

BUDGET 2016-17



TAXATION REFORM

The ACT Government is continuing its program of tax reform which commenced in 2012-13. This reform involves a change to the “tax mix” without an overall increase in the “tax take”. Over a 20 year period inefficient taxes like conveyance duty and insurance duty are being abolished and the revenue foregone is being replaced through the general rates system. The transition to an efficient broad based land tax secures a stable revenue base which will allow the Government to plan for the future with greater certainty for spending on high quality services and infrastructure.

2016-17 is the end of the first five years (Stage One) of tax reform. The broad directions for the next five years (Stage Two of tax reform) are being announced in this budget.

ABOLISHING INSURANCE DUTY

Insurance duties will be completely abolished from 1 July 2016, making the ACT the only state or territory to have abolished this tax. Prior to tax reform, a 10 per cent duty was levied on all general insurance premiums and 5 per cent on life insurance. The abolition of insurance duty will assist households and businesses in the ACT to better afford the level of insurance cover they would prefer and help reduce the level of under-insurance. For a household spending \$3,000 on insurance each year, the annual saving is \$300.

ABOLISHING CONVEYANCE DUTY

The Government has significantly cut conveyance duty over the first five years of tax reform. For the majority of property sales (at values less than \$600,000), conveyance duty has been reduced by at least 30 per cent. For the purchaser of a \$500,000 property, this results in a saving of \$7,040 in 2016-17. Residential conveyance duty will be reduced in every budget.

ABOLISHING RESIDENTIAL CONVEYANCE DUTY REDUCTIONS SINCE 2011-12

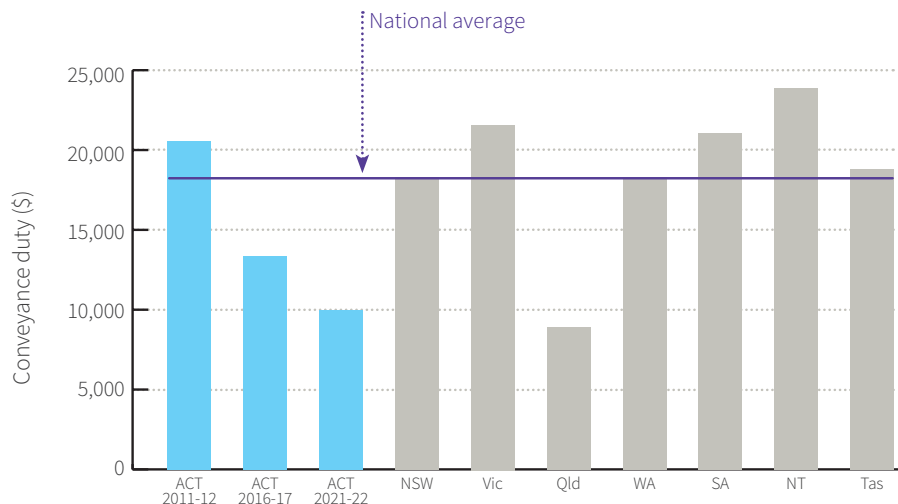
Property value	2011-12	2016-17 (Stage One)			2021-22 (Stage Two)		
	Duty	Duty	Reduction		Duty	Reduction	
		(\$)	(\$)	(%)	(\$)	(\$)	(%)
\$300,000	9,500	5,460	4,040	-43%	4,000	5,500	-58%
\$500,000	20,500	13,460	7,040	-34%	10,000	10,500	-51%
\$600,000	26,250	18,460	7,790	-30%	13,900	12,350	-47%
\$800,000	37,750	29,210	8,540	-23%	22,500	15,250	-40%
\$1 million	49,250	42,210	7,040	-14%	33,500	15,750	-32%
\$1.2 million	62,750	56,210	6,540	-10%	45,500	17,250	-27%

For commercial properties, conveyance duty will be abolished for all transactions under \$1.5 million, with duty to be halved in 2017-18 and then removed entirely from 1 July 2018. This will result in around 70 per cent of commercial property transactions being exempt from conveyance duty.

These changes will result in the ACT having among the lowest conveyance duty charges in Australia.

RESIDENTIAL CONVEYANCE DUTY PAID ON A \$500,000 PROPERTY

Conveyance duty payment for a \$500,000 property



Note: The rate used for Queensland is the owner occupier rate. A higher rate is applied by the Queensland Government for investment properties.

GENERAL RATES

General rates are being increased incrementally to make up for the revenue lost from cuts to insurance and conveyance duties.

In 2016-17, general rates will increase by an average of 4.5 per cent for residential properties and by an average of 7 per cent for commercial properties.

The annual increases for the next five years of Stage Two tax reform for residential properties will be 7 per cent on average. For units only, a change in the rates methodology will also add around \$150 on average in 2017-18 and \$115 on average in 2018-19.

General rates for commercial properties will increase by an average of 6 per cent in each year from 2017-18 to 2021-22.