

Submission No 4 - Mr Michael Marsalek
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From: Michael Marsalek
To: [LA Committee - PA](#)
Subject: Strata Rates Calculation
Date: Tuesday, 6 March 2018 4:00:01 PM

Dear Committee,

I am one of many people who have signed the petition to reverse the methodology adopted by the ACT Government to calculate strata rates and taxes. My argument is stated below.

In the 2016/17 financial year the unimproved land value of MY property within the Body Corporate complex was (rounded) \$103K. As I derived an income from these premises I was liable to pay land tax based on the unimproved land value plus a fixed annual charge.

In the 2017/18 financial year, the unimproved land value of MY property was still \$103K (rounded), however now it is seen as a part of a Body Corporate who's TOTAL unimproved land value is over \$4.6million and it is this \$4.6million figure which is now used as the basis for calculating the land tax I have to pay.

However, I do NOT derive an income from any part of the Body Corporates' unimproved land value apart from the land I physically own. As land tax is only levied on rental property, how can the government possibly justify using the entire Complex unimproved land value as the basis for calculation?

The result of this 'creative accounting' methodology has increased my land tax liability by 46.8% without there actually being any increase (as yet) to the unimproved land value I derive an income from.

As a landlord I couldn't possibly increase the rent I charge by 46.8%. If I attempted that, my tenant would either leave (and no land tax would be payable as it would no longer be a rental property) or they would have every right to complain to ACAT under the Residential Tenancies ACT. In turn, ACAT would apply a CPI based formula for the rent increase. To my knowledge, the CPI has NEVER been 46.8% from one year to the next. Therefore, if I as a landlord (and others) cannot legally increase the rent accordingly to recoup these massive increases, how can the government justify doing so? It is also interesting to note that based on this new methodology, any other landlord in any complex would be subject to the same criteria, so in effect the government is 'double dipping' when it comes to land tax. Further, what effect does this new methodology have on public housing, or are they exempt? If so why?

Items clearly not factored into the equation is the quality of the tenant in situ. Mine is exceptional, ensures the property is well maintained and pays rent on time so the last thing I want to occur (as a self funded retiree) is for them to leave.

Recent advice I received from the ACT Revenue Office was that the government is planning to abolish "inefficient" taxes such as stamp duty (I have saved the emails). Really? How inefficient is that when Canberra is experiencing a building boom? How efficient would land tax be if (for example) I (and other landlords) were to sell their investment property to an owner/occupier. There would be no land tax liability and no stamp duty on the sale. What brilliant foresight.

This new methodology will not benefit the economy one iota but will serve to recoup some of the gross inefficiencies and mismanagement detailed in the 130 page qualified audit report into the now abolished Land Development Agency.

This policy needs to be reversed as the suffering Strata owners and investors will feel the ramifications long after the incumbent government has been elected out of office.

Sincerely

Michael Marsalek