

Australian Capital Territory

Taxation Administration (Amounts Payable—Land Tax) Determination 2017 (No 1)

Disallowable instrument DI2017–141

made under the

Taxation Administration Act 1999, s 139 (Determination of amounts payable under tax laws)

EXPLANATORY STATEMENT

Commencement

This instrument commences on 1 July 2017.

Background

Under section 139 of the *Taxation Administration Act 1999*, the Minister has the authority to determine in writing by disallowable instrument, amounts and rates applicable for the *Land Tax Act 2004* (the Act).

This instrument determines the fixed charge and percentage rates (commonly referred to as ‘marginal rating factors’) for the calculation of land tax for residential land, for section 9 (4) of the Act.

Where land tax is payable by a unit in a unit subdivision, the tax payable is calculated in accordance with part 4 of the Act (sections 26 and 27).

As a part of continuing taxation reform, land tax has not been levied on commercial properties since 1 July 2012. Further, the fixed charge component introduced in 2014 under the *Land Tax Amendment Act 2014* is maintained.

Different AUV references due to unit methodology change

In the 2016-17 Budget, the Government announced a change to the calculation of land tax for residential units. The new methodology aims to reduce the gap of land tax payable between standard residential properties (e.g. houses) and residential units of similar value.

This methodology is implemented by the legislative amendments in the *Revenue Legislation Amendment Act 2017 (No 2)*, the provisions of which commence on 1 July 2017.

In the new methodology, the marginal rating factors are applied to the AUV of the parcel of land (AUVRU), instead of the AUV as it relates to the individual unit entitlement. For a mixed use property, AUVRU represents the AUV of the parcel as it relates to the proportion of residential units in the parcel. This indicates that a higher base value is used for land tax calculation.

The formula under section 9 (2) of the Act, where land tax is calculated based on the AUV of a parcel of land, continues to apply to standard residential properties.

This instrument determines the ‘base value’, to which the marginal rating factors apply, being the AUV for standard residential properties and the AUVRU for residential units.

Rounding

Section 40 (2) of the Act provides that in working out an AUV, fractions of a dollar must be rounded down to the nearest dollar. For the purposes of consistency this instrument clarifies that the base value must be rounded down to the nearest dollar before the marginal rating factors (P or percentage rate) are applied.

This ensures that the valuation-based charge is calculated on the same base amount across rates and land tax whether the property is a standard residential property (using AUV) or a unit subdivision (using AUVRU).

Determination

For section 9 (4) of the Act, the fixed charge for 2017-18 is determined to be \$1,145 per year. This is an increase of \$55 from the previous amount of \$1,090 in 2016-17.

This instrument also determines different thresholds and marginal rating factors to better reflect the distribution of land values under the new unit methodology.

The calculation of annual land tax liability for rented residential land and residential land owned by a corporation or trustee is as follows:

- Land with a base value of \$150,000 or less will be liable for a land tax rate of 0.50% (in 2016-17 there were two land base value thresholds within this \$150,000 band, ‘\$1 to \$75,000’ at a land tax rate of 0.41%, and ‘\$75,001 to \$150,000’ at a land tax rate of 0.48% - in effect the land tax rate increased from 0.41% and 0.48% in 2016-17).
- Land with a base value of more than \$150,000 but not more than \$275,000 will be liable for a land tax rate of \$750 plus 0.60% of the part of the base value of the land more than \$150,000 (decreased from 0.61% in 2016-17).
- Land with a base value of more than \$275,000 not more than \$2,000,000 will be liable for a land tax rate of \$1,500 plus 1.08% of the part of the base value of the land more than \$275,000 (in 2016-17 the upper threshold band was \$275,000 and above – in effect a new threshold band of ‘more than \$275,000 but not more than \$2,000,000’ is included but with a decreased land tax rate from 1.23% in 2016-17).

- Land with a base value of more than \$2,000,000 will be liable for a land tax rate of \$20,130 plus 1.10% of part of the base value of the land above \$2,000,000 (a new upper threshold band of ‘more than \$2,000,000’ is included with a decreased land tax rate from 1.23% in 2016-17).

Land tax for units

Where a unit is liable for land tax, the tax is taken to be imposed on the unit subdivision (that is, parcel of land subdivided under a units plan) and is payable by the owners of the liable units in accordance with section 27 of the Act.

Revocation

This instrument revokes DI2016-143. However, DI2016-143 continues to apply for the period 1 July 2016 to 30 June 2017, inclusive.

Authorised by the Treasurer
Andrew Barr MLA