IPTI Xtracts

Property Tax and Assessment News from Around the World

# AUSTRALIA – May 2018

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### Australian land tax and stamp duty changes expats need to know about

The recent Australian state level land tax changes for Australian property owners are important and something to ensure that each property owner is aware of and registered for if applicable, according to expat property and tax firm ATS.

With an established network of offices around the globe, Australasian Taxation Services (ATS), continues to dominate as the leading Australian expatriate and property tax firm, having serviced thousands of international and Australian based clients.

**Australian Property Owners – How to avoid penalties for late registration & late payment of land tax liabilities**

The recent Australian state level land tax changes for Australian property owners are important and something to ensure that each property owner is aware of and registered for if applicable. Registration is compulsory and penalties may apply for late registration and late payment of land tax liabilities.

*Also see: Changes to Australia's Capital Gains Tax: Impacts on foreign and Australian residents*

Land tax is administered by each local state government and as such, we are unable to register on behalf of our clients. We have provided a table to assist you with this process:

New South Wales
**Tax Free Threshold:** $629,000
**Rates:** Marginal from 1.6%
**Calculation Basis:** Entity*

**Foreigner Absentee Surcharge:** 2% – no tax-free threshold – Absentee includes PR's absent >200 days p.a. (Excludes Aust Citizens)
Victoria

**Tax Free Threshold:** $250,000
**Rates:** Marginal from 0.2%
**Calculation Basis:** Entity*
**Foreigner Absentee Surcharge:** 1.5% with $250,000 tax free threshold (Excludes Aust Citizens & Permanent Resident Visa Holders)
Queensland

**Tax Free Threshold:** $600,000
**Rates:** Marginal from 1%
**Calculation Basis:** Landholding
**Foreigner Absentee Surcharge:** 1.7% with $350,000 tax free threshold. Absentee includes Citizens & PR's not residing in Australia.
Western Australia

**Tax Free Threshold:** $300,000
**Rates:** Marginal from 0.25%
**Calculation Basis:** Entity*
**Foreigner Absentee Surcharge:** N/A
South Australia

**Tax Free Threshold:** $353,000
**Rates:** Marginal from 0.5%
**Calculation Basis:** Entity*
**Foreigner Absentee Surcharge:** N/A
A.C.T

**Tax Free Threshold:** $0
**Rates:** $765 plus marginal from 0.29%
**Calculation Basis:** Landholding
**Foreigner Absentee Surcharge:** N/A
Tasmania

**Tax Free Threshold:** $25,000
**Rates:** Marginal from 0.5%
**Calculation Basis:** Landholding
**Foreigner Absentee Surcharge:** N/A
Northern Territory

**Tax Free Threshold:** N/A
**Rates:** N/A
**Calculation Basis:** N/A
**Foreigner Absentee Surcharge:** N/A

### ACT land tax objections nearing 200 amid rising bills, tax crackdown

The number of Canberra homeowners objecting to their land tax bills has soared to almost 200 this year, up from just 13 a decade ago, amid rising tax bills and a territory government crackdown on tax compliance.

Answers to questions on notice recently posed by Opposition leader Alistair Coe show the number of objections to land tax assessments has risen from 13 in 2007-08 to 193 as of late March this year.

While the vast majority of objections are "disallowed", about 10 per cent each year are settled by the ACT Revenue Office, avoiding a potential appeal to the ACT Civil and Administrative Tribunal.

The rising number of objections has come as the ACT government, under Chief Minister Andrew Barr, has increased the government's total land tax revenue by 95 per cent since 2012-13, up from $66.5 million that year to $130 million this year.

While it has risen steadily since 2007-08, the number of objections to land tax assessments jumped from 67 in 2012-13 to 109 in 2013-14 and has kept rising to 192 to date this fiscal year.

On the government's current forecasts, land tax revenue will also rise to be worth $154 million to territory coffers in 2019-20 - a 131 per cent increase compared with 2012-13, when the government first announced its long-term tax reform agenda.That agenda has centred on abolishing stamp duty over 20 years, scrapping insurance tax and cutting payroll tax for businesses.

While the Gallagher government "agreed in principle" with a 2012 taxation review recommendation to abolish residential land tax "over time", that government acted only to abolish the tax on commercial properties, balanced with a concurrent rise to commercial rates.

In almost every budget since 2014, the Barr government has instead increased its residential land tax revenue - which is currently charged only on rental properties -but will be expanded in July to some 2500 vacant rental properties in Canberra and 189 foreign investor-owned properties, raking in a further $10 million a year.
Asked whether the rises in objections to land tax assessments were related to rising bills, Mr Barr's spokesman said "no", instead saying it was likely due to "increased compliance activity" and that the number of objections was "driven by the number of compliance assessments".

While the government put $5.7 million to fund a new team to crack down on tax evasion in the 2016-17 budget, Mr Barr's spokesman did not respond to questions regarding increasing compliance activity before then that could explain the rising number of objections.

But Mr Barr's spokesman rejected any suggestion the government had agreed to abolish land tax on residential land, citing the 2012 response that the government noted the review panel's "observation that land tax in its current form is unfair, as it discriminates on the basis of tenure".

That response, while agreeing "in principle" to abolishing residential land tax, also noted it was "an important source of revenue" and that "any transfer of residential land tax to general rates will be subject to community consultation".

Documents released under Freedom of Information laws show in 2015-16, before that team began operating, the revenue office completed 1016 land tax compliance assessments, netting $8.4 million in extra revenue.

In 2016-17, the new team completed only 547 such assessments, netting territory coffers only $5.6 million in land tax compliance revenue, still more than the new target for such revenue in 2016-17, which government set at $4.7 million.

Mr Coe said the Chief Minister was "cashing in record revenue through exponential increases to rates and land taxes, in addition to stamp duty" revenue, which has also risen on the back of rising property prices, despite the abolition plans.

“There is a groundswell of Canberrans who are absolutely fed up with the constant gouging of this government," Mr Coe said.“The number of people lodging formal objections against the Chief Minister’s destructive land tax regime has gone through the roof."Mr Barr's spokesman also said that the government had "no immediate plans to abolish land tax on residential investment properties".

He also said while the government could not provide greater detail on the specifics of individual objection cases by deadline, there was a correlation between completing more compliance assessments and rising objection numbers.

### Land tax exemption on vacant properties scrapped

Canberra's vacant properties will attract land tax under new laws passed in the ACT Legislative Assembly on Tuesday.

Previous rules meant Canberra’s rented homes attracted land tax, but vacant homes were exempt.Under new rules, the tax exemption for those properties will be scrapped. The new regime, however, contained a number of exemptions, including for houses undergoing renovations or deceased estates. Government data for the past year shows an estimated 2500 dwellings – about 1.5 per cent of properties - in the ACT had been vacant for at least 12 months.The laws passed the Assembly on Tuesday, despite the Canberra Liberals opposing the motion.

Opposition leader Alistair Coe labelled the changes as another "tax grab" by the government.

ACT Greens housing spokeswoman Caroline Le Couteur, who moved the motion last year, hailed the new laws as a win for housing affordability."Houses should not be sitting empty while an increasing number of Canberrans are struggling to find affordable housing," Ms Le Couteur said."A vacancy tax on vacant properties will go some way to freeing up some properties in what is an increasingly tight housing market.

"For too long both the ACT and Federal taxation systems have benefited investors over home owners, contributing to housing stress for a growing number of Canberrans." Ms Le Couteur said the decision brought the ACT in line with other jurisdictions and hope the motion would be a small step towards improving housing affordability. However, she said Commonwealth government must still act to address both negative gearing and the capital gains tax discount.A Anglicare report recently set out a number of issues facing low-income earners in the Canberra property market, including the lack of stock affordable for those on the minimum wages.

Mr Coe said the Liberals had opposed the motion as the party believed would make Canberra more expensive."The Canberra Liberals are opposed to Andrew Barr’s latest property tax grab," Mr Coe said."His assault on property rights will drive up the cost of rent and deter investment in Canberra."By making Canberra more expensive, more families will be move across the border to NSW."The Labor-Greens government is already cashing in record revenue through exponential increases to rates and land taxes in addition to stamp duty."Chief Minister Andrew Barr said the changes would help rebalance the housing market in favour of local buyers and encourage owners to rent out vacant properties."These changes are part of a number of measures introduced by the ACT Government to address housing affordability in Canberra, including our continued work to cut stamp duty. "The foreign investor surcharge also brings the ACT into alignment with New South Wales, which introduced a land tax surcharge for foreign investors in 2017."

### SOUTH AUSTRALIA - City council seeks a seat at Govt's rate-capping table

Lord Mayor Martin Haese will personally consult with the State Government over its rate-capping legislation on behalf of the city council, as it questions the value of remaining a member of the Local Government Association.

The council last night instructed Haese to communicate with the government about the development of its bill to limit council rates, but stopped short of expressing outright support for the policy.

The council also instructed its staff to produce a report on the value, and disadvantages, of its Local Government Association membership.

Area councillor Anne Moran argued that the council should throw its full weight behind the Government’s rate-capping policy, a key plank of the Liberal Party’s election platform, and that it should ditch the LGA.

She said the council had had an “awful” relationship with the former Labor Government and that endorsing rate-capping would secure a “friendlier” relationship with the new Liberal Government.

“If we wage war on this Government over something we cannot win and line up with an organisation like the LGA (by opposing rate-capping) we will slam the door on any friendly relations we have with them forever,” she said.

“Rate capping is coming… we want a seat at that table.

“I don’t know one ratepayer (who) isn’t all for rate capping.”

However, North Adelaide councillor Sue Clearihan – whom the city council nominated as an LGA board member in 2016 – said rate-capping would hurt local communities.

She argued the council should not undermine the LGA's public campaign against rate-capping and expressed hope that the Legislative Council will block the Government's legislation.

The council decided against a total endorsement of rate-capping policy, instead instructing Haese to "liaise with the State Government on council's behalf regarding the development of legislation to restrict rate rises".

Moran said it was important that the council instruct Haese to negotiate with the Government about its rate-capping bill, rather than rely on the Local Government Association to represent the council's interests.

Asked how he would interpret the motion, Haese said he would take a collaborative approach and report back to the council.

"I'd have to go in with a lens, a practical lens, of 'we note, Government, that you've clearly stated a rate-capping policy (and that) as a capital city council in South Australia we'd like to be at the table to collaborate with you on it – what, precisely are you looking to achieve?'" Haese told last night's meeting.

"I'd have to exercise good judgment and I'll need to bring that back to you (the council)."

Moran successfully moved to order a review of the council's Local Government Association membership, hoping that a council staff report on the subject would "underline" her view that it is of no use to the city council's ratepayers.

"I don't think it performs any function that the City of Adelaide needs," she said.

"It seems to me that it's a union for the administration (council staff).

"This is a shadow of the LGA as it used to be."

Moran added that the Adelaide City Council did not "need" rate capping, because it had voluntarily kept its own rates on hold, but that other local councils – she nominated the City of Onkaparinga and City of Burnside– needed rate-capping to curb their excesses.

Onkaparinga Council has been embroiled in an executive staff spending scandal in recent months, while the Burnside Council briefly considered, but thought better of, a large rate hike to secure its financial position ahead of the implementation of rate-capping.

"Other councils are not running their finances well," she said.

However, Central Ward councillor Megan Hender said she could not support rate-capping because of a fundamental principle that one level of government should not control another's means of funding itself.

Area councillor Sandy Wilkinson said he was uncomfortable with the city council entering a debate in state politics.

North Ward councillor Phil Martin cautioned that the council had "absolutely no knowledge" about the detail of the Government's rate capping plans, and should not take any firm position on the policy prematurely.

Goldstone said a special meeting of the LGA had been proposed to discuss rate-capping, and that if that meeting went ahead the City of Adelaide would have to decide on a concrete position to take to it.

Area councillor Natasha Malani said she the council should not even consider whether it should be a member of the LGA; rather, it should use its membership to press for change from within.

"You make change by being a member," she said.

Goldstone said the council's administration would produce a "balanced" report on the merits of LGA membership within a month.

**WESTERN AUSTRALIA - Fears raised over new WA property tax**

Following the announcement that Western Australia would practically double the foreign buyers surcharge, several property investors and commentators have warned of the potential ramifications on the market and the economy.

In Western Australia's recent state budget, it was announced that the government would raise the foreign buyers surcharge from 4 per cent to 7 per cent before 2019 in a bid to bring in an additional $50 million to state coffers.

Releasing the budget earlier this month, WA Treasurer Ben Wyatt commented: "Last year, I also announced the introduction from 1 January 2019 of a 4 per cent surcharge on purchases of residential property by foreign individuals and entities.

"In this budget, we have decided to bring Western Australia into line with other states and raise the foreign buyers surcharge to 7 per cent.

"This increase will raise an estimated additional $50 million, bringing the total estimated revenue from the foreign buyers surcharge to $123 million over the forward estimates period — at no cost to Western Australians."

Mr Wyatt added: "It is fair for foreign owners of residential property, who benefit from our services and infrastructure, to make a contribution to budget repair."

However, critics have hit out at the proposed plans, arguing that it will radically slow foreign investment and impact the recovery of the Perth property market following the mining downturn.

The president of the Real Estate Institute of Western Australia (REIWA), Hayden Groves, said that while he was pleased that the government did not increase property taxes generally, he said that the foreign buyers surcharge was a "blow for the property market".

Mr Groves said that the measure would "deter much-needed investment in the state, while doing nothing to make housing more affordable for West Australians".

He argued that, on the contrary, rent prices could increase "due to a lack of stock as investors look elsewhere".

The REIWA president continued: "This policy measure also puts construction jobs at risk, as off-the-plan developments usually rely on securing a portion of pre-sales from foreign investors before funding can be secured.

"While this does not affect large-scale apartment development, it contradicts the WA government's push for more medium-density housing. Deterring foreign investment means these projects may never eventuate, costing WA jobs.

"The short-term financial gain of this surcharge is likely to be counteracted by long-term losses as investors seek an alternative place to invest."

REIWA also bemoaned that the McGowan government did not change the First Home Owner Grant, arguing that it "remains unfairly skewed towards new-build properties and that there is no transfer duty concession for seniors to enable them to 'right size' into more suitable accommodation".

*Lessons from abroad*

Likewise, Carrie Law, CEO of international real estate website and partner to Chinese online site Tencent, Juwai.com, highlighted the impact that a similar foreign buyer tax hike that was brought in by Toronto province's government last year.

Ms Law commented: "After Toronto's new foreign buyers tax kicked in, Chinese demand dropped like a bowling ball, but now that ball may be bouncing.

"Chinese buyer inquiries halved in the two months after the tax was imposed and hit a low point in January, but they have grown over the most recent two months. Whether this upward trend continues for a third month, we don't yet know."

Ms Law said that other cities had been negatively impacted by foreign buyer taxes in Honk Kong, Vancouver and Singapore.

We expect a significant recovery in Chinese buying by year's end, although not to the levels of April last year.

"From other markets that have imposed foreign buyer taxes… we know that there is often a pattern to the Chinese buyer reaction.

"Chinese buying drops off precipitously in the short term, then partially recovers in the medium term, and can fully recover in the long term, although this depends on particular market dynamics."

### NSW government doesn't want to pay rates on Greater Hume asbestos properties

The NSW government doesn't want to pay rates on asbestos-affected properties, leaving Greater Hume Council with an immediate $12,500 budget shortfall.

In a letter to council, Property NSW referenced a section of the local government act that exempts Crown-owned land, not being held under a lease for private purposes, from rates.

It relates to the 15 properties acquired by the state, and a refund on utilities paid on those properties so far is also being sought.

General Manager Steven Pinnuck disagreed the exemption applied, as the land was being held for resale, the circumstances have been brought about by the state government, and rates could be paid out of the $250 million voluntary purchase program.

But Property NSW was satisfied the exemption applied and stated that the program funding was for "payment to affected homeowners … not for payment of rates to local councils".

Mr Pinnuck said the decision was disappointing.

"Property NSW has paid the first installment of rates and decided to claim an exemption," he said.

"Legally, they're entitled to do what they're doing in that Crown land is essentially non-rateable.

"What I've put to them is that's fine for normal Crown land, but this is not a normal process, this is land that's been acquired by the government for people affected by loose-fill asbestos insulation and is being held for resale.

"These rates should be funded from the program costs and not borne by the local council and ultimately the ratepayers."

As at least 20 of the 38 affected properties will be transferred to the state government, with each paying general rates of $625 annually council will lose $12,500 in the 2018-19 budget.

Mr Pinnuck said the ongoing fall-out was unknown.

"We don't know what the program to reintroduce those proprieties onto the market will be; recently they put two up for auction; council purchased one and the other was passed in," he said.

"Given there's a significant number of properties in a small town they may decide to bring them onto the market over a number of years.

"It will have a small impact on the immediate budget, but it's a long-term impact.

"It's not right the ratepayers should be essentially paying for what's been a government decision to enter into this program."

Council has provided $38,000 to match state government assistance funding.

Twenty applications on behalf of property owners have been put to the government totalling $113,421, of which six have been paid to date.

Council will discuss the issue and a recommendation to seek the support of Member for Albury Greg Aplin on Wednesday night.

### Vacant residential land (VRL) tax in Melbourne - what you need to know

Since 1 January 2018 a vacant residential land (VRL) tax has applied to residential property, which is located in specified areas of Melbourne, pursuant to changes to the Land Tax Act 2005 (Vic). This new tax is being imposed as a measure towards encouraging land owners to make residential properties available for purchase or rent to more efficiently use Melbourne's current housing stock. The VRL tax applies to a residential property that is vacant for more than six months in the preceding calendar year. Since the tax is assessed by reference to calendar year, the six month vacancy period does not need to be continuous.

For the 2018 calendar year only, homes will be considered to have been occupied up to 30 April 2017. For the period May-December 2017, residential properties must have been occupied for another two months to avoid liability for the VRL tax in the 2018 calendar year.

The VRL tax is entirely separate from the Federal Foreign Annual Vacancy Fee which only applies to foreign owners of Australian residential property (see final paragraph below).

**What areas of Melbourne are included?**
For residential properties unoccupied for more than six months to become liable for payment of the VRL tax, they must be located in one of the following sixteen municipal council areas:

- Banyule
- Bayside
- Boroondara
- Darebin
- Glen Eira
- Hobsons Bay
- Manningham
- Maribyrnong
- Melbourne
- Monash
- Moonee Valley
- Moreland
- Port Phillip
- Stonnington
- Whitehorse
- Yarra.

**What is the rate of VRL tax?**
This annual tax is payable at the rate of 1% of the capital improved value (CIV) of the residential property. For example, a residential property with a CIV of $750,000.00 would have an annual tax liability of $7,500.00. The CIV is determined every second year by the general valuation process. It is shown on an owner's council rates notice. The CIV is the expected market value of land and buildings if offered for sale at the valuation date.

**What is a residential property?**
Residential properties to which the VRL tax applies are buildings that are to be used solely or primarily for residential purposes, like a home or an apartment. A residential property will be considered vacant if not lived in by either the owner or a person

under a lease made in good faith as their principal place of residence. Land on which a home or apartment is being constructed or renovated will be considered vacant if, on 31 December of the preceding year, more than two years has elapsed since the date on which the building permit allowing the construction or renovation works was issued.

**Are there exemptions to the VRL tax?**
Vacant land on which there are no buildings is not residential land. The VRL tax does not apply to commercial residential premises, residential care facilities, supported residential services and retirement villages.

A residential property which is exempt from standard land tax because it has qualified as the landowner's Principal Place of Residence and continues to be the Principal Place of Residence will also be exempt from the VRL tax. But this exemption ends if the residential property ceases to be the landowner's Principal Place of Residence.

Residential properties unoccupied for more than six months in the preceding calendar year, and to which the VRL tax otherwise applies, can be exempt from the tax if any one of following circumstances is applicable:

- ownership of the property changed during that calendar yearthe property becomes residential during that year
- the property is used as a holiday home (a second home) and was occupied by the owner for at least 4 weeks in that year and the owner has another property in Australia which is the principal place of residence
- the property was occupied by the owner for at least 140 days in that year for the purpose of attending their workplace which must also be located in one of the sixteen specified municipal areas and the owner has another property in Australia which is their principal place of residence.

A mortgagee who has taken possession of a residential property is not liable to pay the VRL tax.

**Compulsory self-notification requirements for 2018**
If you own a residential property that was unoccupied for more than six months during the period May-December 2017, and it is located within one of the sixteen specified municipal council areas, you must notify the SRO through their online portal by no later than **today**, due to the self-assessment obligation the onus is on owners to decide whether their residential property is subject to the VRL tax and the notification requirement.

**Federal foreign annual vacancy fee**
This fee applies only to foreign owners of residential property where it is neither occupied nor genuinely available on the rental market for at least six months in a twelve month period.

This vacancy fee only applies to foreign persons who made a FIRB application after 9 May 2017. The amount of the vacancy fee will be equivalent to the FIRB application fee payable for the purchase approval.

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### New South Wales - Dubbo Regional Council proposes 20 per cent 'value capture' for land benefiting from rezoning

Real estate agents have accused Dubbo Regional Council of trying to sneak a "developer's tax" into its new planning agreement policy, which they say would drive up property prices.

Chief executive officer Michael McMahon denies the claim, saying the council "prides itself on being open and transparent".

Council will hold a planning and development stakeholders forum on Thursday night, with a proposed 'value capture' mechanism among the discussion points.

The mechanism, proposed in March under council's Draft Planning Agreement Policy, would enable council to seek 20 per cent of any land value increases arising from an instrument change, such as rezoning.

The draft policy has been on public exhibition since April 18.

Real Estate Institute of NSW – Orana division acting chairperson Bob Berry said he had only heard about the proposal and the forum in the past week.He said the public hadn't been given enough notice.

"It's got the potential to increase the basic price of land and other forms of building so if there's any increase … that's passed on either in the cost of those properties or in the rent that people pay for them," Mr Berry said."It might be being sold as a developer's tax, and everyone says the developers can pay that – no. The community will pay for it."

Mr McMahon said 'value capture' was in place in many Sydney councils, and said the "main players in town" already had the issue on their radar.

"We might be the first regional council to consider this," Mr McMahon said, "but other regional council colleagues of mine have called for a copy of this report to consider it themselves."He said council had advertised the public exhibition period, and ensured Thursday's event was "a stakeholder meeting, not just for developers".

"My experience is that certainly developers do push back on this – at the moment they're getting all the goods themselves – but it doesn't ever deter people from wanting to develop," Mr McMahon said.He said a 'value capture' policy would let potential developers know their obligations up-front.

"It's still a fairly large segment that goes to the developer … the community will benefit from that uplift being shared between the developer and council."

At its March 19 Planning, Development and Environment Committee meeting, councillors resolved to inform the "local development industry via an information circular", and to conduct a "workshop with councillors and a public information session" during the consultation period.

The councillor workshop has been held. The consultation period ends on Wednesday, May 16.

“We’re calling for two things: go through with the public information session and secondly to hold another forum where people can get proper notice,” Mr Berry said. “And immediately extend the exhibition time for a minimum of another 28 days.”

The planning and development stakeholders forum will be held in the upstairs function room at the Dubbo Golf Club at 5.30pm.

### Push for property tax to bankroll WA changes to payroll, stamp duty

Australian manufacturers are calling on the McGowan Government to roll back payroll tax and stamp duty in favour of a general property tax.

The Australian Industry Group, which represents companies employing one million workers, said a broad-based land tax would see property owners pay annually according to the value of their land.

In its pre-budget submission to Treasurer Ben Wyatt, the Ai Group said the State’s financial woes and low GST returns were no reason not to press ahead with long-lasting changes that would benefit the economy.

It said payroll tax and stamp duty in particular were a drag on the economy because one was a disincentive to hire workers and the other dissuaded people from selling their homes.

Ai Group State manager Kristian Stratton said abolishing and replacing them with a property tax would provide a fairer and more stable revenue source.

“WA has been short-changed on the GST for a long time, but there are a number of reforms that we could make at the State level that could provide a sustainable revenue source, while driving economic growth and job creation by removing constraints on business,” Mr Stratton said.

“None of the reforms that we are suggesting would happen overnight, and a lot of work would need to be done on the implementation, but Ai Group believes it is time the State Government took control of its own destiny and embarked on serious long-term reforms.”

The call for a general land tax comes after the Liberal NSW Government floated the idea in 2016 as a way of tackling spiralling house prices in Sydney.

NSW Treasurer Dominic Perrottet wanted the change to reduce the huge upfront costs of buying property in that State, where stamp duty on the median house price of $1.12 million is more than $50,000.

But Mr Perrottet was forced to retreat on the idea when NSW Premier Gladys Berejiklian rejected the idea amid fears it would be electorally unpopular.

Despite this, Mr Stratton said scrapping stamp duty in favour of an “annual charge on the unimproved capital value of land” made more sense and would deliver WA economic benefits.

He also welcomed the Government’s plans to establish independent advisory body Infrastructure WA, though cautioned about undertaking financially unsustainable capital works.

### Perth councils seize homes over $60 million in unpaid rates

PERTH homeowners owe more than $60 million in unpaid rates, with councils resorting to seizing and selling properties of serial defaulters.

Analysis of the 29 Perth councils, plus Mandurah, reveals rates at least 12 months overdue surged 21 per cent to $62.1 million last financial year.

Wanneroo ($12.8 million) and Swan ($9.3 million) account for a third of the total, while homeowners in fellow mortgage belt areas Rockingham ($4.8 million) and Mandurah ($4 million) also felt the strain.

With $4.8 million outstanding, the relatively affluent Melville was a surprise entry in the top five.

The mountain of debt is despite metropolitan households this year getting some of their lowest council rates rises in years, with an average hike of just over 2 per cent. But it reflects the financial strain many WA families are experiencing, with mortgages more than 30 days in arrears (2.44 per cent in January) and personal insolvencies (rising to 1020 last quarter) at record highs.

Under the Local Government Act of 1995, a council is able to take possession of a property if the rates are left unpaid for three years or more.

City of Swan chief executive Mike Foley said almost $10 million in outstanding rates was "certainly significant" and confirmed the City was in the process of seizing and selling four properties.

"We only resort to this measure as a last resort, when we have attempted to recover the rates and charges by all other possible means," he said.

"The City of Swan is one of the fastest-growing local governments in WA, which has resulted in a significant increase in rateable properties.

"This growth, combined with the downturn in the WA economy, contributes to the outstanding debt."

City of Mandurah chief executive Mark Newman did not comment on whether the coastal city was attempting to repossess homes.

"The City recognises that some sections of our community are experiencing financial stress, like others across the country, and works with ratepayers to minimise outstanding rates issues and provides a wide range of payment options to assist ratepayers," he said.

Rockingham Mayor Barry Sammels said the City had not commenced any property seizures in the past year.

Melville chief executive Shayne Silcox said the city's collection rate had remained fairly constant for years. Local Government Minister David Templeman urged councils to be "fair and reasonable" when considering rate hikes.