

2002

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

RATES AND LAND TAX AMENDMENT BILL 2002

EXPLANATORY MEMORANDUM

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RATES AND LAND TAX AMENDMENT BILL 2002

Summary

This Bill adjusts the rating assessment for all properties for 2002-2003 by increasing rates charges during 2001-2002 by the actual movement in the CPI in the ACT from December quarter 2000 to December quarter 2001. The relevant CPI movement is 2.9% as reported by the Australian Bureau of Statistics on 23 January 2002. For example if a property had a rates liability of \$1,000 in 2001-2002, then that same property would have a rates liability of \$1,029 in 2002-2003 ($\$1,000 \times 1.029$).

In conjunction with capping rates increases at 2.9%, this Bill also ensures that the valuations for the year beginning 1 July 2002 will not be used for the purposes of rates assessment for 2002-2003. This will ensure that rates assessments for existing properties and properties with lease commencement dates during 2002-2003 will be calculated through the use of average unimproved valuations for the year beginning 1 July 2001.

This Bill also replace “UV” (unimproved value) with “AUV” (average unimproved value) to correct errors in certain formulas within the Act.

Municipal rates charges have been included in the Federal Treasurer’s Division 81 Determination and are exempt from the Goods and Services Tax.

Revenue/Cost Implications

Rates revenue was estimated at \$110,786,000 for 2001-2002. In applying the capped increase, the rates revenue for 2002-2003 is budgeted at \$113,998,794 ($\$110,786,000 \times 1.029$).

Details of the Bill are attached.

Details of the Rates and Land Tax Amendment Bill 2002

Clauses 1, 2 and 3

These are mechanical clauses that state the name of the act, define the commencement date and specify the amended act. The commencement date is 1 July 2002.

Clause 4 Imposition Section 13(1)

This clause makes a consequential reference change in conjunction with clause 12.

Clause 5 New Section 13A

This clause inserts a new section 13A with the heading “Imposition – interim rating system 2002-2003”.

This section increases the amount worked out under section 13 in the rating year 2001-2002 by 2.9% (through multiplying by 1.029) for the purposes of obtaining a rates assessment for the year 2002-2003. The amount worked out under Section 13 on its own is not applicable as a rates assessment for the year 2002-2003. Additionally, in working out the amount under section 13, the average unimproved value (AUV) of a parcel of land is taken to be the AUV of the parcel for the year beginning 1 July 2001.

For example, if the AUV of a property for the year beginning 1 July 2001 is used to obtain an amount under section 13, which turns out to be \$1,000, then the amount that is the rates assessment for 2002-2003 in accordance with section 13A would be \$1,029 ($\$1,000 \times 1.029$).

This section is subject to sections 24A and 25. It expires on 1 July 2003 and section 88 (Repeal does not end transitional and validating effect etc) of the *Legislation Act 2001* applies to this section.

Clause 6 Imposition and assessment of rates – certain parcels of land in city area Section 22GM(2)

This clause makes a consequential reference change in conjunction with clause 7.

Clause 7 Section 22GM(2)

This clause corrects an error in the formula, by replacing “UV” with “AUV”. The formula now states:

$$\$300 + [(AUV - \$19\,000) \times (\{NRP \times 1.3356\% \} + \{RP \times 0.7820\% \})].$$

The abbreviations in the formula are defined as follows:

AUV means the average unimproved value of the parcel of land.

NRP means the percentage of the development or intended development that is to be used for non-residential purposes, being the

percentage specified in a determination, or the latest of 2 or more determinations, under section 22GL.

RP means the percentage, as so specified, of the intended development that is to be used for residential purposes.

This formula provides the rates liability for certain properties undergoing development intended for a mixture of residential and non-residential purposes. The AUV applies in these circumstances as some developments may span three rating years.

Clause 8 Section 22GM(4)

This clause makes a consequential change in conjunction with clause 9.

Clause 9 New Section 22GMA

This clause inserts a new section 22GMA with the heading “Certain parcels of land in city area—interim rating system 2002-2003”.

This section applies to a parcel of land if—

- (a) it is a qualifying parcel of land in the city area; and
- (b) the average unimproved value (AUV) of the parcel of land for the year beginning 1 July 2001 was greater than \$19 000.

This section increases the amount worked out under section 22GM in the rating year 2001-2002 by 2.9% (through multiplying by 1.029) for the purposes of obtaining a rates assessment for the year 2002-2003. The amount worked out under Section 22GM(2) on its own is not applicable as a rates assessment for the year 2002-2003. Additionally, in working out the amount under section 22GM(2), the AUV of a parcel of land is taken to be the AUV of the parcel for the year beginning 1 July 2001.

For example, if the AUV of a property for the year beginning 1 July 2001 is used to obtain an amount under section 22GM, which turns out to be \$1,000, then the amount that is the rates assessment for 2002-2003 in accordance with section 22GMA would be \$1,029.

This section expires on 1 July 2003 and section 88 (Repeal does not end transitional and validating effect etc) of the *Legislation Act 2001* applies to this section.

**Clause 10 Imposition and assessment of land tax
Section 22GN(2)(b)**

This clause makes a consequential change in conjunction with clause 11.

Clause 11 Section 22GN(2)

This clause corrects an error in the formula in section 22GN(2), by replacing “UV” with “AUV”. The formula now states:

$$\text{AUV} \times \text{NRP}.$$

The abbreviations in the formula are defined as follows

AUV means the average unimproved value of the parcel of land.

NRP means the percentage of the development or intended development that is to be used for non-residential purposes, being the percentage specified in a determination, or the latest of 2 or more determinations, under section 22GL.

This formula provides the land tax liability for certain properties undergoing development intended for a mixture of residential and non-residential purposes. The AUV applies in these circumstances as some developments may span three rating years.

Clause 12 New Section 25

This clause inserts a new section 25 with the heading “Unit subdivisions—interim rating system 2002-2003”.

This section increases the amount worked out under section 24A(3A) for the rating year 2001-2002 by 2.9% (through multiplying by 1.029) for the purposes of obtaining a rates assessment for a unit that is part of a parcel of land for the year 2002-2003. The amount worked out under section 24A(3A) on its own is not applicable as a rates assessment for the year beginning 1 July 2001. Additionally, in working out the amount under section 24A(3A), the AUV of a parcel of land is taken to be the AUV of the parcel for the year beginning 1 July 2001.

This section expires on 1 July 2003 and section 88 (Repeal does not end transitional and validating effect etc) of the *Legislation Act 2001* applies to this section.