IPTI Xtracts

Property Tax and Assessment News from Around the World

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Why now is the time for tax reform

For the first time in a long time, a surplus is in sight. Like creating drought policy in the grip of drought, embarking on sensible tax reform when the budget is in the red has been difficult to accomplish. Now is the time to start preparing for the long, hard slog of reform.

The debate about whether we even have a problem is well and truly over. Australia has had a remarkable 27-year run of economic growth but the verdict is in: our taxes are inefficient. The Henry tax review delivered to Labor in 2010 told us that, and the Turnbull government's tax white paper would have said the same if it wasn't abandoned in 2015.

High company tax rates discourage business investment at the same time as generous tax concessions on investment properties and shares encourage widening wealth inequality. We are burning the candle at both ends.

Leadership turmoil and the growth of powerful lobby groups has meant the sensible centre of policy debate has ceded ground to the loudest voices in the room.

Labor triggered an outcry from vested interests when it proposed changes to negative gearing and tax refunds on dividends for retirees that had not paid taxes.

The volume of those debates gives a preview of the shouting match that would kick off if a courageous government were to consider more substantial changes such as broadening the GST, introducing a land tax or, as PwC recently proposed, eliminating the tax-free threshold and taxing most capital gains at 30 per cent.

The ideas are controversial but there is unanimous agreement from economists, business groups and welfare organisations that decisions on broad reform have to be confronted or Australia will be left with 20th century taxes two decades into the 21st century.

The Australian Taxation Office says $8 billion is lost every year partly as a result of the inefficiency of our personal income tax system. We can't afford to keep leaking revenue because the increase in spending on an ageing population alone over the next three decades is expected to match the entire GST base. That is $60 billion a year.

But the biggest challenge facing politicians is convincing voters of the need for long-term, broad-based changes that package together policies that help balance out winners and losers. When New Zealand increased the GST to 15 per cent in 2005, it cut personal income taxes.

"The sky did not fall in," said John Cuthbertson, the New Zealand tax leader at Chartered Accountants.

John Freebairn, who advised the Henry review, believes a government without narrative is waiting for a crisis.

"Hawke and Keating were really helped by the narrative that we were going to be the white trash of Asia," he said.
The man behind many of those reforms, Ross Garnaut, believes the blame for our state of flux rests not only on political leaders, but the self-interest of voters, business and lobby groups.

"Let us be ready to give credit where it is due," he said.

"If at some time in the future we have a government that is ready to put real effort into analysis of alternative policies that it judges to be in the public interest, let's not rush to shout it down simply because the policy does not fit our private prejudices."

After a decade of inaction, we may already be too far down the Rubicon. Ernst and Young have called for tax reforms to be taken out of the hands of politicians and given to an independent tax reform commission.

In September, a parliamentary committee recommended the government undertake *another* review of the tax system by 2022 despite a perfectly good one still sitting in the bottom drawer.

It's time to get on and do it.

South Australian council property rates

Do Murraylands property owners really pay more in council rates than their cousins in the rich Adelaide suburb of Burnside?

Not quite, but it is close.

The Standard has compared the property rates charged by South Australia's 68 local government authorities, as well as analysing property values and minimum rates in each district to gain a picture of where local ratepayers sit on a state rankings table.

The Mid Murray and Murray Bridge councils crack the top 10 in terms of the rate in the dollar charged against property owners, though the districts at the top of the table – Kimba and Port Augusta – both charge more than four times as much.

Once property values are taken into account and the rates bill for an average house is calculated, most Murraylands councils fall into the middle of the rankings, with expected bills of between $1080, at Tailem Bend, and $1780, at Mannum, per year.

An average Karoonda resident can expect to pay less in property rates than residents anywhere else in the state – about $687.

A Burnside resident would pay about $1800, and property owners in Port Augusta, Ceduna or Whyalla upwards of $3500.
'It's absolutely out of control'
Coorong Ratepayers Action Group acting president Sandy Douglas the favourable comparisons all well and good, but the extra charges levied by her council placed a much greater cost burden on residents – especially single pensioners and other low income earners.

"It's absolutely out of control," she said.

"The $350 fixed charge (component of a rates bill) ... $300 for rubbish, $605 for CWMS (waste water management) ... we've got people who've done the figures on it and it's one of the highest."

Those extra charges were what had to be brought down, she said, to make a difference to residents; though a lower property rate would help, too.

"I'd personally like to see rate capping looked at more seriously," she said.

"It's no good rushing into it, but it needs to be looked at again.

"There's got to be something to stop these ongoing increases.

"No-one gets pay rises every year to cover all these costs."

A proposed cap on property rate increases was defeated in state parliament in August.
Auditor defends revenue-raising
The Murray Bridge council is justified in raising as much money as it does through property rates, its chief auditor has suggested.

Peter Brass, the independent chair of a committee which audits the council's financial management, gave an upbeat presentation to councillors on Monday night.

"I think there's exciting stuff going on in this community," he said.

"Somebody has to pay for it.

"If the numbers didn't match, if you're making money and not spending it somewhere, we'd ask questions; but this is a very well-run council."

He said metropolitan councils would typically provide far greater services for a comparable rate in the dollar, but noted that their populations were much larger.

"If you look at your resourcing and what they've got to pay for it, the actual amount of money coming in, they can afford that," he said.

What the Murray Bridge council had to do was engage the community and make sure ratepayers' money was being spent on what residents wanted.

Mayor Brenton Lewis mirrored Mr Brass' remarks.

"As long as we can justify the spend, I don't think we've got a major problem," he said.

Mr Brass had been pressed on the issue by retiring Councillor Theo Weinmann and Tyson Matthews, who is seeking another term.

Cr Weinmann used part of his farewell speech to the council to highlight his belief that the rate in the dollar property owners were charged needed to be lowered.

Rates make up 64.4 per cent of the council’s revenue.

National cities plan needed for a growing Australia, argues major report

Australia needs a national plan to encourage denser, better connected and more sustainable cities, argues a major parliamentary committee report. Among its many recommendations are two new ministers, a statutory office and high-speed rail.

With Melbourne and Sydney each zooming past 5 million people, expensive housing, an ageing population, an increasingly service-oriented economy and looming climate change, cities are shaping up as a major issue in Australia’s policy landscape.

But there’s little central coordination on their development at the moment.

A national plan

Following several months of work, a parliamentary committee has come to the conclusion that a “national vision” is needed, calling for a “national plan of settlement”.

"Our cities need to be better planned, better connected, more compact, more diverse and more sustainable," argues the 472-page report published by the House of Representatives Standing Committee on Infrastructure, Transport and Cities on Monday.

The committee wants the federal government to encourage denser, more sustainable and more liveable cities. It recommends following the idea of the 30-minute city and a polycentric urban layout.

An east coast high-speed rail network, joining major cities and providing growth opportunities for the regional centres in between, should be "given priority", the committee believes.

"The national plan of settlement must set out a vision for our cities and regions for the next fifty years and beyond," the report says.

"It must take account of the fact that Australia's cities and regions are not sustainable in their current form, and will become less sustainable as the population grows and ages. Achieving the required economic, social and environmental outcomes for the sustainability of our cities and regions will require a high level of integrated planning.

"This is not achievable without the coherent vision which comes from master planning both land use and facilitating infrastructure."

Setting government up to respond

To oversee the plan, the committee wants a minister for cities and national settlement with a place in cabinet.

There would also be a senior minister with responsibility for housing. The minister would monitor housing affordability issues and lead any joint federal, state and local government response. The role would include identifying Commonwealth land holdings that could be used to improve housing affordability, and ensuring cabinet decisions promoted housing affordability.

The housing minister would also "investigate viability of nationalising and streamlining planning regulation" — an approach which has helped to increase housing affordability in Japan.

Among the 37 recommendations, the committee urges the creation of a statutory office of the national chief planner, whose role would be to provide independent expert advice on urban and regional planning and development, incorporating Infrastructure Australia and the Infrastructure and Project Financing Agency.

It wants the the federal government to encourage its state and territory counterparts to investigate setting up city commissions, along the lines of the Greater Sydney Commission.

The federal government should also review how its policies spatially impact on cities, including on issues such as the distribution of population, housing, employment, industry and services. Some of the policy areas noted in the report include immigration, negative gearing, foreign investment, subsidies on private vehicle sales and petrol, and poor coordination between levels of government on infrastructure investment.

Regional areas are not left out, either, with the committee examining how to grow sustainable regional centre.

"The successful development of both cities and regions is intrinsically linked," reads the report.

"Regional development needs to be seen as part of a broader pattern of national development, with cities, towns and regions being developed as part of an integrated whole."

Value capture 'fundamental'

Value capture, where government recoups part of the increase in private land values when it builds new infrastructure, could help fund much needed projects. Hong Kong's MTR is an example of value capture helping pay for a major transport system, the committee noted.

"The development of value capture as an organising principle of infrastructure planning and procurement, and the reform of the taxation system to match its requirements, are fundamental to the significant investment in infrastructure required to ensure the efficient growth and functioning of Australia's cities and regions," says the report.

The committee also recommends that the Department of Infrastructure, Regional Development and Cities and the national chief planner apply international best practice approaches to urban development to the development of national settlement plans and the design of policies and programs.