice?

**MR PETTERSSON:** Could you could explain the general theories.

**Mr Nicol:** Perhaps I can have a go. Essentially, pre the latest change—after tax

reform but pre the latest change—there were two factors in the market. Even though we used AUV as the rating factor, similar market value properties were paying significantly different rates for a unit versus a stand-alone property. That could range from a 20 to 30 per cent difference to a 100 per cent difference.

**THE CHAIR:** I do not understand, Mr Nicol, why you keep coming back and saying, “Putting aside AUV, what we are looking at is what they will sell for in the market.” That seems to be a negation of the rates base.

**Mr Nicol:** No. It is a dimension of assessment of fairness. If you buy a \$1 million property, I think there is a principle as to what rates you should pay on that. Should they be different simply because you are in a unit rather than a house?

**THE CHAIR:** It seems to me—would you agree with this, Chief Minister?—that if that were the question, if we were looking at it in terms of the value of the property, we should have a root-and-branch review of the rating system.

**Mr Barr:** No. All that has changed in the methodology is how the unimproved value of the property is shared and whether everyone benefits, regardless of the value of the unit, from a lower marginal tax rate or whether the system that we have put in place ensures that it captures a fairer share of the total revenue take from units. Unimproved land values as the methodology for collecting rates will not change under a government I lead. Full stop. I am not countenancing that ever. You want to advocate improved capital values—

**THE CHAIR:** We are not having a debate.

**Mr Barr:** We are not having a debate? Okay.

**THE CHAIR:** We are not having a debate. I asked you a question: do you consider that it is necessary to have a root-and-branch review? Your answer is: no.

**Mr Barr:** My answer is: categorically no.

**MR COE:** In which case, what is the relevance of a \$1 million property?

**Mr Nicol:** Because it is a measure of fairness, I think.

**Mr Barr:** To give the committee one—

**THE CHAIR:** Sorry, I just distracted Mr Nicol from answering Mr Pettersson’s question.

**Mr Barr:** To give the committee one practical example, a four-bedroom house in Griffith that rents for \$950 pays rates of \$4,000 annually; a three-bedroom unit in Kingston, in the suburb next door, that rents for the same amount, pays half those rates, \$2,000.

**MR PETTERSSON:** So now you will read the list for me.

**Mr Barr:** There is one example; I can give you many more.

**THE CHAIR:** Have you got an answer to your question? I have another line of questioning.

**MR PETTERSSON:** I will ask it again: how do rates for houses and units differ before and after the changes in both methodology and—

**Mr Nicol:** I have two other points to make. The first point was the difference in rates for similar valued properties. The second point is that the change in the methodology from tax reform itself and the way that was applied to different properties meant that essentially detached housing rate increases were higher than unit increases over time. That is another difference in the system the tax reform created which we were talking about earlier.

The third issue that I think is important in this case is the question of densification. Under the old system, the pre unit change system that the government introduced two budgets ago, the more you densified the smaller the amount of rates you would collect in toto for a given increase in rating factors. It would be an incentive to expand the city in greenfields estates, because an attached house in a greenfields estate would get more rates than a single dwelling unit.

**MR COE:** That assumes the same land portion.

**Mr Nicol:** Under the old system, that is what would happen in general, on average, because units were essentially paying a lower amount of rates per square metre than a detached property, all else being equal. So that had an influence as well.

**MR COE:** Units—

**THE CHAIR:** These are supplementary questions?

**MR COE:** There are many questions. Firstly, does the government want more people to live in apartments?

**Mr Barr:** The government is happy for people to live in whichever housing choice suits their needs.

**MR COE:** But the government's policies for a long time have been gearing towards densification. You have said yourself that we cannot just keep on going out forever; we need to have a more compact city. That is the language that you used.

**Mr Barr:** We have certain physical limitations on available land; that is true. But we release both greenfields and infill sites. We aim to provide housing that will meet a variety of different needs. It is up to individuals to determine whether their preference is to live in detached dwellings, semidetached dwellings or higher density accommodation. The government has no preference.

**MR COE:** No preference?

**Mr Barr:** No preference.

**MR COE:** That seems to be a change in policy.

**Mr Barr:** No, it is not a change in policy. We cannot direct, and never have directed, people that they must live in apartments.

**MR COE:** Of course not. But is your preference—

**Mr Barr:** No. As I said, the government has no preference. We provide housing across a variety of different types; the market provides housing across a variety of different types. In the end, it will be the market and consumer preference that will determine the types of dwellings that people live in, noting that consumer trends have changed over time.

It would appear that my generation and those younger—and indeed those who wish to downsize—tend to prefer inner locations rather than outer locations. That has not always been the case in this city or in our nation's history. But there are clearly trends emerging across this country and around the world for a preference from a large segment of the market to want to live close to where they work or close to entertainment or activity precincts as opposed to living on the fringes of cities. That is not a choice everyone makes, but it is a choice that an increasing share of the market is making. Undoubtedly the market and those who are in the business of supplying houses are responding to that trend.

The government can put in place a range of policy settings that enable all types of housing to be available. You are aware and the Assembly is aware that all types of housing are available in the territory. There is a process underway to look at a particular market segment that has been loosely defined as the missing middle, semidetached properties. There may be a need to shift policy to allow more dwellings of that type to be built.

We are faced with certain realities, Mr Coe, around available land, around consumer preferences, and around market forces. Those will dictate various outcomes in terms of different housing types.

**MR COE:** In terms of the cost of delivering government services, is it cheaper to deliver services to units than to stand-alone houses?

**Mr Barr:** It will depend on location. Thirteen per cent of the territory's budget is municipal, so we would need to distinguish between our state-level responsibilities and our local government responsibilities. There are a range of—

**MR COE:** I am talking about municipal services here, obviously.

**Mr Barr:** Just in terms of municipal, it will depend. In some instances, greater density in certain areas will require augmentation of stormwater and sewerage infrastructure, road augmentation and the like that would be more expensive than just having lower density housing.

**MR COE:** They are meant to be offsite work the developer picks up, though.

**Mr Barr:** But they are costs.

**MR COE:** Yes, but I am talking about government service delivery. In terms of government service delivery, whether you are talking about rubbish collection or all the other municipal services—

**Mr Barr:** It will depend.

**MR COE:** Are there efficiencies for the government in people living in apartments?

**Mr Barr:** Again, it depends on the location and the nature of services. In some instances, but not always. To make a blanket statement to that effect would not be accurate.

**MR COE:** Really?

**Mr Barr:** Yes.

**MR COE:** You could not say on average that it is going to be cheaper to deliver municipal services to people in higher density areas than lower density areas?

**Mr Nicol:** I spoke about budget outlays not being related to municipal services. The rates system is now a tax.

**MR COE:** I understand. But also the rating system is 10 per cent of your revenue.

**Mr Nicol:** Yes, but as we are replacing stamp duty, it is now designed to support the whole budget, not just municipal services. That is a very clear intent.

**MR COE:** But it is still only 10 per cent, and municipal services are only a small portion of the budget as well.

**Mr Nicol:** Yes, but we do not hypothecate in that way, Mr Coe.

**MR COE:** The Chief Minister called them municipal rates today.

**Mr Barr:** That relates to its title in the Australian tax reform process.

**THE CHAIR:** Sorry, I think that we are bogging down in this and we only have a few minutes left.

**Mr Barr:** But just to respond to Mr Coe's question, depending on how we define municipal services, that includes maintenance of roads and footpaths, stormwater infrastructure, provision of street lighting, community paths, garbage collection, library facilities, sportsgrounds, and the like. It is really volume of use.

**MR COE:** Is that not going to be more efficient if you have people in high density areas?

**Mr Nicol:** Again, I go back. Certainly health services, education services, justice services—

**THE CHAIR:** We are talking about municipal services, Mr Nicol. Mr Coe's question is—

**MR COE:** Delivery of municipal services. Surely it is going to be more efficient to deliver municipal services to areas of high density.

**Mr Barr:** It will cost the same per block. You still have to provide the service.

**MR COE:** But that is the point. Look at a big block of apartments here. That could be the same size block as a block in Forrest or Griffith, yet this one has 200 apartments on it and that one has one house. Surely there are some efficiencies there.

**Mr Barr:** In the provision of some services, but not, for example, garbage collection. You would still be collecting—

**MR COE:** Surely you are bringing in a lot more money when you have 200 apartments on a block as opposed to one house in Forrest.

**Mr Barr:** Through the fixed charge component, yes.

**MR COE:** Isn't this all part of the mix? Doesn't this go to the whole fairness that you keep talking about?

**Mr Nicol:** We are still under a per person basis, although perhaps—

**MR COE:** Also, if a lease is valued with the capacity of having multiple units on it, it is going to have considerably more value than the same sized block that does not have a multi-unit entitlement.

**Mr Barr:** With some areas of municipal services you will get economies of scale. Others—for example, road maintenance—will cost more if you have more users on the same piece of road. And there are footpaths and various other things. It will be a mixture.

**THE CHAIR:** I think we have come to the conclusion that the Chief Minister is of the view that the answer is mixed. Could we move on?

**Mr Barr:** It is a mixture, depending on the municipal service.

**THE CHAIR:** Could we move on, being mindful of the time.

**Mr Barr:** I stress again, Madame Chair, that municipal services count for only 13 per cent of the territory budget but rates provide for all ACT government services.

**THE CHAIR:** Yes. I want to ask some questions about valuation. I noticed that one of the officers from the valuation office is not available. Is there anyone here to

answer questions in relation to valuation?

**Mr Nicol:** I can ask the revenue commissioner to come up.

**THE CHAIR:** I wanted to ask valuation questions, not revenue questions.

**Mr Nicol:** The valuation officer sits in the revenue commissioner's responsibilities.

**THE CHAIR:** The committee specifically asked that there be people from the valuation office here today, and my understanding is that at the last minute the only nominated person from the valuation office was not available.

**Mr Nicol:** Kim has responsibility for the valuation office.

**THE CHAIR:** I will start with Mr Salisbury, but I reserve the committee's right to perhaps call back some officers in relation to valuation.

**Mr Nicol:** Certainly. That would be no problem.

**THE CHAIR:** In particular, we did flag with the Treasurer at the outset that we wanted to ask questions about commercial ratings when we had valuation people here, and that might be a bit difficult.

When this policy change came about two budgets ago, was there a process of revaluation of the unimproved value of land under unit plans as part of this process?

**Mr Salisbury:** No, there was not.

**THE CHAIR:** Why not?

**Mr Salisbury:** It was not seen as necessary. The value proposition was not fundamental to the change in the rating process.

**THE CHAIR:** On other occasions, this committee has been briefed about how the process of rating is changed. There is a rolling program of revaluation and there are standard benchmark blocks against which ratings are improved. What is the process, post the implementation of this new policy in relation to the methodology for calculating rates and strata title, of valuing strata title land in the ACT?

**Mr Salisbury:** There is no change from what we have done in the past—and what we will do in the future. Medium density residential properties are valued in an ongoing basis as a group themselves and per a particular precinct. Typically, what drives the changes in values is a similar development site and the change in that from period to period. Over the last two valuation periods, 1 January 2017 and 1 January 2018, there was no discernible change in those values. In effect, the medium density residential variations did not change at all between 2016-17 and 2017-18.

**THE CHAIR:** What about the previous year?

**Mr Salisbury:** I do not have the data for the previous year. I am sorry.

**THE CHAIR:** Could you get back to us on the previous year?

**Mr Salisbury:** Certainly. Yes.

**THE CHAIR:** I also have some questions in relation to commercial rating in Braddon. These were issues that the committee flagged as an area where we may ask questions.

**Mr Salisbury:** Yes.

**THE CHAIR:** In September 2016, one property in Braddon was delivered a notice of back rates for, I think, five years, which amounted to in excess of \$500,000 in rates, and then other charges on top of that, amounting to close to \$800,000. The owners were given a fixed period to pay that. That case has been to the ACAT and has had some resolution. The owners had to sell the block of land to pay the back rates bill.

How is it that the valuation office overlooked, for a period of what appears to be five years, the fact that there had been a change of use on that block and therefore the unimproved value would have changed? How did that come about? Do you know?

**Mr Salisbury:** Yes. We covered this particular issue in the previous estimates period in some detail.

**THE CHAIR:** Could you cover it here today?

**Mr Salisbury:** Sure.

**THE CHAIR:** How did that come about: that you did not notice that the particular block of land had a change of use charge for five years?

**Mr Salisbury:** Typically we get details of lease changes through both the Environment, Planning and Sustainability Directorate, as planning changes, and the land titles office. We marry that information up and we base the unimproved values on the change of the lease or the change in the zoning, depending on what has happened. In this case, we did not pick up the change to that particular property until much later, at which time we imposed the rates assessment given the correct unimproved value for that property.

**THE CHAIR:** So you imposed five years of assessment in one hit?

**Mr Salisbury:** Yes.

**THE CHAIR:** Was there a conversation with the landowners about perhaps coming to some arrangement to pay a substantial increase in rates which was called for in one hit?

**Mr Salisbury:** My recollection is that we did come to an arrangement for the payment of those taxes over an extended period.

**THE CHAIR:** Could you, perhaps on notice, inform the committee what that

arrangement was?

**Mr Salisbury:** That would be subject to taxpayer confidentiality, I would expect. If you could have the taxpayer provide that information or allow me to provide that information, I am sure I could provide it.

**Mr Barr:** The taxpayer would need to authorise that.

**THE CHAIR:** I will look into that. It was said in the ACAT hearings that it was the responsibility of the landowner to notify the valuation office of the change in use charges. Is that actually the case?

**Mr Salisbury:** That is what the ACAT said, I understand, yes.

**THE CHAIR:** Is there any mechanism available for a landowner to notify the valuation office of a change of use? Is there a form?

**Mr Salisbury:** There is no form, but somebody could write a letter to us or ring us.

**THE CHAIR:** Are they notified that they have to do this or is it, as I would have expected and as you have described it, that that would come through the land title office or through the planning authority?

**Mr Salisbury:** There is an expectation underpinning tax administration and tax law that the taxpayer will bring to the tax authority any issue that is relevant to the assessment of taxation. I think that is what the ACAT summarised.

**THE CHAIR:** Just for future reference, if there is a change of use charge somewhere in Braddon, would you consider, as part of the toolkit or the checklist for everyone involved, some obvious mechanism for ensuring that the valuation office was made aware of the change of use charge?

**Mr Salisbury:** Yes, and in the normal course of events we would become aware of that.

**THE CHAIR:** But your description of the normal course of events was that that would come through the land title office and/or the planning authority.

**Mr Salisbury:** That is right.

**THE CHAIR:** Not from the taxpayer. Do you get taxpayers writing to you on a regular basis saying, "I have had a change of use on my land."?

**Mr Salisbury:** We will get a taxpayer contacting us if their assessment looks incorrect, if it appears to be too much or not enough. In this case, clearly, the previous assessments were not enough. I think the ACAT said that there was an obligation on the taxpayer to inform the tax authority.

**Mr Barr:** A lot of people do the right thing. A lot of people do.

**THE CHAIR:** What I asked Mr Salisbury and I have not got an answer for is: does the valuation office routinely get letters or emails from landowners to say, “I have not paid a change of use charge on block so and so, section such and such.”? Do you routinely get that sort of correspondence?

**MR COE:** Have you ever received one?

**Mr Salisbury:** Sorry, could you ask the question one more time?

**THE CHAIR:** Have you ever received a notification from a leaseholder to say, “I have negotiated and paid a change of use charge on block so and so, section such and such, and can you rate me at a different rating value as a result of that?” Have you ever received that sort of communication? Do you expect to receive that? And is there any way of ensuring that a landowner, a leaseholder, would do that?

**Mr Salisbury:** I would expect that taxpayers would contact the revenue office from time to time—

**THE CHAIR:** Have you ever received such correspondence?

**Mr Salisbury:** I cannot equivocally say yes or no in relation to that; I do not have the history behind me. I am one person in the revenue office.

**THE CHAIR:** Could you check whether the revenue office—the valuation office, more properly—receives routinely that sort of correspondence?

**Mr Salisbury:** Certainly.

**THE CHAIR:** I go back to the rating issue in relation to Braddon. Are there other properties in Braddon that are having a reassessment of their back rates?

**Mr Salisbury:** In terms of the Braddon precinct, over the past two valuation periods, we have done a complete building-by-building review of Braddon to ensure—

**THE CHAIR:** Is that is the years 2016-17 and 2017-18 or over the—

**Mr Salisbury:** From 1 January 2017 and 1 January 2018. In both those periods, we reviewed the Braddon precinct, including from Northbourne Avenue through those couple of streets. We went through it property by property to determine that the UVs were correct in terms of the zoning requirements and in terms of what was specific to the leases of those.

**THE CHAIR:** So you are up to date and you know what the uses are on each of the blocks et cetera. Are there any blocks that came to your attention during that that had a long phase of being rated at a different and lower rate because the valuation office was not aware of the change of use in that area?

**Mr Salisbury:** Yes.

**THE CHAIR:** You have identified blocks that are subject to back rates?

**Mr Salisbury:** Yes.

**THE CHAIR:** Are there other leaseholders in Braddon who are going to receive a letter from the valuation office to say, “We have assessed that for the past X number of years you have not been paying rates at the right level. This is the right level and you can pay it within 28 days.”?

**Mr Salisbury:** This is an ongoing program. Yes, in some cases properties will be identified where rates have not been correctly applied and we will go back and reassess them. Yes, it will happen. It is an ongoing program. It is not just Braddon, but across the territory. If we have incorrectly assessed rates, we will go back and correct them and correctly assess them. That is part of the equity of the tax system.

**THE CHAIR:** What happens if the property has changed hands in that period?

**Mr Salisbury:** Where a property has changed hands, we would probably have been notified and we would have done an evaluation as part of the conveyancing certificate to determine what rates were payable. For a particular property that is sold, we probably would have done that already so our records would be up to date.

**THE CHAIR:** There may be somebody who sold a block who had been paying rates at the notified rate who might have got a shock, when they sold their block, to have a reassessment done?

**Mr Salisbury:** Quite possibly.

**THE CHAIR:** Could you get back to the committee as to whether that has happened, and if so, how many times, since October 2016, for instance?

**Mr Salisbury:** Certainly.

**THE CHAIR:** Thank you. Could you also, for the committee, quantify the number of blocks that you have identified during the past two rating cycles that may not have been rated at the full value?

**Mr Salisbury:** Certainly.

**THE CHAIR:** Thank you. The committee will consider whether we need to pursue this further, but I am conscious of the time. Are there any other questions?

**MR PETTERSSON:** I do have a substantive, but time is against us.

**THE CHAIR:** I think we have a bit of flexibility.

**MR PETTERSSON:** We are already five minutes over time.

**THE CHAIR:** Yes, but we also have a bit of flexibility at the other end. We are scheduled to be here until 11. We will give you five minutes.

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**MR PETTERSSON:** Do other people have places to be?

**Mr Barr:** I do, but if you ask the question, I will answer quickly.

**MR PETTERSSON:** I do have a question, but we are already running behind time.

**Mr Barr:** Well, ask it. We can take it on notice.

**MR PETTERSSON:** Okay. Where would the ACT government get state-level revenue from if these changes to the methodology were reversed?

**Mr Barr:** We would have to put up various other taxes. There would be stamp duty. We would have to reintroduce insurance taxes. There would be a range of revenue lines outside of rates that would need to either go back up or be increased further.

There is no magic pudding. Of all of the tax lines that are available to the ACT government, our rates system is the fairest and it is the least distortionary on economic activity. Every taxation review in this country in the past 40 years, commissioned by governments of all political persuasions, has identified that this is the simplest, most efficient form of taxation.

There is a wonderful table that outlines the excess burden—an economic term—of tax. There are municipal rates. Our broad-based land tax has a one per cent burden; land taxes have a six per cent burden; conveyance duties have a 31 per cent burden; motor vehicle registration has a 32 per cent burden; motor vehicle stamp duty is 38 per cent; payroll tax is 22 per cent; and insurance tax is a whopping 47 per cent. That is why we got rid of insurance tax. That is why we are abolishing conveyance duties. That is why stamp duty for first homebuyers will be abolished for those under the income threshold on 1 July next year.

We are moving to the simplest, fairest and most economically efficient form of taxation available to us. It is a very simple proposition that the territory needs to raise a certain level of revenue. Of all the available taxes, rates are the most efficient; they are the fairest, they are the hardest to avoid, and they ensure stability in the territory's revenues. We do not have to make a guess every year about how many properties will transact at what value or how many people will be employed. We have a clear, predictable, fair, simple tax system, recommended by every review of the Australian taxation system in the past four decades.

This is the only government in the country prepared to stare down the crass political opportunism of opposition parties in order to deliver a long-term, stable tax line and revenue base for a growing population. In the end, we value health, education, community municipal services and police and emergency services. We want to ensure that this city has sufficient resources to provide for the most needy. That is exactly what we are doing and why it is so important to have equitable, simple, fair and efficient taxation.

**MR PETTERSSON:** Thank you.

**THE CHAIR:** We will have to place any other questions on notice. I thank the Chief

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Minister and officials for their attendance here today. You will receive a transcript during the course of the week.

**PEART, MS HEATHER**, private citizen

**THE CHAIR:** Welcome to the inquiry, Ms Peart. Have you read the pink privilege statement?

**Ms Peart:** Yes, I have.

**THE CHAIR:** Would you like to make an opening statement?

**Ms Peart:** It is really covered in the submission that I made.

**THE CHAIR:** Thank you.

**Ms Peart:** I do not believe the rate system that is in is fair. If anything, it is completely unfair. I am not here representing people who have multimillion-dollar units at Kingston. I live in a very modest unit in Hawker. For my unimproved value rates to go up by 93 per cent, from \$500 to over \$1,000, is unconscionable. I can only sell the 180 square metres of title I have, yet my rateable value is across the entire property, a third of which is not owned by anybody. It is owned by the body corporate.

With a stroke of a pen, the Chief Minister seems to have declared it almost a single-title property, treating it as a single-title property for rates purposes. But it is not. Legally, it is a strata unit; it is not a single property. It is multi titles across multiple units. Inequity for us is completely staggering.

**THE CHAIR:** In your supplementary submission, you provided the committee with a table with some comparisons.

**Ms Peart:** Yes.

**THE CHAIR:** Most are relatively close to your home in various ways.

**Ms Peart:** Yes.

**THE CHAIR:** What does that table of comparisons indicate to you, as a taxpayer?

**Ms Peart:** In the same way that the Chief Minister just said, “Why should a three-bedroom house owner in Crace pay more rates than a multimillion-dollar penthouse owner in Kingston?”, why should I, when my block is 180 square metres, pay \$1,500 more than the owner of a six-bedroom, five-bathroom property in Weetangera?

Admittedly, that \$1,500 is the additional body corporate fees that we have to pay on top of rates. In a sense, we are saving the government an awful lot of money by paying body corporate for the maintenance of about a third of the land that has been valued for rates purposes this year. You only have to look at my rates notice. It goes to \$1,064 this year from \$550 last year. I have not had that kind of salary increase; in fact, I am on a pension now. And we have not had a 93 per cent increase in services.

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The Chief Minister seemed very keen to have equity for those at the top end of the property market in Kingston. Perhaps it is equitable for those people, but it certainly is not for the majority of people who own strata units. The reason I bought a strata unit is that I could not afford a single-title dwelling. I certainly cannot now. I bought back in 2004. I certainly could not afford any of these single-dwelling houses that I have compared my property to.

**THE CHAIR:** And this property is your only property?

**Ms Peart:** Yes.

**THE CHAIR:** It is your principal residence?

**Ms Peart:** Yes, it is.

**THE CHAIR:** You are not an investor?

**Ms Peart:** Fifty per cent of the people in the 18 units—more than 50 per cent—are owner-occupiers in our block.

**THE CHAIR:** I was looking at your block on Google Maps.

**Ms Peart:** Yes.

**THE CHAIR:** Your block is quite treed and there is, relatively speaking, in medium density housing terms, a fair amount of open space on your block.

**Ms Peart:** Yes, and we do not get any services for that. We are just about to spend \$70,000 to replace the road.

**THE CHAIR:** All of that is maintained through your body corporate fees.

**Ms Peart:** Body corporate fees and sinking fees. We have no option on those things. Single-title property owners do. They can let their place go to rack and ruin. We are not permitted to do that by law. And there is just no taking into account the fact that we have quite significant body corporate fees. My body corporate fees are \$2,000 a year.

**THE CHAIR:** Your body corporate fees are now equivalent to your rates?

**Ms Peart:** Yes.

**THE CHAIR:** Have you seen an increase in your body corporate fees over the—

**Ms Peart:** They are supposedly. Because the sinking fund is legislated to go up at a certain amount, we are supposed to have a certain amount in the sinking fund relative to value. It is supposed to go up 10 per cent a year. Nobody is getting those kinds of pay increases. We have been trying to keep it consistent, but we still have an obligation. If we have to paint the entire property, that is close to \$100,000. We are just about to replace the road; it will be \$70,000. We pay for gardening for our land

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borders. We make sure that the hedges do not go over onto public footpaths, because that is our liability.

The ACT government services are very sporadic. We get a bit of garden trimming, grass trimming, behind the property on their land maybe once or twice a year. That does not substantiate an increase of 93.4 per cent.

**THE CHAIR:** What is your garbage collection system?

**Ms Peart:** We all have to put our bins out.

**THE CHAIR:** So you have municipal bins?

**Ms Peart:** We do. But that is all. That is the only service we get.

**THE CHAIR:** You maintain the internal roads, the internal gardens?

**Ms Peart:** Yes, everything else.

**MR PETTERSSON:** If these changes to the methodology were reversed, where should the ACT government get this revenue from?

**Ms Peart:** Stamp duty. All of the methods that the Chief Minister does not particularly like. I can see that this is very expedient. I can see that it is very convenient to do this. But perhaps people who have more qualifications in revenue could come up with some better ideas than this, because this is grossly unfair. Everybody is pushed into the highest marginal rates value over the \$600,000; everybody. It is grossly unfair.

Unless you are a million-dollar owner in Kingston, nobody who owns a strata unit can recoup that value when they sell. It is just totally unfair. I would like to get out. In fact, I will probably vote with my feet. This is the increase now, but in five, six or seven years, it is going to go up. It is not going to stay the same.

**MR PETTERSSON:** So is it the case—I just want to clarify your answer—that you would like to see us go back to stamp duty?

**Ms Peart:** Yes.

**MR PETTERSSON:** Or is it the case that you want rates to be levied to other people?

**Ms Peart:** Surely there is a better way to get equity. I do not know what the answer is. I do not. But this is not equitable. It might be equitable for the handful of people at the top end of the scale who have their multimillion-dollar apartments, which was the only thing that the Chief Minister kept referring to. There was no reference to the rest of us. There are thousands of us.

**MR PETTERSSON:** So you think transitioning from insurance duties and stamp duty to land tax and rates is a more efficient system; you just think the current

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distribution of who is paying those rates is wrong.

**Ms Peart:** It is unfair.

**MR PETERSSON:** You think the more expensive apartments should be paying more in rates and you should be paying less.

**Ms Peart:** Perhaps you could calculate rates somehow on the total value of the property. I do not know. But it is grossly unfair that I have 180 square metres and a person in Holt has 793 square metres but my unimproved value is 185,400 and theirs is 280, and they are paying \$30-odd a year less in rates than I am. And then I am paying an additional \$2,400 over that person because of the body corporate fees. It just disregards the practical impact on people who are at the bottom end of the scale who cannot afford single-title properties.

**MR PETERSSON:** Thank you.

**MR COE:** Thank you for the table that you have provided with different comparisons. They are all very interesting, particularly comparison 2, where you compare your entitlement of 180 square metres to a property a few kilometres away of 793 square metres. You have less than a quarter of the land, yet your rates are higher.

**Ms Peart:** Yes.

**MR COE:** In addition to that, the value of your house and land is 30 per cent less than the other property.

**Ms Peart:** Yes.

**MR COE:** That one in particular really does capture the difference or the changes in this policy. Without identifying people, what is the impact of this in terms of the loss of money? What does the \$20 a fortnight decrease mean for you or for other unit owners in your complex?

**Ms Peart:** After here, I am going to my health benefit fund and I am going to have to downgrade my health cover. I have top cover; I have always had top cover. It costs me the equivalent of my rates and my body corporate fees a year. That is \$8,000 before I even start looking at any other costs. I will be downgrading my health care and so will my husband.

All these increases get passed on in terms of rent increases.

**MR COE:** And then some, with land tax.

**Ms Peart:** Yes, exactly. So you are not just affecting the home owners; you are affecting tenants, a whole pile of tenants. In my particular block, we have teachers, nurses and all of the people the Labor government say they will protect. It is just not happening for us.

**MR COE:** You said you moved in in 2004.

**Ms Peart:** Yes.

**MR COE:** In 2004, of course, stamp duty was in full flight. You paid stamp duty then?

**Ms Peart:** Yes, I have.

**MR COE:** There is, of course, no consideration of that with this blunt instrument. Do you feel that the government has either misled you or betrayed you or others in encouraging people to downsize or move into apartments?

**Ms Peart:** I think they are shooting themselves in the foot, frankly. It is not attractive for people to downsize. Why would you want to downsize and then have the aggravation of living in a body corporate property? Believe me; there is quite a lot. You are always dealing with parking issues; you are always dealing with other sorts of issues. There is not really an incentive. Why would you want to do that? Why would you want to downsize from where you have total autonomy over your whole property and quiet enjoyment over the whole property? Why would you want to downsize and have it end up costing you more in rates? It is just not sensible. It is nonsensical.

**MR COE:** Obviously we have seen property prices in Canberra increase across the board. With regard to units, based on your observations in your complex when they turn over, are you seeing increases in sale prices?

**Ms Peart:** There has been capital growth since 2004, but I would say that for people who have bought in the past few years the capital growth is not there. One of the properties was on sale recently for around \$420,000. I do not know whether they actually achieved that, but that is about where I would be told to put my place if I were going to sell it.

**THE CHAIR:** What did you pay for it in 2004?

**Ms Peart:** It was 270.

**THE CHAIR:** You said you have seen capital growth.

**Ms Peart:** Yes, I have seen capital growth.

**THE CHAIR:** You have clearly seen capital growth.

**Ms Peart:** Yes, I have seen capital growth.

**MR COE:** But not in the past few years.

**THE CHAIR:** But not in the past few years.

**Ms Peart:** No. And because mine has been rented out from time to time, I have paid land tax during the time it has been rented out and I will pay capital gains tax when I

sell it. I am caught every which way and I am not the multimillion-dollar penthouse owner in Kingston. If that is the concerned percentage of the population, which is the smallest percentage, then if the government has achieved equity there in terms of rates, it is at the expense of everybody else.

**MR COE:** And with this notional increase in the value of your property, it is all a bit moot if you then have to buy another property in same market.

**Ms Peart:** Exactly. I would not be able to. I certainly could not afford a single-title dwelling, which I would prefer given the rates issues.

**MR COE:** In terms of how this was communicated with the body corporate or with you as an individual owner, has the government reached out to you in any way? Is it simply through the media and rates bills?

**Ms Peart:** The first I knew of the changes was my rates bill for last year. It gives me a rated value of 185.90. There is a note here that is unintelligible in terms of trying to understand what that means.

**THE CHAIR:** Could you read that for us?

**Ms Peart:** Yes. It says: “Charges for your unit title property in 2017-18 have been calculated on the average unimproved value of the residential portion of the total unit complex, \$3,435,000, and your residential unit entitlement, based on the total residential portion of the unit complex, is 5.4000 per cent. See overleaf for further information.” Then there is a whole bunch of things that to me are unintelligible unless you have a maths degree. It goes on to say: “Unit title developments are treated as single property for valuation purposes.”

With a stroke of a pen, we have just completely ignored the fact that it is not a single property. There are 18 dwellings there, each with their individual titles. At law, I would question whether that is actually legal, because it is a strata title property. Conceivably the government could just say, “Okay, at the stroke of a pen, you do not have to pay your body corporate fees.” Sadly, that is not the case. We cannot be treated as a single dwelling on one hand and then a body corporate for the purposes of having to pay body corporate fees on the other. It is unjust.

**THE CHAIR:** Have you got anything more, Mr Coe?

**MR COE:** Just to point out that I thought a particularly interesting observation that you made in your submission was that the comparable way of treating a stand-alone house would be to take all the houses in the block—

**Ms Peart:** In the street, yes.

**MR COE:** In the street?

**Ms Peart:** Yes.

**MR COE:** And to also factor in the cost of managing the park, the laneways and all

the streetlights, and then calculate rates on that basis.

**Ms Peart:** Yes. That would be exactly what is happening to us. That would be equitable. That would be fair.

**MR COE:** That would also be quite shocking. It would also, of course, put everybody into that top rating factor in the same way that you have been. Obviously that would be shocking, it would not be acceptable and it would be unjust.

**Ms Peart:** Why is it not shocking when it is a strata title? It is exactly the same principle.

**MR COE:** It is a very interesting observation.

**THE CHAIR:** Just to clarify for the purpose of this inquiry, in your submission, Ms Peart, on page 4 you have outlined what the body corporate and sinking fund fees are.

**Ms Peart:** Yes.

**THE CHAIR:** There is very little variation. The larger single-storey properties pay slightly more, but there is very little variation.

**Ms Peart:** That is right.

**THE CHAIR:** There was some contention from the Chief Minister earlier this morning that the body corporate fees also reflect the size of the property et cetera. In your particular instance, there is very little variation between a two-bedroom unit and a single-storey three-bedroom unit, which would have a much larger footprint.

**Ms Peart:** Much larger; it is double the land.

**THE CHAIR:** Thank you very much for your attendance. Dr Lloyd, the committee secretary, will send you a copy of the transcript. If there is anything you wish to query, you can take that up with Dr Lloyd.

**The committee adjourned at 10.53 am.**