



ACT Government

2005-2006 BUDGET

MEDIA RELEASE

BUDGET KEEPS RATE RISES TO A MINIMUM

ACT Treasurer Ted Quinlan has announced a range of 2005-06 Budget measures to provide additional revenue for the ongoing delivery of essential Government programs and services.

Revenue from land tax for 2005-06 for existing properties will only increase by the Consumer Price Index (CPI), or 2.4%.

“However, after 10 years of capping our rates revenue to the CPI, it is time for an adjustment. With the cost to government of providing important services steadily increasing, often at well above the inflation rate, we simply have to play catch-up,” Mr Quinlan said.

“With such a challenging period ahead for the Territory, we have had little choice but to introduce an additional rate increase across all rateable properties in the ACT. It puts us very much in line with most other Australian cities.

“The increase, effective from 1 July 2005, will be equal to an average of \$104 per annum, or \$2 a week, for residential and rural properties and an average of \$312 for commercial properties.

“This will generate an extra \$13.8 million a year in revenue.

“The rate free threshold has been increased from \$21,500 to \$22,000.

“To maintain the overall level of assistance provided to pensioners, the maximum rates rebate provided for pensioners will increase from \$305 to \$365.

“I know Canberrans would prefer us not to increase rates and this has been a difficult but very necessary decision. We have kept these increases to an absolute minimum but we have to be responsible.

“All our other costs of delivering important government services are increasing at a higher rate. It’s estimated that the costs of providing health services alone in the ACT are up by an estimated 8% per year.

“Canberrans expect to continue to receive government services in health care, education and law and order that are amongst the best in the nation. To do this we have no choice but to seek additional revenue sources and savings in other areas.”



Mr Quinlan said the ACT Government's bottom-line was also being impacted by external sources, including a continued slowdown in the ACT property market.

The Treasurer said there was some good news, however.

In the last year's Budget, the Government made changes to the Land Tax marginal rates and bracket thresholds, and introduced a new bracket at the lower end, at an annual cost of \$5.3m.

In this Budget, we have further increased those threshold values. We have decreased the tax rates within those brackets so that the total amount of revenue from land tax for 2005-06 for existing properties will only increase by the CPI, despite increased property values.

"The ACT Government will scrap the Debits Tax after 30 June 2005, in accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial* (IGA) between the States and Territories and the Commonwealth.

"In the past, this has returned around \$14 million a year to the ACT," the Treasurer said.

"In addition, from 1 July 2005, there is a new exemption from payroll tax for wages paid to employees that are away from the workplace on maternity or 'primary carer's' leave of up to the equivalent of 14 weeks full time.

"This initiative is designed to encourage private sector employers to offer this type of leave to their employees, and recognise the social benefit of this absence from the workplace at times of new additions to the family."

Mr Quinlan said the Budget provides for an increase in gaming machine tax rates but their introduction has been deferred for two years until 2007-08, to give clubs the opportunity to manage the implementation of stricter smoking controls.

"From July 1 2005, the threshold from which taxation is paid has been raised from \$8,000 to \$15,000," Mr Quinlan said.

"Gaming taxation in the ACT remains the second lowest nationally and in spite of the future increase we will continue to be one of the lowest taxing jurisdictions."

The new gaming taxation rates, to take effect from 1 July 2007, will raise an additional \$5.3 million per annum.

Mr Quinlan said the 2005-06 Budget made provision for additional resources in the ACT Revenue Office to capture efficiencies in service delivery, and to investigate potential revenue leakage and counteract tax evasion schemes.

"Quite simply, we want to make sure that people are paying the correct amount of tax and meeting their obligations to the community," Mr Quinlan said.

“These measures are expected to provide an additional \$2.7 million in revenue over the next four years.”

On a broader matter relating to tax policy, which represented excellent news for the ACT Business sector according to Mr Quinlan, was the potential revenue impacts flowing from the current review of State taxes.

“This could see a number of business related stamp duties abolished under the IGA over the period 2006-07 to 2010-11,” Mr Quinlan said.

Following the rejection of Treasurer Costello’s proposed timetable for the abolition of State business taxes under the IGA at the 2005 Treasurers’ Conference on 23 March 2005, a number of State and Territory Treasurers have agreed to an alternate proposal stating their preferred schedule of abolition.

“While final agreement is yet to be reached with negotiations still pending, I am confident the Federal Treasurer will accept the States’ proposal,” Mr Quinlan said.

The Treasurer highlighted the ACT’s preferred timetable for abolition, along with the revenue impacts which would total approximately \$21.3 million in 2010-11, namely:

- 2006-07 abolish stamp duty on non-real business conveyancing (\$1.8m)
- 2007-08 abolish stamp duty on rental arrangements (\$3.3m)
- 2008-09 -
- 2009-10 abolish stamp duty on leases (\$4.4m)
- 2010-11 abolish stamp duty on non quotable marketable securities (\$10.4m)

Statement ends