

ACT Legislative Assembly Public Accounts Committee Inquiry into the Methodology used to determine Rates and Land Tax for Unit-titled Residences

Submission: [REDACTED] **Apartments,** [REDACTED] **Barton**

Thank you for the opportunity to register our concern about the impact and unintended consequences of the restructured methodology that has been introduced to determine Rates and Land Tax for strata residences.

First, unlike house owners, strata owners do not 'own' the land occupied by the apartment building. They are, therefore, not able to benefit from any appreciation of the land value when selling their apartment. Yet they are being unfairly discriminated against by this disproportionate increase in the Rates and Land Tax.

Secondly, the provision of services to strata owners, i.e. garbage collection, electricity supply and water and sewerage services are more efficient and less costly than those to individual houses. No acknowledgement or consideration of this saving is made in the rates increase. Furthermore, the ACT Government, while pressing for more strata development, provides inadequate services in areas with significant strata development, such as designated parking for removalists and tradesmen and recreational spaces.

Thirdly, the substantial increases to the Rates and Land Tax for strata owners will have unintended consequences on pensioners, downsizers, lessees and those leasing investment properties. Citizens, encouraged by the Australian Government's financial incentives to downsize, will be hardest hit as the Rates increase is well beyond any inflation-related increases to the pension or resultant increases in superannuation returns. While self-funded retirees who are dependent on income from investment properties may be able to recover some costs by raising rents to ensure their investment remains viable, the magnitude of this increase will in turn put undue financial pressure on lessees, particularly those most vulnerable. Residents of the ACT who are already facing difficulty entering the housing market will be doubly hit by increases in rents. The ACT rental market is already one of the costliest in Australia and further rental increases could also make it a less attractive destination for students, inter-state migrants and the staging of major events.

Following are examples of the impact of the Rates and Land Tax increases, expressed by some of the owners at [REDACTED] Apartments.

1. *My wife and I recently moved to Canberra from Brisbane Queensland as retirees believing that the ACT government actively encouraged seniors to downsize to apartment living which is what we chose to do.*

It didn't take us long to realise that this move may have been misguided and financially crippling in so much as the cost of registering our car is twice that of what we paid in Queensland, accessing medical services is again and certainly in our case a third higher than in our previous state and as far as finding a competitive energy provider, that is near impossible. These things said and as much as we don't

appreciate these increases in our cost of living, it was something we were prepared to accept albeit grudgingly.

However, the land tax and rates increases have forced us to reconsider our position and relocating back to Queensland would seem to be our preferred yet unhappy option if there is no reconsideration of the government's position on the increases to the land taxes.

We are quite surprised that the ACT Government has not considered the impact that an increase such as this would have on persons like ourselves, who as self-funded retirees would find it very difficult to meet the cost of the extra charges when you are on a fixed income.

On face value, it would seem that we would have been in a healthier financial position if we had continued to live in our original house.

Therefore, if there is no consideration given to these increases, regrettably we will have to consider relocating back to Brisbane, where we can rent a similar apartment to the one we currently own here in the ACT for a third less than you would pay in Canberra, and renting out our apartment here in Canberra, but having to increase the rent by \$85 weekly over the 2017 rental value of the property to cover the ACT governments rates and land tax increases. This would see our financial position improve by \$270 weekly. I would like to add that it is truly distressing that we find ourselves in this situation, particularly having just moved here six months ago on the understanding that the ACT was supportive of its senior citizens.

- 2. I don't have a written submission, but note my rates increase was well above the ACT average. I endorse the logical reasons for moderation in rate rises for apartments, being efficient use of space, savings on other local government services.*
- 3. My wife and I are in our 80s. We are self-funded retirees who have downsized to an apartment and have an investment apartment to support our pension. The new calculations for Rates and Land Tax (see table below) will result in cost of living increases and a reduced income for us that are not commensurate with inflation or a fairness test. We are not able to increase the rent on our property to match these increases because of the current lease arrangement. As a result, not only have we had to pay more to live in our apartment, but we are faced with a drop in our income from the rented property. I expect we may lose a good tenant when we seek to raise the rent later this year to recoup costs. We appreciate rates do go up, but the proportion by which they have gone up for strata owners is neither equitable nor fair. After all, as pointed by others, strata owners provide considerable savings in service costs to the ACT Government. We urge a reversal of this unfair policy.*

	2017	2018	Increase
Rates	\$1,556	\$2,036	30.8%
Land Tax	\$1,904	\$3,014	58.3%