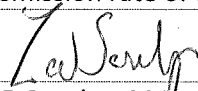


## Request for Costing an Election Commitment

<b>Name of election commitment:</b>	<b><i>Stopping ACT Labor's Massive Tax on Units</i></b>
Person and party requesting costing:	Zed Seselja MLA, Leader of the Opposition
Date of public release of election commitment, including source:	3 September 2012, media release 'Libs Pledge Unit Tax Cuts'
Summary of election commitment:	Reduction of the Lease Variation Charge
Intention of election commitment:	Reduce the Lease Variation Charge and keep a remission rate of 75%
Signature of person requesting costing:	
Date of request for costing:	15 October 2012

**What are the key assumptions that have been made in the election commitment?**

- It is assumed that revenue collected in 2011-12 is as per expected in the budget papers as applications have been determined, but not yet paid (detailed in the June quarter consolidated report)
- Revenue will remain constant at the 2011-12 level as the remission rate will be the same, therefore activity will remain constant, if not increase
- The 2012-13 year is a half year on the basis that the reduction will occur 1 January 2013
- See attached documents for further information

Where relevant, is the funding for the policy to be demand driven or a capped amount?

n/a

Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the election commitment?

n/a

Will funding/the cost require indexation?

No

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this election commitment and estimated costs each year (if available)?

	2012-13	2013-14	2014-15	2015-16	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue <sup>(a)</sup>	-555	-2,260	-3,985	-5,830	-12,630
Expenses <sup>(a)</sup>					
Capital					

(a) A negative number indicates a decrease in revenue or an increase in expenses.

What is the likely take up?

n/a

Any other assumptions?

No costing is requested to be undertaken for 2016-17, in line with the Canberra Liberals stated approach to use the standard of the current published budget and forward estimates period of 2012-13 to 2015-16.

<i>Administration of the election commitment</i>
How will the election commitment be administered? In line with the existing administration of the LVC
Who will administer the election commitment? Treasury
Has an allowance been made for expenses necessary to support the implementation of this election commitment? Administering this policy is considered business as usual
What is the intended implementation date of the election commitment? 1 January 2013
Are there transitional arrangements associated with election commitment implementation? n/a
Are there any other assumptions that need to be considered? n/a
When is the election commitment expected to be fully operational? 1 January 2013
Will the election commitment cease and if so when? This is commitment is ongoing

## Lease Variation Charge 75% Remission – Costing Justification

The revenue foregone by keeping the 75% remission rate for the Lease Variation Charge has been calculated by assuming that the revenue collected would remain constant and equal to the revenue collected in 2011-12 when the 75% remission rate was applied.

Page 76 of Budget Paper 3 states that the estimated outcome of revenue for the LVC is \$22.382 million in 2011-12, confirmed by QoN E12-041 (attached).

Therefore, the revenue foregone each year over the forward estimates is the difference between the estimated revenue as per Budget Paper 3 and \$22.382.

2012-13:  $23.484 - 22.382 = \$1.105 / 2 = 555$

2013-14:  $24.641 - 22.382 = \$2,260$

2014-15:  $26.365 - 22.382 = \$3,985$

2015-16:  $28.211 - 22.382 = \$5,830$

Although according to the June Quarter Consolidated Financial Report the actual received revenue was only \$8.725 million, the report states (page 3) that an additional \$16.6 million in applications have been determined, but not yet paid. Therefore the above approach is more than conservative as it also does not account for increased building activity as a result of the lowered tax.

The cost has been rounded to \$5,000 above.

LVC Review

	2011-12 (75%)	2012-13	2013-14	2014-15	2015-16
Revenue 65% remission	22,382	23,484	24,641	26,365	28,211
Revenue foregone to keep at 75%	0	1,102	2,259	3,983	5,829
<b>Total</b>		<b>555</b>	<b>2,260</b>	<b>3,985</b>	<b>5,830</b>

**Table 5.1.3  
Taxation**

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
	<b>General Tax</b>						
311,458	Payroll Tax	311,348	324,524	4	345,348	367,517	391,135
1,798	Tax Waivers	308	315	2	323	331	339
210,641	General Rates	209,298	297,051	42	325,753	361,344	398,818
115,046	Land Tax	114,996	66,488	-42	70,045	73,696	77,441
<b>638,943</b>	<b>Total General Tax</b>	<b>635,950</b>	<b>688,378</b>	<b>8</b>	<b>741,469</b>	<b>802,888</b>	<b>867,733</b>
	<b>Duties</b>						
294,003	Conveyances	267,878	272,609	2	284,228	291,250	296,259
44,288	General Insurance	44,921	37,158	-17	28,994	20,110	10,461
2,323	Life Insurance	2,086	1,726	-17	1,346	934	486
31,360	Motor Vehicle Registrations and Transfers	29,926	31,152	4	33,146	35,268	37,525
<b>371,974</b>	<b>Total Duties</b>	<b>344,811</b>	<b>342,645</b>	<b>-1</b>	<b>347,714</b>	<b>347,562</b>	<b>344,731</b>
	<b>Gambling Taxes</b>						
1,556	ACTTAB Licence Fee	1,545	1,548	..	1,586	1,626	1,667
34,159	Gaming Tax	35,000	34,925	..	35,799	36,694	37,611
2,118	Casino Tax	2,118	2,166	2	2,220	2,275	2,332
15,243	Interstate Lotteries	13,210	12,761	-3	13,080	13,407	13,742
<b>53,076</b>	<b>Total Gambling Taxes</b>	<b>51,873</b>	<b>51,400</b>	<b>-1</b>	<b>52,685</b>	<b>54,002</b>	<b>55,352</b>
	<b>Other Taxes</b>						
95,636	Motor Vehicle Registration	94,186	98,659	5	103,825	109,263	113,613
14,644	Ambulance Levy	15,600	16,380	5	17,199	18,059	18,962
22,382	Lease Variation Charge	22,382	23,484	5	24,641	26,365	28,211
19,494	Utilities (Network Facilities) Tax	19,494	23,429	20	24,402	25,418	26,475
28,354	Fire and Emergency Service Levy	28,354	29,526	4	30,817	32,144	33,509
1,993	City Centre Marketing and Improvements Levy	1,993	1,971	-1	1,902	1,835	1,808
2,120	Energy Industry Levy	3,236	2,120	-34	2,120	2,120	2,120
<b>184,623</b>	<b>Total Other Taxes</b>	<b>185,245</b>	<b>195,569</b>	<b>6</b>	<b>204,906</b>	<b>215,204</b>	<b>224,698</b>
<b>1,248,616</b>	<b>Total Taxation</b>	<b>1,217,879</b>	<b>1,277,992</b>	<b>5</b>	<b>1,346,774</b>	<b>1,419,656</b>	<b>1,492,514</b>

### *Payroll Tax*

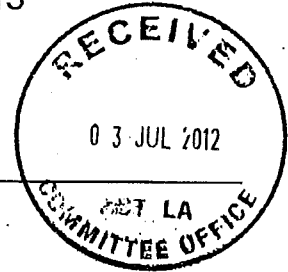
The payroll tax rate in the ACT remains unchanged at 6.85 per cent on wages and other taxable payments made by employers, where the Australia wide wages exceed the ACT threshold of \$1.5 million per annum. From 1 July 2012, the threshold will be increased to \$1.75 million per annum as a result of the ACT Government's Taxation Reforms (for more information regarding the Taxation Reforms see Chapter 3).

The 2011-12 estimated outcome is \$311.3 million and the forecast for 2012-13 is estimated at \$324.5 million. The expected increase in 2012-13 and beyond reflects forecast growth in employment and wages in relevant sectors of the ACT economy.



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY  
SELECT COMMITTEE ON ESTIMATES 2012-2013

QUESTION ON NOTICE



ZED SESELJA MLA : To ask the Treasurer

[Ref: Treasury, Budget paper 3, page number 76, Output Class 1]

In relation to : Lease Variation Charge (LVC)

1. What would the estimated revenue be for each year if the LVC remission rate remained at 25 percent?
2. As of 1 June, what is the total revenue received in 2011-12 from the LVC?
3. What is the reason behind the reduced revenue expected to be collected from what was projected in the 2011-12 budget?
4. How many developments in 2011-12 has the Government exempt from the LVC?
5. How many developments in 2011-12 has the Government negotiated down the LVC?
6. What is the total foregone revenue from these exemptions or revisions?
7. Is the Treasury aware of any developments that may be at risk due to the change in the remission rate of the LVC?

Zed Seselja MLA

20 June 2012

**Treasurer – The response to the Members' question is provided below.**

1. The remission rate is not 25 per cent. It is 75 per cent for 2011-12 and 65 per cent in 2012-13 in accordance with the industry transition arrangements under the 2011-12 Budget and Disallowable Instrument DI 2011-197.
2. As at 1 June 2012, \$8.880 million has been paid. In addition, \$14.491 million has been assessed for 94 Development Applications, which is not yet paid.
3. LVC revenue is forecast to continue growing in the forward years, however, has been revised downward to reflect softer economic conditions in the short-term.
4. The Treasurer can provide a waiver for the amount of LVC payable under Section 131 of the *Financial Management Act 1996*.  
As of 26 June 2012, the Treasurer has agreed to waive \$60,000 for aged care units on community purpose land to reflect parity with the residential zone land.
5. The Government does not negotiate the amount of LVC payable. It is worked out through the codified schedules, or through a process involving professional valuers and advice from the Australian Valuation Office under section 277 of the *Planning and Development Act 2007*.

6. Not applicable; please refer to Question 5 above.

7. No.

Approved for circulation to the Select Committee on Estimates 2012-2013

Signature: 

Date: 3.7.12

By the Treasurer, Andrew Barr MLA

**Australian Capital Territory**  
**General Government Sector**  
**Taxation Revenue**

	2010-11 Actual	2011-12 Annual Budget	2011-12 Estimated Outcome	2011-12 June YTD Actual	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>General Tax</b>					
Payroll Tax	284,365	311,458	311,348	314,277	2,929
Tax Waivers	1,490	1,798	308	1,490	1,182
General Rates	198,223	210,641	209,298	208,809	-489
Land Tax	109,662	115,046	114,996	115,116	120
<b>Total General Tax</b>	<b>593,740</b>	<b>638,943</b>	<b>635,950</b>	<b>639,692</b>	<b>3,742</b>
<b>Duties</b>					
Conveyances	271,685	294,003	267,878	238,775	-29,103
General Insurance	43,284	44,288	44,921	48,242	3,321
Leases *	606	0	0	-10	-10
Life Insurance	2,010	2,323	2,086	2,084	-2
Motor Vehicle Registrations and Transfers	28,830	31,360	29,926	27,935	-1,991
Shares and Marketable Securities <sup>#</sup>	77,573	0	0	690	690
<b>Total Duties</b>	<b>423,989</b>	<b>371,974</b>	<b>344,811</b>	<b>317,715</b>	<b>-27,096</b>
<b>Gambling Taxes</b>					
ACTTAB Licence Fee	1,327	1,556	1,545	1,465	-80
Gaming Tax	35,350	34,159	35,000	35,714	714
Casino Tax	2,081	2,118	2,118	2,022	-96
Interstate Lotteries	14,724	15,243	13,210	14,079	869
<b>Total Gambling Taxes</b>	<b>53,481</b>	<b>53,076</b>	<b>51,873</b>	<b>53,280</b>	<b>1,407</b>
<b>Other Taxes</b>					
Motor Vehicle Registration	90,283	95,636	94,186	94,247	61
Ambulance Levy	14,857	14,644	15,600	15,990	390
Lease Variation Charge	14,067	22,382	22,382	8,725	-13,657
Utilities (Network Facilities) Tax	22,102	19,494	19,494	20,086	592
Fire and Emergency Service Levy	26,632	28,354	28,354	28,003	-351
City Centre Marketing and Improvements Levy	2,047	1,993	1,993	1,965	-28
Energy Industry Levy	2,677	2,120	3,236	3,345	109
<b>Total Other Taxes</b>	<b>172,666</b>	<b>184,623</b>	<b>185,245</b>	<b>172,361</b>	<b>-12,884</b>
<b>Total Taxation</b>	<b>1,243,875</b>	<b>1,248,616</b>	<b>1,217,879</b>	<b>1,183,048</b>	<b>-34,831</b>

\*Duty on leases was abolished on 1 July 2009. The year to date actual reflects transactions relating to the 2008-09 financial year.

# Duty on shares and marketable securities was abolished on 1 July 2010. The year to date actual reflects payment for transactions relating to previous years.

## 1 Highlights

### 1.1 Overview of the June 2012 Quarter Interim Results

The interim outcome for the year end 30 June 2012 for the General Government Sector (GGS) is a surplus of \$50.4 million representing a \$175.9 million improvement from the 2011-12 estimated outcome deficit of \$125.5 million published in the 2012-13 Budget.

The results presented in this report are interim and unaudited. It is not unusual for changes to occur during the audit process following reconciliations of trading and transfers between agencies and other outcomes during the audit process.

The improvement in the Headline Net Operating Balance is mainly due to large one-off accounting adjustments in relation to income tax equivalents, commonwealth revenues received late in the financial year or in advance, lower expenditures, actuarial revaluations and higher returns from land related activities.

Income tax equivalents have increased by \$52 million, largely due to:

- the one-off impact of a tax ruling on ACTEW's accounting for energy revenue. This change will not impact on customer billing, the cost of energy or the cash returns to government; and
- higher than anticipated income tax payments from PTE operations.

Revenue improved in some other market related activities, including \$14 million in dividends (including returns from government businesses and the financial markets), and \$15 million in land related infrastructure returned to the Territory from developers.

The Territory has received around \$30 million more in Commonwealth revenues, particularly in the areas of health, non government schools and early childhood. These revenues were unanticipated, and are not matched with expenditure in 2011-12 as they were received late in the financial year. These expenditures will largely occur in 2012-13.

Cross Border Revenues for Health Services also improved, with almost \$14 million additional revenue being provided for previous year's acquittals.

Taxation revenue, largely relating to housing market activity, was around \$35 million lower than anticipated, reflecting a greater than expected softening of housing market activity, and the timing of the lease variation charge where applications totalling \$16.6 million are determined and yet to be paid.