

Australian Capital Territory

Taxation Administration (Amounts Payable—Rates) Determination 2017 (No 1)

Disallowable instrument DI2017–142

made under the

Taxation Administration Act 1999, s139 (Determination of amounts payable under tax laws)

EXPLANATORY STATEMENT

Commencement

This instrument commences on 1 July 2017.

Background

General rates are levied on residential, commercial and rural properties to provide funding for a wide range of essential services to the Canberra community, including municipal services, schools, roads and hospitals.

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 *Rates Act 2004* (the Act).

This instrument determines different amounts for the fixed charge and percentage rates for section 14 (3) of the Act (Imposition of rates).

This instrument also determines for section 34 (4) (Imposition of rates—qualifying parcels of land) the fixed charge for a parcel of commercial land and for a parcel of residential land, and the percentage rates for a parcel of commercial land and for a parcel of residential land.

Different AUV references due to unit methodology change

As part of the 2017-18 Budget, the Government continues to reform the Territory's taxation system by introducing a new methodology for calculating rates of residential units.

Under the current rates system, residential units are charged with lower rates compared to standard residential properties (e.g. houses) of similar value. This is due

to the fact that residential units are generally assigned with lower Average Unimproved Values (AUV).

The new methodology aims to bring greater equity between standard residential properties and residential units of similar value in relation to rates payable.

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 percentage rates (or ‘marginal rating factors’ as they are commonly referred to) 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 rates calculation for residential units.

As the new methodology affects residential units only, a separate formula based on the pre-existing methodology is introduced for calculating rates on units other than a residential unit (i.e. commercial units). For commercial units, AUVU represents the AUV of the parcel proportionate to the commercial unit in the parcel.

The formula under section 14 (2) of the Act, where rates are 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, the AUVRU for residential units and AUVU for commercial units.

Rounding

Section 74 (2) of the Act provides that any amount that is a part of an AUV 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 are applied, whether the base value is AUV, AUVRU or AUVU.

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

Determination

For section 14 (3) of the Act, the fixed charge for 2017-18 is determined at:

- \$765 for residential land (unchanged from 2016-17);
- \$2,380 for commercial land (increased from \$2,235 in 2016-17); and
- \$155 for rural land (increased from \$150 in 2016-17).

For section 14 (3) of the Act the instrument determines the different amounts for marginal rating factors. Table 1 provides the thresholds and rates for residential, commercial, and rural land.

Calculation of general rates for residential land is as follows:

- Land with a base value of \$150,000 or less will be liable for rates at 0.2960% of the base value (increased from 0.2746% in 2016-17).
- Land with a base value of more than \$150,000 but not more than \$300,000 will be liable for rates at \$444.00 plus 0.4088% of the part of the base value more than \$150,000 (increased from 0.3900% in 2016-17).
- Land with a base value of more than \$300,000 but not more than \$450,000 will be liable for rates at \$1,057.20 plus 0.5130% of the part of the base value more than \$300,000 (increased from 0.4800% in 2016-17).
- Land with a base value of more than \$450,000 but not more than \$600,000 will be liable for rates at \$1,826.70 plus 0.5603% of the part of the base value more than \$450,000 (increased from 0.5400% in 2016-17).
- Land with a base value more than \$600,000 will be liable for rates at \$2,667.15 plus 0.6013% of the part of the base value above \$600,000 (increased from 0.5750% in 2016-17).

Calculation of general rates for commercial land is as follows:

- Land with a base value of \$150,000 or less will be liable for rates at 2.9760% on the base value (increased from 2.8000% in 2016-17).
- Land with a base value of more than \$150,000 but not more than \$275,000 will be liable for rates at \$4,464.00 plus 3.4940% on the part of the base value that is more than \$150,000 (increased from 3.3000% in 2016-17).
- Land with a base value of more than \$275,000 but not more than \$600,000 will be liable for rates at \$8,831.50 plus 4.9350% on the part of the base value that is more than \$275,000 (increased from 4.6600% in 2016-17).
- Land with a base value more than \$600,000 will be liable for rates at \$24,870.25 plus 4.9930% on the part of the base value above \$600,000 (increased from 4.7700% in 2016-17).

Rural land will be liable for rates at a flat rate of 0.1491% (increased from 0.1468% in 2016-17) on the full base value.

Rates for units

Where a unit is liable for rates, 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 units in accordance with section 29 of the Act.

Revocation

This instrument revokes DI2016-110. DI2016-110 continues to apply to the period 1 July 2016 to 30 June 2017, inclusive.

Authorised by the Treasurer
Andrew Barr MLA