

## CABINET



## CABINET SUBMISSION

21/759

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Title                              | Tax Expenditure Statement 2020-21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Meeting type                       | Cabinet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Minister                           | Andrew Barr MLA<br>Treasurer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Cabinet date                       | Wednesday, 13 July 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Status                             | EXPOSURE DRAFT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Relationship to previous decisions | ACT Tax Expenditure Statement 2019-20 – Agreement, Decision No. 20/614/CAB, 13 April 2021.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Purpose                            | <p>This Submission seeks Cabinet’s agreement for the public release of the ACT Tax Expenditure Statement 2020-21 prepared by Treasury.</p> <p>This Statement outlines the tax expenditures provided by the ACT Government in 2020-21 in the form of exemptions, concessions and incentives that provided economic and social supports to targeted taxpayers. An overview of the Government’s tax expenditures between 2016-17 and 2020-21 is also presented in this Statement to reflect changes in the Government’s policies. In this Statement, tax expenditures are represented as costs to the Government by way of revenue forgone.</p> |
| Category                           | Category 2 - Government business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Financial impact                   | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Treasury agreement                 | <p>Yes</p> <p>Date provided for Treasury agreement to financial implications: 05/05/2022</p> <p>Date of Treasury agreement 11/05/2022:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Is ERC consideration required?     | <p>No</p> <p>If yes, select ERC meeting date: <a href="#">Select meeting date</a></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Legislative change                 | No - change to legislation not required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Regulatory impact                  | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Wellbeing Impact Assessment        | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

Primary Wellbeing  
Domain

Economy

## RECOMMENDATIONS

- 1) I recommend Cabinet agree:
  - a. to the public release of the *ACT Tax Expenditure Statement 2020-21* at Attachment C in June 2022.
- 2) Cabinet note:
  - a. in 2020-21, the ACT Government's total tax expenditure is estimated at \$383.9 million, an increase from the Territory's tax expenditure in 2019-20 (\$325.3 million). This is an increase of 18.0 per cent, with 7.1 percentage points a result of COVID-19 support expenditures.
  - b. the advice to the Chief Minister on the release of the Cabinet Decision Summary (Attachment B) as required under Section 23 of the *Freedom of Information Act 2016*; and
  - c. the following summary to be released.
    - i. Cabinet agreed to the public release of the *ACT Tax Expenditure Statement 2020-21*.

## SUPPORTING ARGUMENT

### BACKGROUND

- 1) Tax expenditures arise from government policies that are designed to achieve social, community or economic outcomes. They are considered costs to a government and often measured by tax revenue forgone.
- 2) In the ACT, tax expenditures alleviate the tax liabilities of selected groups of individuals, businesses, and community groups by way of exemptions, concessions, and incentives. This is important for supporting those experiencing financial hardship as well as stimulating economic activity in the Territory, particularly during a difficult time like the COVID-19 pandemic, where circumstances can quickly change.
- 3) The *ACT Tax Expenditure Statement 2020-21* (the 2020-21 Statement) provides an overview of the Territory's tax expenditures over the five years to 2020-21, with a focus on the 2020-21 financial year in terms of policy measures.
- 4) The 2020-21 Statement provides an opportunity to track and compare the ACT Government's spending on tax relief over the past years, and it can also be used to inform future tax-related policy decisions.
- 5) In response to the COVID-19 pandemic, the ACT Government provided a series of COVID-19 stimulus measures in 2020-21 on top of the existing concession policy measures, to support households and businesses who were affected by the pandemic.
  - a. Some of these measures provide taxation relief in the form of revenue forgone, which have been considered tax expenditures and included in the 2020-21 Statement.
- 6) Cabinet has agreed to the public release of all previous Tax Expenditure Statements for the ACT.

### ISSUES & OPTIONS

#### Overview

- 7) A tax expenditure represents a cost to the Government by way of revenue forgone. It has a similar effect on the budget to direct expenditure but can be less transparent.
- 8) The 2020-21 Statement reports on the tax expenditures for a range of tax lines administered by the ACT Government for the purpose of providing better transparency to the budgetary impact of tax expenditures and tracking the performance of the Government's concession policy measures.
- 9) Not all policy measures that provide compensation for impacts of taxes are reflected in the 2020-21 Statement. The scope of the 2020-21 Statement (as with previous statements) does not cover:
  - a. progressive tax measures that promote equity and fairness of the tax system;

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- b. items that are not taxable as a result of the legislative definition of a tax;
  - c. tax arrangements that do not fall within the control of the ACT Government, such as exemptions provided to the Commonwealth Government; and
  - d. tax exemptions provided to the General Government Sector of the ACT Government.
- 10) Actual costs of tax expenditures are reported where the ACT Government collects and holds data for the related concession programs. Where this is not the case, costs are estimated using other data sources.
- a. The estimated costs should be interpreted with care as estimates rely on data availability and specific assumptions made. Tax-related data are generally collected from taxpayers and where tax is not collected assumptions are used to estimate the value of the tax expenditure. These costings are based on the best possible information that is available.
- 11) In 2020-21, the ACT Government's total tax expenditure was estimated at \$383.9 million an increase of 18.0 per cent from \$325.3million in 2019-20.
- a. The increase in the COVID-19 stimulus expenditures contributed \$23.1 million (or 7.1 percentage points) of this increase across five revenue initiatives on payroll tax, general rates, conveyance duty and the Lease Variation Charge.
- 12) Tax expenditures were 5.6 per cent of the ACT's total direct expenditure in 2020-21, this compares with 5.0 per cent in 2019-20.
- a. Total direct expenditure was \$6.8 billion in 2020-21, a 4.4 per cent increase on \$6.5 billion in 2019-20.
- 13) The increase was largely attributable to growth in tax expenditures on conveyance duty, general rates and the Lease Variation Charge.
- a. The increase in conveyance duty tax expenditures was largely a result of a significant take-up for the Home Buyer Concession Scheme and the owner occupier duty concession provided as part of the COVID-19 support.
  - b. The increase in general rates was due to the introduction of the \$150 residential rates rebate and increased take-up of commercial rates relief from commercial property owners who reduced rent for tenants affected by COVID-19. Both measures were provided as part of the COVID-19 support.
  - c. The increase in the Lease Variation Charge tax expenditures was mainly due to increase in the economic stimulus and remissions paid to non-codified lease variations (i.e. variations related to complex developments such as mixed residential and commercial developments) as well as increased take-up of a COVID-19 support provided to the construction sector.

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- 14) Of the \$383.9 million tax expenditure, payroll tax contributed \$211.9 million, the largest of all tax lines (Table 1). This was a result of the tax-free threshold (\$2 million per annum) offered by the ACT Government to private sector businesses to encourage business participation in the ACT. Currently, the ACT offers the highest payroll tax threshold of all Australian States and Territories.
- 15) The relatively high payroll tax threshold also meant private sector businesses were the largest beneficiaries of the Territory's tax expenditures, which contributes to ACT employment. The charitable sector, non-government schools and pensioners also significantly benefitted from various concession programs provided by the ACT Government across a range of tax lines.

**Table 1: Tax expenditures by revenue line**

|                                  | Revenue foregone (\$'000) |                    |                     |                    |                     |
|----------------------------------|---------------------------|--------------------|---------------------|--------------------|---------------------|
|                                  | 2016-17                   | 2017-18            | 2018-19             | 2019-20            | 2020-21             |
| Payroll tax                      | 190,660                   | 196,680            | 199,690             | 210,010            | 211,920             |
| Conveyance duty                  | 32,864                    | 11,738             | 26,444              | 49,678             | 79,717              |
| General rates                    | 18,442                    | 18,543             | 19,118              | 35,724             | 49,219              |
| Lease Variation Charge           | 16,878 <sup>a</sup>       | 9,236 <sup>a</sup> | 26,644 <sup>a</sup> | 4,072 <sup>a</sup> | 17,519 <sup>a</sup> |
| Motor vehicle registration       | 9,538                     | 10,117             | 11,500              | 11,978             | 12,380              |
| Motor vehicle duty               | 7,894                     | 8,489              | 8,086               | 9,880              | 9,577               |
| Fire and Emergency Services Levy | 2,752                     | 2,793              | 2,929               | 2,933              | 2,939               |
| Water Abstraction Charge         | 352 <sup>a</sup>          | 550 <sup>a</sup>   | 536 <sup>a</sup>    | 438 <sup>a</sup>   | 469 <sup>a</sup>    |
| Land tax                         | -                         | -                  | 1 <sup>a</sup>      | 545 <sup>a</sup>   | 205 <sup>a</sup>    |
| <b>Total</b>                     | <b>279,380</b>            | <b>258,147</b>     | <b>294,948</b>      | <b>325,257</b>     | <b>383,945</b>      |

a – Actual costs. Others are estimated costs.

### Policy change – COVID-19 support

#### Payroll tax – payroll tax exemption for JobKeeper Payments

- 16) The Government exempted payroll tax from payments made under the Commonwealth Government's JobKeeper support package from 30 March 2020, with an end date of 28 March 2021. This measure contributed \$4.2 million to the Territory's total tax expenditure in 2020-21.

#### General rates – rental relief and owner-occupier rebate scheme

- 17) The Government provided general rates relief from 1 April 2020 to 31 January 2021 to commercial property owners who reduced rent for tenants affected by COVID-19, or operated businesses from premises they own and had been negatively affected COVID-19. This measure contributed \$2.5 million to the Territory's total tax expenditure in 2020-21.
- 18) This declaration was reinstated from 12 August 2021 when the ACT was placed into lockdown due to the outbreak of the Delta variant. The relief from reinstatement will be recorded in 2021-22 Tax Expenditure Statement.

General rates – residential rates rebate

19) During 2020-21, the Government provided a one-off \$150 rates rebate to help offset general rates increases in order to provide relief to households challenged by the COVID-19 pandemic. The rebate was automatically applied to the fixed charge component of residential rates bills in 2020-21. This measure contributed \$26.0 million to the Territory's total tax expenditure in 2020-21.

- a. As a result, for around 110,000 residential property owners' rates did not increase in 2020.

Additional information – waivers and social concessions and supports

20) Apart from tax expenditures, the Statement contains additional information on waivers and social concessions and supports. While these items are not considered tax expenditures, they share similar features with tax expenditures in the way that they are provided by the ACT Government to reduce the financial liabilities of specific individuals, households or community groups. Total expenditure and take-up rate have been included in the appendices of the Statement.

- a. Tax waivers are not considered tax expenditures even though they reduce people's tax liabilities. This is because tax waivers are not supported by any policy measures; they are granted by the Commissioner for ACT Revenue on a case-by-case basis.
- b. In 2020-21 payroll tax waivers for business impacted by COVID-19 and land tax waivers provided under the residential tenancy relief were dispensed as administrative waivers, instead of tax credits (in 2019-20). As a result of this change, those measures were treated as tax waivers in the 2020-21 Statement, rather than tax expenditures.

Waivers

21) In 2020-21, the ACT Government granted 67 tax waivers under the Financial Management Act 1996 at a cost of \$7.9 million, representing a significant increase from the \$140,000 granted in 2019-20. The increase in tax waivers was largely driven by increase in payroll tax waivers, general rates waivers and land tax waivers.

22) In 2020-21, The ACT Government dispensed \$4.1 million as tax waivers through payroll tax and land tax as a part of the COVID-19 stimulus response. These measures include payroll tax waivers of \$3.7 million for businesses and Land tax waivers of \$393,000 dispensed under the residential tenancy relief.

23) Tax waivers are also reported in Directorates' annual financial statements. However, they are not reported on whole of government basis.

- a. In 2020-21, two Directorates had tax administration responsibilities: the Environment and Planning Directorate was responsible for the administration of the Lease Variation Charge, and the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office and Access Canberra) was responsible for the administration of all other taxes.

**Table A1: Tax waivers by revenue line<sup>1</sup>**

|                            | 2016-17   |              | 2017-18  |              | 2018-19   |              | 2019-20   |            | 2020-21   |              |
|----------------------------|-----------|--------------|----------|--------------|-----------|--------------|-----------|------------|-----------|--------------|
|                            | No.       | \$'000       | No.      | \$'000       | No.       | \$'000       | No.       | \$'000     | No.       | \$'000       |
| Payroll Tax <sup>2,3</sup> | 4         | 1,716        | 3        | 1,500        | 4         | 1,820        | 0         | 0          | 5         | 5,922        |
| Conveyance Duty            | 2         | 93           | 1        | 8            | 0         | 0            | 0         | 0          | 1         | 11           |
| Land Tax <sup>4,5</sup>    | 3         | 42           | 0        | 0            | 7         | 235          | 8         | 33         | 8         | 457          |
| General Rates              | 2         | 28           | 0        | 0            | 3         | 89           | 1         | 100        | 52        | 1,427        |
| Land Rent                  | 1         | 12           | 0        | 0            | 1         | 45           | 0         | 0          | 1         | 52           |
| Lease Variation Charge     | 0         | 0            | 1        | 394          | 0         | 0            | 1         | 7          | 1         | 10           |
| <b>Total</b>               | <b>12</b> | <b>1,891</b> | <b>5</b> | <b>1,902</b> | <b>15</b> | <b>2,189</b> | <b>10</b> | <b>140</b> | <b>67</b> | <b>7,879</b> |

**Source:** ACT Government

**Notes:**

1. The number for waivers represents the number of signed waiver instruments, not the number of taxpayers being granted the waiver.
2. All payroll tax waivers provided in 2019-20 were provided as part of the COVID-19 support measure, and as they were non-discretionary have been treated as tax expenditures and therefore excluded from this section. The ACT Government provided payroll tax waivers to a number of businesses through agreements that were executed in 2020-21. While the agreements have retrospective effects, including in 2019-20, the payroll tax waivers will only be reflected in the 2020-21 financial year.
3. Of the \$5.9 million worth of payroll tax waivers provided by the ACT Government in 2020-21, \$3.7 million was provided as part of the COVID-19 support measures.
4. In 2019-20, the land tax waivers provided as part of the residential tenancy relief, a COVID-19 support measure, has been treated as a tax expenditures as it was non-discretionary and therefore excluded from this section.
5. Of the \$457,000 worth of land tax waivers provided by the ACT Government in 2020-21, \$393,000 was provided under the residential tenancy relief, a COVID-19 support measure.

24) The Statement also includes information on the number and cost of other waivers for fees and charges. In 2020-21, the ACT Government provided 137 waivers of fees and charges in total, at the cost of \$935,000, 7.7 per cent more than the waivers provided in 2019-20 (\$868,000).

- a. The increase in waivers of fees and charges in 2020-21 was mainly due to a 41.3 per cent (or \$52,000) increase in the courts and tribunal fees.
- b. Extension of time fee waivers also contributed moderately to the increase in waivers of fees and charges.



## CABINET

### Social concessions and supports

- 25) The Government provides social concessions and supports by way of revenue forgone and direct expenditure. In 2020-21, the total cost of social concessions and supports provided by the Government was \$228.0 million, with revenue forgone of \$196.0 million and direct expenditure of \$32.0 million. The total cost is \$334,000 lower than that in 2019-20 (\$228.3 million).
- 26) The public housing rental rebate was by far the most significant social concession, which provided a total of 11,115 rebates with a value of \$149.3 million in revenue forgone. Other large expenditures for social concessions and supports in 2020-21 were:
- a. Utilities Concession, \$24.1 million in direct expenditure;
  - b. concessional and peppercorn leases for community groups, \$15.9 million in revenue forgone;
  - c. Special Needs Transport Program, \$7.2 million in revenue forgone; and
  - d. ACTION bus and light rail concession, totalling \$7.2 million in revenue forgone.
- 27) The 2020-21 Tax Expenditure statement includes the figures for Act of Grace payments dispensed in accordance with the section 130 of the Financial Management Act 1996. In 2020-21, Act of Grace payments constituted \$455,000 in direct expenditures.

### Revisions

- 28) The expenditure for Solar for Low Income Program has been revised from \$395,000 for 108 homeowners to \$167,000 for 73 homeowners to exclude installation of solar systems within a public housing initiative that is not related to subsidies delivered to homeowners through Solar for Low Income Program.
- 29) The total cost of concessions and support in direct expenditure has been revised from 2016-17 to 2019-20 to include expense in the form of Act of Grace payments.

### Public release

- 30) With Cabinet's agreement, the 2020-21 Statement will be publicly released on the ACT Treasury website in June 2022.

## FINANCIAL IMPACT

- 31) The Cabinet Submission does not have any financial impacts.

## WELLBEING IMPACT SUMMARY

- 32) The ACT Tax Expenditure Statement 2020-21 does not have any wellbeing impact on the members of the Canberra community, the flora and fauna, biodiversity or in relation to climate change.

## CABINET

### CONSULTATION

#### External stakeholders

33) Nil.

#### ACT Government agencies

34) Treasury has coordinated input from the ACT Revenue Office, Access Canberra, and Environment, Planning and Sustainable Development Directorate.

35) Early consultation has been undertaken with the Finance and Budget Group, Policy and Cabinet Division, CMTEDD Strategic Finance, and the Revenue and Concessions Policy unit in the Economic and Financial Group.

### MEDIA/COMMUNICATIONS

36) Nil.

### IMPLEMENTATION

37) Nil.

### HUMAN RIGHTS IMPACT

38) Nil.

Minister's signature 

Date 15 / 6 / 2022

## ATTACHMENTS

|   |                                                                                  |
|---|----------------------------------------------------------------------------------|
| A | Table of comments                                                                |
| B | Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary |
| C | ACT Tax Expenditure Statement 2020-21                                            |



## CABINET SUBMISSION

21/759

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Title                              | Tax Expenditure Statement 2020-21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Meeting type                       | Cabinet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Minister                           | Andrew Barr MLA<br>Treasurer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Cabinet date                       | Wednesday, 13 July 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| Financial impact                   | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Is ERC consideration required?     | <p>No</p> <p>If yes, select ERC meeting date: <input type="text"/></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Legislative change                 | No - change to legislation not required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Regulatory impact                  | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Wellbeing Impact Assessment        | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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#### General rates – rental relief and owner-occupier rebate scheme

- 17) The Government provided general rates relief from 1 April 2020 to 31 January 2021 to commercial property owners who reduced rent for tenants affected by COVID-19, or operated businesses from premises they own and had been negatively affected COVID-19. This measure contributed \$2.5 million to the Territory's total tax expenditure in 2020-21.
- 18) This declaration was reinstated from 12 August 2021 when the ACT was placed into lockdown due to the outbreak of the Delta variant. The relief from reinstatement will be recorded in 2021-22 Tax Expenditure Statement.

General rates – residential rates rebate

19) During 2020-21, the Government provided a one-off \$150 rates rebate to help offset general rates increases in order to provide relief to households challenged by the COVID-19 pandemic. The rebate was automatically applied to the fixed charge component of residential rates bills in 2020-21. This measure contributed \$26.0 million to the Territory's total tax expenditure in 2020-21.

- a. As a result, for around 110,000 residential property owners' rates did not increase in 2020.

Additional information – waivers and social concessions and supports

20) Apart from tax expenditures, the Statement contains additional information on waivers and social concessions and supports. While these items are not considered tax expenditures, they share similar features with tax expenditures in the way that they are provided by the ACT Government to reduce the financial liabilities of specific individuals, households or community groups. Total expenditure and take-up rate have been included in the appendices of the Statement.

- a. Tax waivers are not considered tax expenditures even though they reduce people's tax liabilities. This is because tax waivers are not supported by any policy measures; they are granted by the Commissioner for ACT Revenue on a case-by-case basis.
- b. In 2020-21 payroll tax waivers for business impacted by COVID-19 and land tax waivers provided under the residential tenancy relief were dispensed as administrative waivers, instead of tax credits (in 2019-20). As a result of this change, those measures were treated as tax waivers in the 2020-21 Statement, rather than tax expenditures.

Waivers

21) In 2020-21, the ACT Government granted 67 tax waivers under the Financial Management Act 1996 at a cost of \$7.9 million, representing a significant increase from the \$140,000 granted in 2019-20. The increase in tax waivers was largely driven by increase in payroll tax waivers, general rates waivers and land tax waivers.

22) In 2020-21, The ACT Government dispensed \$4.1 million as tax waivers through payroll tax and land tax as a part of the COVID-19 stimulus response. These measures include payroll tax waivers of \$3.7 million for businesses and Land tax waivers of \$393,000 dispensed under the residential tenancy relief.

23) Tax waivers are also reported in Directorates' annual financial statements. However, they are not reported on whole of government basis.

- a. In 2020-21, two Directorates had tax administration responsibilities: the Environment and Planning Directorate was responsible for the administration of the Lease Variation Charge, and the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office and Access Canberra) was responsible for the administration of all other taxes.

**Table A1: Tax waivers by revenue line<sup>1</sup>**

|                            | 2016-17   |              | 2017-18  |              | 2018-19   |              | 2019-20   |            | 2020-21   |              |
|----------------------------|-----------|--------------|----------|--------------|-----------|--------------|-----------|------------|-----------|--------------|
|                            | No.       | \$'000       | No.      | \$'000       | No.       | \$'000       | No.       | \$'000     | No.       | \$'000       |
| Payroll Tax <sup>2,3</sup> | 4         | 1,716        | 3        | 1,500        | 4         | 1,820        | 0         | 0          | 5         | 5,922        |
| Conveyance Duty            | 2         | 93           | 1        | 8            | 0         | 0            | 0         | 0          | 1         | 11           |
| Land Tax <sup>4,5</sup>    | 3         | 42           | 0        | 0            | 7         | 235          | 8         | 33         | 8         | 457          |
| General Rates              | 2         | 28           | 0        | 0            | 3         | 89           | 1         | 100        | 52        | 1,427        |
| Land Rent                  | 1         | 12           | 0        | 0            | 1         | 45           | 0         | 0          | 1         | 52           |
| Lease Variation Charge     | 0         | 0            | 1        | 394          | 0         | 0            | 1         | 7          | 1         | 10           |
| <b>Total</b>               | <b>12</b> | <b>1,891</b> | <b>5</b> | <b>1,902</b> | <b>15</b> | <b>2,189</b> | <b>10</b> | <b>140</b> | <b>67</b> | <b>7,879</b> |

Source: ACT Government

**Notes:**

1. The number for waivers represents the number of signed waiver instruments, not the number of taxpayers being granted the waiver.
2. All payroll tax waivers provided in 2019-20 were provided as part of the COVID-19 support measure, and as they were non-discretionary have been treated as tax expenditures and therefore excluded from this section. The ACT Government provided payroll tax waivers to a number of businesses through agreements that were executed in 2020-21. While the agreements have retrospective effects, including in 2019-20, the payroll tax waivers will only be reflected in the 2020-21 financial year.
3. Of the \$5.9 million worth of payroll tax waivers provided by the ACT Government in 2020-21, \$3.7 million was provided as part of the COVID-19 support measures.
4. In 2019-20, the land tax waivers provided as part of the residential tenancy relief, a COVID-19 support measure, has been treated as a tax expenditures as it was non-discretionary and therefore excluded from this section.
5. Of the \$457,000 worth of land tax waivers provided by the ACT Government in 2020-21, \$393,000 was provided under the residential tenancy relief, a COVID-19 support measure.

24) The Statement also includes information on the number and cost of other waivers for fees and charges. In 2020-21, the ACT Government provided 137 waivers of fees and charges in total, at the cost of \$935,000, 7.7 per cent more than the waivers provided in 2019-20 (\$868,000).

- a. The increase in waivers of fees and charges in 2020-21 was mainly due to a 41.3 per cent (or \$52,000) increase in the courts and tribunal fees.
- b. Extension of time fee waivers also contributed moderately to the increase in waivers of fees and charges.

## CABINET

### Social concessions and supports

- 25) The Government provides social concessions and supports by way of revenue forgone and direct expenditure. In 2020-21, the total cost of social concessions and supports provided by the Government was \$228.0 million, with revenue forgone of \$196.0 million and direct expenditure of \$32.0 million. The total cost is \$334,000 lower than that in 2019-20 (\$228.3 million).
- 26) The public housing rental rebate was by far the most significant social concession, which provided a total of 11,115 rebates with a value of \$149.3 million in revenue forgone. Other large expenditures for social concessions and supports in 2020-21 were:
- a. Utilities Concession, \$24.1 million in direct expenditure;
  - b. concessional and peppercorn leases for community groups, \$15.9 million in revenue forgone;
  - c. Special Needs Transport Program, \$7.2 million in revenue forgone; and
  - d. ACTION bus and light rail concession, totalling \$7.2 million in revenue forgone.
- 27) The 2020-21 Tax Expenditure statement includes the figures for Act of Grace payments dispensed in accordance with the section 130 of the Financial Management Act 1996. In 2020-21, Act of Grace payments constituted \$455,000 in direct expenditures.

### Revisions

- 28) The expenditure for Solar for Low Income Program has been revised from \$395,000 for 108 homeowners to \$167,000 for 73 homeowners to exclude installation of solar systems within a public housing initiative that is not related to subsidies delivered to homeowners through Solar for Low Income Program.
- 29) The total cost of concessions and support in direct expenditure has been revised from 2016-17 to 2019-20 to include expense in the form of Act of Grace payments.

### Public release

- 30) With Cabinet's agreement, the 2020-21 Statement will be publicly released on the ACT Treasury website in June 2022.

## FINANCIAL IMPACT

- 31) The Cabinet Submission does not have any financial impacts.

## WELLBEING IMPACT SUMMARY

- 32) The ACT Tax Expenditure Statement 2020-21 does not have any wellbeing impact on the members of the Canberra community, the flora and fauna, biodiversity or in relation to climate change.

# CABINET

## CONSULTATION

### External stakeholders

33) Nil.

### ACT Government agencies

34) Treasury has coordinated input from the ACT Revenue Office, Access Canberra, and Environment, Planning and Sustainable Development Directorate.

35) Early consultation has been undertaken with the Finance and Budget Group, Policy and Cabinet Division, CMTEDD Strategic Finance, and the Revenue and Concessions Policy unit in the Economic and Financial Group.

## MEDIA/COMMUNICATIONS

36) Nil.

## IMPLEMENTATION

37) Nil.

## HUMAN RIGHTS IMPACT

38) Nil.

Minister's signature \_\_\_\_\_

Date \_\_/\_\_/\_\_\_\_

## ATTACHMENTS

|   |                                                                                  |
|---|----------------------------------------------------------------------------------|
| A | Table of comments                                                                |
| B | Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary |
| C | ACT Tax Expenditure Statement 2020-21                                            |

**EXPOSURE DRAFT COMMENTS – 21/XXX**

**Exposure circulation undertaken:** Choose an item.

**Reason for exception:** State reason for exception to full circulation or state N/A

**Dates circulated:** Provide dates circulated

| Directorate                   | Comment                             | Response                                   |
|-------------------------------|-------------------------------------|--------------------------------------------|
| CMTEDD                        | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| JACS                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| HD                            | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| CHS                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| EDU                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| TCCS                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| CSD                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| EPSD                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| MPC                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| Statutory<br>Office<br>Holder | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |

## CABINET

### FINAL COMMENTS - 21/XXX

**Final circulation undertaken:** Choose an item.

**Reason for exception:** State reason for exception to full circulation or state N/A

**Dates circulated:** Provide dates circulated

| Directorate                   | Comment                             | Response                                   |
|-------------------------------|-------------------------------------|--------------------------------------------|
| CMTEDD                        | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| JACS                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| HD                            | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| CHS                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| EDU                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| TCCS                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| CSD                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| EPSD                          | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| MPC                           | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |
| Statutory<br>Office<br>Holder | Choose an item. [Provide comments.] | [Drafting directorate to provide response] |

## CABINET



## OPEN ACCESS ASSESSMENT: CABINET DECISION AND WELLBEING IMPACT ASSESSMENT SUMMARY

### PART A: Release proposed

**Number and title of decision:** ACT Tax Expenditure Statement 2020-21

**Proposed summary of the decision for public release**

Cabinet agreed to the public release of the ACT Tax Expenditure Statement 2020-21.

**Proposed summary of the Wellbeing Impact Assessment for public release**

Nil impact. The ACT Tax Expenditure Statement 2020-21 has received an exemption from Wellbeing Impact Assessment.

**Attachments for release**

Attachment C

| Summary of the decision                                                                                                                                               | Release through the Open Access website? | Release by Directorate? |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------|
| Summary of the decision                                                                                                                                               | Yes                                      | No                      |
| Has the proposed bill been identified as a 'significant bill'? (for legislation only – please refer to the <a href="#">Cabinet Handbook</a> for further information)) | N/A                                      |                         |
| <u>Attachment A</u><br>Table of final agency comments                                                                                                                 |                                          |                         |
| <u>Attachment B</u><br>Open Access Assessment – Decision Summary                                                                                                      |                                          |                         |
| <u>Attachment C</u><br>Tax Expenditure Statement 2020-21                                                                                                              | No                                       | Yes                     |



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

**Australian Capital Territory**  
**Tax Expenditure**  
**Statement**  
**2020-21**

**ACT Treasury**

**June 2022**

## **TABLE OF CONTENTS**

|          |                                                            |           |
|----------|------------------------------------------------------------|-----------|
| <b>1</b> | <b>SCOPE .....</b>                                         | <b>4</b>  |
|          | Notes .....                                                | 5         |
|          | Terms and definitions .....                                | 5         |
| <b>2</b> | <b>OVERVIEW .....</b>                                      | <b>7</b>  |
|          | COVID-19 support measures .....                            | 8         |
| <b>3</b> | <b>TOTAL TAX EXPENDITURE .....</b>                         | <b>9</b>  |
| <b>4</b> | <b>TAX EXPENDITURES BY REVENUE LINE.....</b>               | <b>12</b> |
|          | Payroll tax .....                                          | 12        |
|          | General rates and Fire and Emergency Services Levy.....    | 15        |
|          | Land tax.....                                              | 19        |
|          | Conveyance Duty .....                                      | 20        |
|          | Motor Vehicle Duty .....                                   | 23        |
|          | Motor vehicle registration fees .....                      | 26        |
|          | Lease Variation Charge .....                               | 27        |
|          | Water Abstraction Charge .....                             | 32        |
|          | <b>ATTACHMENT A – WAIVERS.....</b>                         | <b>34</b> |
|          | <b>ATTACHMENT B – SOCIAL CONCESSIONS AND SUPPORTS.....</b> | <b>39</b> |

## **LIST OF TABLES**

|                                                                                                                  |    |
|------------------------------------------------------------------------------------------------------------------|----|
| Table 1: Tax expenditures by revenue line .....                                                                  | 11 |
| Table 2: Top ten tax expenditures .....                                                                          | 11 |
| Table 3: Beneficiaries by value of tax benefits received .....                                                   | 12 |
| Table 4: Payroll tax – tax expenditures .....                                                                    | 13 |
| Table 5: General rates – tax expenditures .....                                                                  | 17 |
| Table 6: Fire and Emergency Services Levy – tax expenditures .....                                               | 17 |
| Table 7: Land tax – tax expenditures .....                                                                       | 20 |
| Table 8: Conveyance duty – tax expenditures .....                                                                | 21 |
| Table 9: Pensioner Duty Concession Scheme,<br>property value thresholds, 1 July 2020 to 30 June 2021 .....       | 22 |
| Table 10: Motor vehicle duty – tax expenditures .....                                                            | 23 |
| Table 11: Vehicle performance ratings under the Vehicle Emissions Reduction.....                                 | 24 |
| Table 12: Motor vehicle registration fee – tax expenditures .....                                                | 26 |
| Table 13: Lease Variation Charge – tax expenditures .....                                                        | 28 |
| Table 14: Water Abstraction Charge – tax expenditures .....                                                      | 32 |
| Table A1: Tax waivers by revenue line .....                                                                      | 33 |
| Table A2: Chief Minister, Treasury and Economic Development Directorate<br>(Access Canberra) – fee waivers ..... | 35 |
| Table A3: Environment, Planning and Sustainable Development Directorate – fee waivers .....                      | 36 |
| Table A4: Justice and Community Safety Directorate – fee waivers .....                                           | 37 |
| Table B1: ACT Government social concessions and supports – revenue forgone .....                                 | 39 |
| Table B2: ACT Government social concessions and supports – direct expenditures .....                             | 42 |

## 1 SCOPE

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Tax expenditures arise from government policies that forgo revenue to achieve positive social, community or economic outcomes.

In the ACT context, tax expenditures reduce the tax liabilities of specific groups of taxpayers and activities by way of exemptions, concessions or incentives.

The *ACT Tax Expenditure Statement 2020-21* outlines tax expenditures provided by the ACT Government in 2020-21 based on the taxation policies in that financial year and compares them with those in 2019-20. Historical information from 2016-17 to 2018-19 is also presented in the statement.

Policy settings to which the expenditures relate may be subject to changes by the ACT Government depending on Government strategies and priorities. This will be reflected in future years' *Tax Expenditure Statements*.

This statement does not cover:

- a. Progressive tax scales designed to promote fairness in the tax system. Progressive tax scales, such as those for household general rates, are outside the scope of this statement, as this type of progressivity makes the distribution of tax fairer and more equitable. Such arrangements are not a subsidy for people on the lower end of the tax scale.

However, this is to be distinguished from differing tax rates being used as a price signal. In such cases, the aim is to influence taxpayers' behaviour as a matter of policy. One such example is the Vehicle Emission Reduction Scheme. While the scheme charges a lower duty on low emission cars, it charges more on higher emission cars. By doing this, the scheme can influence buyers' choices. This type of differentiation is within the scope of this statement.

- b. Tax exemptions that result in no real net benefit for the recipient. These measures are typically in place to prevent unintended consequences from broad brush legislation. For example, accommodation allowances paid to reimburse an employee are exempt from payroll tax. The intent of this exemption is to define the coverage of payroll tax, rather than to provide a tax concession. These types of provisions are outside the scope of this statement.
- c. Tax arrangements that are outside the policy control of the ACT Government. For example, the Commonwealth Government's exemptions from ACT taxes<sup>1</sup> are excluded.
- d. The ACT Government General Government Sector's tax exemption. This exemption is excluded from the scope of this statement as any tax on this sector represents an internal transfer of funds of the ACT Government.

ACT Government Business Enterprises are included within the scope of this statement. Any particular exemption provided to these entities would be treated as a tax expenditure.

Tax exemptions provided to the charitable sector to support their community programs and outreach also fall within the scope of this statement.

---

<sup>1</sup> Commonwealth Government includes its Government Business Enterprises.

## **Notes**

The actual costs of tax expenditures are reported where possible. If an actual amount is not available, an estimated cost is reported. Please note that both actuals and estimates are rounded to the nearest \$1,000 for reporting purposes.

The line items in the tables may not add up to the totals due to rounding.

Tax expenditures may have a nil value presented as:

- .. when value is not zero but is rounded to zero.
- 0 when no or a negligible amount of tax expenditure has been incurred for the concession scheme.
- when tax expenditures are not applicable to the concession scheme as it did not operate in that financial year.

## **Terms and definitions**

### **Not-for-profit organisation**

Organisations that do not operate for the profit, personal gain or other benefit of particular people.

### **Charity**

A subsector of not-for-profit organisations that are carried on for a religious, educational, benevolent or charitable purpose, and not for securing pecuniary profits to their members, for example:

- religious institutions;
- poverty relief organisations;
- cultural, educational and health promotion organisations; and
- organisations that operate solely to promote the wellbeing and welfare of society.

Charities are eligible for tax concessions and exemptions under ACT tax laws.

### **Excluded organisation**

Entities that cannot receive a charity designation in relation to ACT taxes under ACT tax laws, including:

- political parties;
- industrial organisations (trade unions);
- professional organisations;
- organisations that promote trade, industry or commerce; and

- other organisations prescribed by regulation.

These entities are known as 'excluded organisations'. An excluded organisation may still be eligible for tax concessions under ACT tax laws, provided it has obtained a 'beneficial organisation determination'.

### **Beneficial organisation determination**

Certain excluded organisations may apply to the Commissioner for ACT Revenue for a beneficial organisation determination. If approved, the recipient organisation will be eligible for tax concessions under ACT tax laws in a similar manner to charities.

The following excluded organisations may apply for a beneficial organisation determination:

- professional organisations;
- organisations that promote trade, industry or commerce; and
- other organisations prescribed by regulation.

### **The charitable sector**

For the purpose of this statement, the charitable sector refers to any type of not-for-profit entity that is eligible for tax concessions under ACT tax laws, regardless of it being a charity or a recipient of a beneficial organisation determination. The charitable sector does not include non-government schools or hospitals, which are accounted for separately in this statement.

## 2 OVERVIEW

---

The *ACT Tax Expenditure Statement 2020-21* identifies and quantifies tax exemptions, concessions and incentives provided by the ACT Government in 2020-21 and compares them with those in 2019-20.

This statement is prepared to:

- provide information on the ACT tax system; and
- inform the ACT Government's policy considerations.

Tax expenditures are important levers for the ACT Government to achieve its economic and social objectives. For example, they may be targeted at community organisations to achieve a social goal – such as exemptions provided for private schools on charges like the Fire and Emergency Services Levy; exemptions for vulnerable cohorts within the community to support their wellbeing such as the Pensioner General Rates Rebate; and exemptions for particular groups of businesses to attract or retain their operations such as the payroll tax free threshold provided to small businesses.

Tax expenditures can be less visible than direct expenditures, as the costs of tax expenditures reflect revenue that the Government does not receive. Forgone revenue is often not readily observable.

The costings in this statement are based on the revenue forgone approach, which measures the cost of a tax expenditure based on the value of benefits it provides. For a demand driven tax expenditure, its cost is calculated as:

$$\text{Value of tax benefit per recipient} \times \text{Number of recipients}$$

The actual cost of a tax expenditure is reported in this statement if the ACT Government holds all the relevant data about this tax expenditure. Otherwise, costs are estimated using other data sources. Notations are used in the tables to distinguish between the estimated and actual costs.

The estimated costs should be interpreted with care as estimates rely on data availability and specific assumptions made. Tax-related data are generally collected from taxpayers and where tax is not collected assumptions are used to estimate the value of the tax expenditure. These costings are based on the best possible information that is available.

In addition, revenue forgone from a tax expenditure is often not the same as the extra revenue to be expected from the abolition of the associated tax concession or exemption. This is because the latter is subject to behavioural changes by taxpayers. When a tax concession or exemption is abolished, taxpayers will react to the change, which may affect the related revenue outcomes. The revenue forgone approach does not account for such behavioural changes.

Care should also be taken when comparing the ACT's tax expenditures with those reported in other jurisdictions. The scope of tax expenditure statements, as well as the definitions, benchmarks and measurement for tax expenditures may differ across jurisdictions.

The statement also has two attachments. Attachment A outlines the waivers on taxes and fees granted. Attachment B outlines the targeted social concessions and supports provided by the ACT Government.



## **COVID-19 support measures**

The COVID-19 pandemic, and associated restrictions implemented by governments to contain the spread of the virus, have caused significant disruptions to economic activity and people movement within Australia and across the globe.

The Government's COVID-19 response and support was designed to be responsive, targeted, and in most cases, time-limited, as well as being complementary to the support provided by the Commonwealth. It evolved over time reflecting the evolution of the pandemic and its associated economic consequences. It focussed on both assisting households and businesses to manage the significant income and employment effects of the Delta outbreak of COVID-19 pandemic; and supporting the recovery of the economy and community and targeting assistance to those sectors of the economy that continued to be affected by the necessary public health restrictions associated with the pandemic, particularly the ongoing closure of international borders.

A comprehensive range of support measures was announced during the early stages of the COVID-19 pandemic to support industry and the parts of the economy most in need. These initiatives were outlined in a Ministerial Statement on the ACT Economic Response to COVID-19 presented by the Treasurer to the Legislative Assembly on 18 June 2020. Further announcements were made by the Government in the following months and were outlined in the August 2020 Economic and Fiscal Update, released on 27 August 2020. The 2020-21 Budget also contained a range of measures that extended some of the support previously provided or provided additional support to sectors that continued to be affected by the economic impacts of the pandemic. The initiatives were also reported in the Community Services Annual Report 2020-21.

For own-source taxation revenue, these measures cost the Government \$48.8 million in 2020-21, more than double the cost in 2019-20. Of these measures, \$44.7 million was expensed as revenue forgone across five revenue initiatives on payroll tax, general rates, residential and commercial conveyance duty and the Lease Variation Charge. These initiatives are reflected as tax expenditures in this statement.

Details of tax expenditure related COVID-19 support measures are reported under the corresponding sections where applicable. This statement is only focused on the support provided in the 2020-21 financial year and does not include the revenue forgone associated with COVID-19 support measures provided in 2021-22. This will be reflected in the 2021-22 tax expenditure statement.

### 3 TOTAL TAX EXPENDITURE

---

In 2020-21, the ACT Government's total revenue forgone is estimated to have been \$383.9 million, an increase of 18.0 per cent (or \$58.7 million) from 2019-20. This is equivalent to 5.6 per cent of the ACT's total direct expenditure<sup>2</sup>, higher than that for 2019-20 (5.0 per cent). The average share of tax expenditures to total direct expenditure for the five years between 2016-17 to 2020-21 is 5.1 per cent. The ACT Government's total direct expenditure through programs and new initiatives increased by 4.4 per cent in 2020-21, partly as a result of spending associated with the response to the COVID-19 pandemic.

The increase in the Government's total tax expenditures in 2020-21 was largely driven by increases in the tax expenditures on conveyance duty, general rates and the Lease Variation Charge.

Conveyance duty tax expenditures increased by \$30.0 million in 2020-21, largely reflecting a significant increase in the take-up of the Home Buyer Concession Scheme and the Owner Occupier Duty Concession provided as part of the COVID-19 support measures.

General rates tax expenditures increased by \$13.5 million in 2020-21. This was attributable to the introduction of a residential rates rebate of \$150 for homeowners and increased take-up of commercial rates relief from commercial property owners who reduced rent for tenants affected by COVID-19. Both measures were provided as part of the Government's COVID-19 support.

Lease variation charge tax expenditures rose by \$13.5 million in 2020-21, due to increase in the economic stimulus and remissions paid to non-codified lease variations (i.e. variations related to complex developments such as mixed residential and commercial developments) as well as increased take-up of a COVID-19 support provided to the construction sector.

Table 1 shows that revenue forgone in 2020-21 was highest for payroll tax at \$211.9 million, followed by the conveyance duty at \$79.7 million and general rates at \$49.2 million. Payroll tax represents the largest tax expenditure because the ACT has the highest tax-free threshold in the country and approximately 90 per cent of local Canberra businesses do not pay payroll tax.

---

<sup>2</sup> ACT's total direct expenditure was \$6.808 billion in 2020-21 and \$6.518 billion in 2019-20.

Table 1: Tax expenditures by revenue line

|                                  | Revenue forgone (\$'000) |                    |                     |                    |                     |
|----------------------------------|--------------------------|--------------------|---------------------|--------------------|---------------------|
|                                  | 2016-17                  | 2017-18            | 2018-19             | 2019-20            | 2020-21             |
| Payroll tax                      | 190,660                  | 196,680            | 199,690             | 210,010            | 211,920             |
| Conveyance duty                  | 32,864                   | 11,738             | 26,444              | 49,678             | 79,717              |
| General rates                    | 18,442                   | 18,543             | 19,118              | 35,724             | 49,219              |
| Lease Variation Charge           | 16,878 <sup>a</sup>      | 9,236 <sup>a</sup> | 26,644 <sup>a</sup> | 4,072 <sup>a</sup> | 17,519 <sup>a</sup> |
| Motor vehicle registration       | 9,538                    | 10,117             | 11,500              | 11,978             | 12,380              |
| Motor vehicle duty               | 7,894                    | 8,489              | 8,086               | 9,880              | 9,577               |
| Fire and Emergency Services Levy | 2,752                    | 2,793              | 2,929               | 2,933              | 2,939               |
| Water Abstraction Charge         | 352 <sup>a</sup>         | 550 <sup>a</sup>   | 536 <sup>a</sup>    | 438 <sup>a</sup>   | 469 <sup>a</sup>    |
| Land tax                         | -                        | -                  | 1 <sup>a</sup>      | 545 <sup>a</sup>   | 205 <sup>a</sup>    |
| <b>Total</b>                     | <b>279,380</b>           | <b>258,147</b>     | <b>294,948</b>      | <b>325,257</b>     | <b>383,945</b>      |

a – Actual costs. Others are estimated costs.

Table 2 lists the ten largest tax expenditures in the ACT in 2020-21.

Table 2: Top ten tax expenditures

|    |                                                                | Revenue forgone (\$'000) |                    |                     |                     |                     |
|----|----------------------------------------------------------------|--------------------------|--------------------|---------------------|---------------------|---------------------|
|    |                                                                | 2016-17                  | 2017-18            | 2018-19             | 2019-20             | 2020-21             |
| 1  | Payroll tax – tax free threshold for private sector businesses | 148,000                  | 151,000            | 154,000             | 157,000             | 160,000             |
| 2  | Conveyance duty – Home Buyer Concession Scheme                 | 9,750 <sup>a</sup>       | 8,083 <sup>a</sup> | 3,701 <sup>a</sup>  | 44,274 <sup>a</sup> | 64,190 <sup>a</sup> |
| 3  | General rates – Residential rates rebate                       | -                        | -                  | -                   | -                   | 26,011 <sup>a</sup> |
| 4  | Payroll tax – charitable sector exemption <sup>1</sup>         | 19,000                   | 20,000             | 20,000              | 21,000              | 21,000              |
| 5  | Payroll tax – non-government schools exemption <sup>1</sup>    | 18,000                   | 19,000             | 19,000              | 20,000              | 20,000              |
| 6  | Motor vehicle registration – pensioner remission               | 9,439 <sup>a</sup>       | 9,832 <sup>a</sup> | 11,242 <sup>a</sup> | 11,704 <sup>a</sup> | 11,918              |
| 7  | General rates – pensioner rebate                               | 9,391 <sup>a</sup>       | 8,953 <sup>a</sup> | 8,956 <sup>a</sup>  | 9,059 <sup>a</sup>  | 9,297 <sup>a</sup>  |
| 8  | Conveyance duty – Owner Occupier Duty Concession               | -                        | -                  | -                   | -                   | 8,793 <sup>a</sup>  |
| 9  | Motor vehicle duty – Vehicle Emission Reduction Scheme         | 6,984 <sup>a</sup>       | 7,547 <sup>a</sup> | 7,064 <sup>a</sup>  | 8,919 <sup>a</sup>  | 8,223 <sup>a</sup>  |
| 10 | Lease variation charge – Economic stimulus                     | 10,885                   | 5,165              | 11,596              | 969                 | 7,689               |

a – Actual costs. Others are estimated costs.

1. For the purposes of this statement, the charitable sector does not include non-government schools or hospitals, which are costed as separate categories.

## CABINET

Table 3 shows categories of beneficiaries by the value of tax benefits received. For 2020-21, small and medium businesses falling below the payroll tax threshold accounted for the largest share of the total benefits, followed by home buyers and the charitable sector.

**Table 3: Beneficiaries by value of tax benefits received**

|                                             | Revenue forgone (\$'000)  |                           |                           |                           |                           |
|---------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                             | 2016-17                   | 2017-18                   | 2018-19                   | 2019-20                   | 2020-21                   |
| <b>The business sector</b>                  | <b>148,000</b>            | <b>151,000</b>            | <b>154,000</b>            | <b>157,000</b>            | <b>160,000</b>            |
| Payroll tax threshold                       | 148,000                   | 151,000                   | 154,000                   | 157,000                   | 160,000                   |
| <b>Home buyers</b>                          | <b>13,328<sup>a</sup></b> | <b>9,882<sup>a</sup></b>  | <b>5,786<sup>a</sup></b>  | <b>45,275<sup>a</sup></b> | <b>73,609<sup>a</sup></b> |
| Home Buyer Concession Scheme                | 9,750 <sup>a</sup>        | 8,083 <sup>a</sup>        | 3,701 <sup>a</sup>        | 44,274 <sup>a</sup>       | 64,190 <sup>a</sup>       |
| Owner Occupier Duty Concession              | -                         | -                         | -                         | 0                         | 8,793 <sup>a</sup>        |
| Pensioner Duty Concession Scheme            | 1,748 <sup>a</sup>        | 1,731 <sup>a</sup>        | 2,005 <sup>a</sup>        | 909 <sup>a</sup>          | 626 <sup>a</sup>          |
| Over 60's Home Bonus Scheme <sup>2</sup>    | 1,770 <sup>a</sup>        | 4 <sup>a</sup>            | -                         | -                         | -                         |
| Disability Duty Concession Scheme           | 60 <sup>a</sup>           | 64 <sup>a</sup>           | 80 <sup>a</sup>           | 92 <sup>a</sup>           | 0 <sup>a</sup>            |
| <b>The charitable sector<sup>1</sup></b>    | <b>24,029</b>             | <b>24,054</b>             | <b>43,364</b>             | <b>27,235</b>             | <b>30,472</b>             |
| Payroll tax                                 | 19,000                    | 20,000                    | 20,000                    | 21,000                    | 21,000                    |
| Conveyance duty                             | 1,269 <sup>a</sup>        | 96 <sup>a</sup>           | 19,187 <sup>a</sup>       | 1,844 <sup>a</sup>        | 4,801 <sup>a</sup>        |
| General rates                               | 3,160                     | 3,346                     | 3,547                     | 3,760                     | 3,978                     |
| Fire and Emergency Services Levy            | 560                       | 571                       | 584                       | 594                       | 604                       |
| Motor Vehicle Duty                          | 40                        | 41                        | 46                        | 37                        | 89                        |
| <b>Non-government schools<sup>1</sup></b>   | <b>23,890</b>             | <b>25,203</b>             | <b>25,542</b>             | <b>26,897</b>             | <b>27,260</b>             |
| Payroll tax                                 | 18,000                    | 19,000                    | 19,000                    | 20,000                    | 20,000                    |
| General rates                               | 5,030                     | 5,331                     | 5,651                     | 5,990                     | 6,337                     |
| Fire and Emergency Services Levy            | 860                       | 872                       | 891                       | 907                       | 923                       |
| <b>Pensioners</b>                           | <b>20,062<sup>a</sup></b> | <b>20,031<sup>a</sup></b> | <b>21,545<sup>a</sup></b> | <b>22,087<sup>a</sup></b> | <b>22,517<sup>a</sup></b> |
| Motor vehicle registration                  | 9,439 <sup>a</sup>        | 9,832 <sup>a</sup>        | 11,242 <sup>a</sup>       | 11,704 <sup>a</sup>       | 11,918 <sup>a</sup>       |
| General rates rebate                        | 9,391 <sup>a</sup>        | 8,953 <sup>a</sup>        | 8,956 <sup>a</sup>        | 9,059 <sup>a</sup>        | 9,297 <sup>a</sup>        |
| Fire and Emergency Services Levy rebate     | 1,232 <sup>a</sup>        | 1,246 <sup>a</sup>        | 1,347 <sup>a</sup>        | 1,324 <sup>a</sup>        | 1,302 <sup>a</sup>        |
| <b>Non-government hospitals<sup>1</sup></b> | <b>5,700</b>              | <b>6,739</b>              | <b>6,779</b>              | <b>6,821</b>              | <b>6,865</b>              |
| Payroll tax                                 | 5,000                     | 6,000                     | 6,000                     | 6,000                     | 6,000                     |
| General rates                               | 600                       | 635                       | 673                       | 713                       | 755                       |
| Fire and Emergency Services Levy            | 100                       | 104                       | 106                       | 108                       | 110                       |
| <b>Others</b>                               | <b>44,371</b>             | <b>21,238</b>             | <b>37,932</b>             | <b>39,942</b>             | <b>63,222</b>             |

a – Actual costs. Others are estimated costs.

1. For the purposes of this statement, the charitable sector does not include non-government schools or hospitals, which are accounted for separately.

2. The Over 60's Home Bonus Scheme ended on 31 December 2016.

## 4 TAX EXPENDITURES BY REVENUE LINE

### Payroll tax

Payroll tax is a self-assessed State and Territory tax levied on an employer's payroll. In the ACT, a business is liable for payroll tax if their payroll exceeds \$2 million per year in wages Australia-wide and the tax is calculated based on wages paid or payable in relation to services performed in the ACT. The total taxable payroll includes wages and salaries, allowances, superannuation, fringe benefits and contractor payments.

Table 4 shows that the Territory's tax expenditure on payroll tax was \$211.9 million in 2020-21, a 0.9 per cent (or \$1.9 million) increase from the 2019-20 tax expenditure of \$210.0 million. The increase was mainly due to growth in the number of small and medium businesses who were exempt from payroll tax as a result of the ACT's high tax-free threshold<sup>3</sup> and increase in expenditures in the COVID-19 support measures that exempted JobKeeper payments from payroll tax.

**Table 4: Payroll tax – tax expenditures**

|                                                                | Revenue forgone (\$'000) |                      |                      |                      |                      |
|----------------------------------------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                | 2016-17 <sup>e</sup>     | 2017-18 <sup>e</sup> | 2018-19 <sup>e</sup> | 2019-20 <sup>e</sup> | 2020-21 <sup>e</sup> |
| <b>Tax-free threshold for small and medium businesses</b>      | 148,000                  | 151,000              | 154,000              | 157,000              | 160,000              |
| <b>Exempt employers</b>                                        |                          |                      |                      |                      |                      |
| The charitable sector <sup>1</sup>                             | 19,000                   | 20,000               | 20,000               | 21,000               | 21,000               |
| Non-government schools <sup>1</sup>                            | 18,000                   | 19,000               | 19,000               | 20,000               | 20,000               |
| Non-government hospitals <sup>1</sup>                          | 5,000                    | 6,000                | 6,000                | 6,000                | 6,000                |
| <b>Exempt wages</b>                                            |                          |                      |                      |                      |                      |
| Group Training Organisations – trainees and apprentices        | 440                      | 450                  | 460                  | 470                  | 480                  |
| Long term unemployed                                           | 200                      | 210                  | 210                  | 220                  | 220                  |
| Building and construction industry – the portable leave scheme | 20                       | 20                   | 20                   | 20                   | 20                   |
| <b>COVID-19 support</b>                                        |                          |                      |                      |                      |                      |
| Payroll tax waivers <sup>2</sup>                               | -                        | -                    | -                    | 3,300                | 0                    |
| Payroll tax exemption for new apprentice or trainee wages      | -                        | -                    | -                    | -                    | 0                    |
| Payroll tax exemption for JobKeeper Payments                   | -                        | -                    | -                    | 2,000                | 4,200                |
| <b>Total</b>                                                   | <b>190,660</b>           | <b>196,680</b>       | <b>199,690</b>       | <b>210,010</b>       | <b>211,920</b>       |

e – Estimated costs.

1. For the purposes of this statement, the charitable sector does not include non-government schools or hospitals.

<sup>3</sup> The payroll tax threshold in 2020-21 was \$2 million, unchanged from 2019-20.

2. In 2020-21, payroll tax waivers for businesses were provided as administrative waivers, a form of expense. This is different from 2019-20, when the support was provided as payroll tax credits, a form of revenue forgone. Refer to 'Table 1A – Tax waivers by revenue line' under Attachment A for details in 2020-21.

### **Tax-free threshold**

Employers (or groups of employers) with an annual total Australia-wide taxable payroll of \$2 million or under are not liable for payroll tax in the ACT. Employers (or groups of employers) with annual total Australia-wide taxable wages over \$2 million pay payroll tax on the portion of employer's total ACT wages that exceed the threshold.

If an employer also pays wages in other jurisdictions, the threshold entitlement of the employer will be lowered based on the proportion of the employer's (or group of employers') Australia-wide wages that is paid to ACT employees.

The threshold entitlement of an employer may also be reduced if they are part of an employer group. This is because under the grouping provisions, only one member of the group is entitled to claim the threshold.

The tax expenditure under this category only relates to private sector businesses. It does not cover any public sector business enterprises, nor does it cover not-for-profit entities (though also part of the private sector) such as non-government schools/hospitals and charities.

The benchmark tax-free threshold is assumed to be zero and the benchmark tax rate is assumed at the normal tax rate of 6.85 per cent (the 2020-21 rate). This means any tax-free threshold represents a concessional treatment and the value of revenue forgone relates to taxable wages both above and below the threshold. These parameters are adopted purely for costing purposes.

### **The charitable sector**

The charitable sector<sup>4</sup> is exempt from payroll tax. The costing is based on all wages in the sector, including wages below the threshold.

### **Non-government schools**

Independent and Catholic schools up to the secondary level are exempt from payroll tax. The costing is based on all wages in the sector, including wages below the threshold.

### **Non-government hospitals**

Non-government hospitals are exempt from payroll tax. The costing is based on all wages in the sector, including wages below the threshold.

### **Group Training Organisations – trainees and apprentices**

Group Training Organisations (GTOs) arrange work placements for trainees and apprentices with host firms. A GTO is the responsible employer for its trainees and apprentices, including the administration of payroll. The trainees and apprentices' wages are exempt from payroll tax.

Other wage expenses incurred by the GTO, such as those related to corporate staff, are subject to payroll tax as normal, with an entitlement to the tax-free threshold.

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<sup>4</sup> The charitable sector includes charities as well as organisations that have a beneficial organisation determination approved.

### **Long-term unemployed**

This exemption applies where an employer hires an employee who was previously unemployed for 12 months or longer. These employees' wages are exempt from payroll tax for the first 12 months of their employment.

### **Building and construction industry – portable leave scheme**

Employers in the building and construction industry make periodic contributions to the portable long service leave scheme (administered by the ACT Long Service Leave Authority). These contributions are made to fund the employees' leave entitlements, akin to superannuation contributions. However, unlike superannuation which is a component of the taxable payroll, the long service leave contribution is exempt from payroll tax.

Other industrial portable leave schemes are not exempt from payroll tax.

### **COVID-19 support – payroll tax waivers**

The Government provided businesses whose operations were directly affected by restrictions and prohibitions as part of the COVID-19 public health response a six-month waiver of payroll tax from 1 April to 30 September 2020. Businesses covered included hotels, clubs, cafes, restaurants, creative arts and entertainment industries, gyms and indoor sporting venues, cinemas, beauty therapists and nail salons. Businesses unable to operate, or only able to operate on a very limited basis, due to ACT Government health-related restrictions between 1 October 2020 and 30 June 2021 could access a further payroll tax waiver.

### **COVID-19 support – new apprentice or trainee wages**

Wages paid to apprentices or trainees employed after 1 August 2020 are exempt from payroll tax for the period from the start of employment until 30 June 2022. To ensure this applies only to new employees, the apprentice or trainee cannot have been employed by the business (or another business within the payroll tax group) at any time during the previous month from when the employment commenced.

### **COVID-19 support – payroll tax exemption for JobKeeper payments**

The Government provided an exemption from payroll tax for payments made under the Commonwealth Government's JobKeeper support package from 30 March 2020 to 28 March 2021.

## **General rates and Fire and Emergency Services Levy**

General rates and the Fire and Emergency Services Levy are taxes on residential and commercial properties in the ACT.

For both unit-titled and non-unit titled residential properties, general rates comprise of a fixed charge and a variable charge. However, the ways in which those charges are determined are different for the two types of property. This is to establish greater equity in general rates paid between unit titled and non-unit titled properties.

The variable charge of a residential property is calculated by applying a progressive rating factor to the property's average land value of the past three to five years (the Average Unimproved Value). Note that 2019-20 was the last year in which a three-year average was used to calculate the Average Unimproved Value. The Government is improving the stability and predictability of general rates for taxpayers by transitioning the basis on which they are calculated from a three-year to a five-year average of unimproved land value by 2021-22.

The Fire and Emergency Services Levy is a fixed amount across all residential properties, regardless of their land values.

Similar to residential properties, general rates for commercial properties also consist of a fixed charge and a variable charge, with the variable charge being calculated based on the Average Unimproved Value of the properties.

However, unlike residential properties, the Fire and Emergency Services Levy for commercial properties comprises a variable charge, which is imposed on the Average Unimproved Value of the properties using a set of marginal tax rates determined for the levy that is different from the rates determined for commercial general rates.

Table 5 shows that the Territory's tax expenditure on general rates concessions was \$49.2 million in 2020-21, an increase of 37.8 per cent (or \$13.5 million) from 2019-20. This increase was mainly a result of an increase in expenditures in the Government's support to households and businesses during the COVID-19 pandemic. The support included rates rebates provided to the residential and commercial property owners and a commercial rates relief for commercial property owners who reduced rent for tenants affected by COVID-19.

Table 6 shows the ACT's tax expenditure on the Fire and Emergency Services Levy was \$2.9 million in 2020-21, largely unchanged from 2019-20.



Table 5: General rates – tax expenditures

|                                                        | Revenue forgone (\$'000) |                    |                    |                     |                     |
|--------------------------------------------------------|--------------------------|--------------------|--------------------|---------------------|---------------------|
|                                                        | 2016-17                  | 2017-18            | 2018-19            | 2019-20             | 2020-21             |
| <b>Residential property</b>                            |                          |                    |                    |                     |                     |
| Pensioner rebate                                       | 9,391 <sup>a</sup>       | 8,953 <sup>a</sup> | 8,956 <sup>a</sup> | 9,059 <sup>a</sup>  | 9,297 <sup>a</sup>  |
| <b>Commercial property</b>                             |                          |                    |                    |                     |                     |
| Not-for-profit sector exemption                        | 3,160                    | 3,346              | 3,547              | 3,760               | 3,978               |
| Non-government schools exemption                       | 5,030                    | 5,331              | 5,651              | 5,990               | 6,337               |
| Non-government hospitals exemption                     | 600                      | 635                | 673                | 713                 | 755                 |
| Small clubs and car park spaces fixed charge exemption | 261 <sup>a</sup>         | 278 <sup>a</sup>   | 291 <sup>a</sup>   | 318 <sup>a</sup>    | 320 <sup>a</sup>    |
| <b>COVID-19 support</b>                                |                          |                    |                    |                     |                     |
| Commercial rates fixed charge rebate                   | -                        | -                  | -                  | 15,876 <sup>a</sup> | -                   |
| Commercial rental relief and owner-occupier rebate     | -                        | -                  | -                  | 8 <sup>a</sup>      | 2,521 <sup>a</sup>  |
| Residential rates rebate                               | -                        | -                  | -                  | -                   | 26,011 <sup>a</sup> |
| <b>Total</b>                                           | <b>18,442</b>            | <b>18,543</b>      | <b>19,118</b>      | <b>35,724</b>       | <b>49,219</b>       |

a – Actual costs. Others are estimated costs.

Table 6: Fire and Emergency Levy – tax expenditures

|                                    | Revenue forgone (\$'000) |                    |                    |                    |                    |
|------------------------------------|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | 2016-17                  | 2017-18            | 2018-19            | 2019-20            | 2020-21            |
| <b>Residential property</b>        |                          |                    |                    |                    |                    |
| Pensioner rebate                   | 1,232 <sup>a</sup>       | 1,246 <sup>a</sup> | 1,347 <sup>a</sup> | 1,324 <sup>a</sup> | 1,302 <sup>a</sup> |
| <b>Commercial property</b>         |                          |                    |                    |                    |                    |
| Not-for-profit sector exemption    | 560                      | 571                | 584                | 594                | 604                |
| Non-government schools exemption   | 860                      | 872                | 891                | 907                | 923                |
| Non-government hospitals exemption | 100                      | 104                | 106                | 108                | 110                |
| <b>Total</b>                       | <b>2,752</b>             | <b>2,793</b>       | <b>2,929</b>       | <b>2,933</b>       | <b>2,939</b>       |

a - Actual costs. Others are estimated costs.

## Pensioner rates rebate

A property owner who receives a Commonwealth Government or Department of Veterans' Affairs pension and is entitled to a Pensioner Concession Card or a War Veteran's pension is eligible for the pensioner general rates rebate. Rebate assistance applies only to the owner's principal place of residence.

## **CABINET**

Two schemes operated concurrently in 2020-21:

- A 50 per cent rebate with no upper limit (uncapped scheme). This scheme was closed on 1 July 1997 to new entrants but continued for those already in the scheme under grandfathering provisions.
- A 50 per cent rebate with a cap of \$700 (capped scheme). This scheme is applicable to pensioners who joined the scheme on or after 1 July 1997.

From 1 July 2016, the rebate under the uncapped scheme is frozen at 2015-16 level if it exceeds \$700.

In 2020-21, the Territory's revenue forgone for pensioner rates rebate was largely unchanged compared to 2019-20. This is due to an increase in the uptake of the capped scheme, offset by a decrease in the number of recipients in the uncapped scheme.

### **Pensioner Fire and Emergency Services Levy rebate**

A property owner who is eligible for the pensioner general rates rebate is also eligible for the pensioner Fire and Emergency Services Levy rebate.

In 2020-21, the Fire and Emergency Services Levy was a fixed amount of \$344 per property<sup>5</sup> and the rebate was \$98 per property, regardless of the property's land value.

### **The charitable sector**

The charitable sector<sup>6</sup> is exempt from commercial general rates and the Fire and Emergency Services Levy for properties they own and use for charitable purposes.

### **Non-government schools**

Independent and Catholic schools up to the secondary level are exempt from general rates and the Fire and Emergency Services Levy.

### **Non-government hospitals**

Non-government hospitals that do not operate for a profit are exempt from general rates and the Fire and Emergency Services Levy.

For-profit hospitals and clinics are not exempt.

### **Small clubs and car park spaces fixed charge exemption**

The Government provides rates relief to some small community clubs and unit titled car park spaces, by exempting them from the fixed charge component of commercial general rates. The fixed charge for commercial general rates was \$2,622 for all commercial properties. These clubs and owners of

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<sup>5</sup> See Disallowable Instrument DI2020-210.

<sup>6</sup> The charitable sector for this purpose includes charities and organisations that have a beneficial organisation determination approved. One exception, though, is the community housing sector, which is subject to general rates and the Fire and Emergency Services Levy as normal.

car park spaces remain liable for the variable charge component of commercial general rates, as well as the Fire and Emergency Services Levy.

This program will be reviewed at the end of the 2023-24 financial year<sup>7</sup>.

### **COVID-19 support – commercial rates fixed charge rebate**

The Government provided owners of commercial property with an Average Unimproved Value of \$2 million or less with a full rebate on their commercial rates fixed charge for the 2019-20 financial year (\$2,622 per property).

### **COVID-19 support – rental relief and owner-occupier rebate scheme**

The Government provided general rates relief from 1 April 2020 to 31 January 2021, to commercial property owners who, consistent with the National Cabinet Mandatory Code of Conduct, negotiated in good faith to reduce rent for tenants affected by COVID-19. Commercial property owners who operated businesses from premises they own were also eligible for assistance if they had been negatively affected by COVID-19. This declaration was reinstated from 12 August 2021 when the ACT was placed into lockdown due to the outbreak of the Delta variant. The relief from the reinstatement will be recorded in 2021-22 Tax Expenditure Statement.

### **COVID-19 support – residential rates rebate**

During 2020-21, the Government provided a one-off \$150 rates rebate to help offset general rates increases in order to provide relief to households challenged by the COVID-19 pandemic. The rebate was automatically applied to the fixed charge component of residential rates bills in 2020-21.

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<sup>7</sup> See Notifiable Instrument NI2020-776.

## Land tax

Land tax applies to all residential properties in the ACT that are not a principal place of residence. This includes both rented properties and those which are vacant, properties owned as a trustee, and rented dwellings on the same property as a person's home (such as a granny flat).

Table 7 shows that the Territory's tax expenditure on land tax was around \$0.2 million in 2020-21. This was lower than 2019-20 as the ACT Government provided residential tenancy relief was provided as a land tax waiver (a form of expense) in 2020-21 whereas in 2019-20 the support took the form of revenue foregone. The support was for renters affected by COVID-19 by encouraging landlords to charge lower rents through a land tax incentive.

**Table 7: Land tax – tax expenditures**

|                                         | Revenue forgone (\$'000) |         |                      |                      |                      |
|-----------------------------------------|--------------------------|---------|----------------------|----------------------|----------------------|
|                                         | 2016-17                  | 2017-18 | 2018-19 <sup>a</sup> | 2019-20 <sup>a</sup> | 2020-21 <sup>a</sup> |
| Affordable community housing exemption  | -                        | -       | 1                    | 87                   | 205                  |
| <b>COVID-19 support</b>                 |                          |         |                      |                      |                      |
| Residential tenancy relief <sup>1</sup> | -                        | -       | -                    | 458                  | 0                    |
| <b>Total</b>                            | -                        | -       | <b>1</b>             | <b>545</b>           | <b>205</b>           |

a – Actual costs.

1. In 2020-21, residential tenancy relief was provided as administrative land tax waivers, a form of expense. This is different from 2019-20, when the support was provided as land tax credits, a form of revenue forgone. Refer to 'Table 1A – Tax waivers by revenue line' under Attachment A for details in 2020-21.

## Affordable community housing exemption

The ACT Government provides a land tax exemption for properties rented at less than 75 per cent of the market rent through a registered community housing provider. This exemption is part of the Government's Housing Strategy to provide affordable community housing to people in low-moderate income brackets, who may not qualify for public housing and are susceptible to housing stress in the private rental market. This measure commenced on 28 March 2019. The cap on the number of properties that can access the scheme was increased from 125 to 250 properties from 2 February 2021.<sup>8</sup>

## COVID-19 support – residential tenancy relief

The ACT Government provided a land tax credit to landlords of residential properties who reduced rents by at least 25 per cent for tenants affected by COVID-19. The credit was equal to 50 per cent of the rent reduction, up to \$1,300 per quarter (around \$100 per week), for the period 1 April 2020 to 30 June 2021. The scheme provided rent relief of up to \$200 per week. The scheme was continued in 1 August 2021 to 31 December 2021 and will be recorded in 2021-22 Tax expenditure statement.

<sup>8</sup> See Determination DI2021-18.

## Conveyance Duty

Conveyance duty is levied on the agreement for the sale or transfer of land, a Crown lease or a land use entitlement for residential and commercial properties located in the ACT. The duty rates are generally applied to the transfer value of the property.

Table 8 shows that the Territory's tax expenditure on conveyance duty was \$79.7 million in 2020-21, an increase of 60.5 per cent (or \$30.0 million) from 2019-20. This significant increase in conveyance duty tax expenditures was mainly due to an increase in the take-up of the Home Buyer Concession Scheme as it was extended to all residential properties with no limit on the value of the property being purchased. A COVID-19 support measure that provided duty concessions to owner occupiers also contributed considerably to the rise in conveyance duty tax expenditures.

These increases were partially offset by a reduction in the duty exemption for community housing. The expenditure in the duty exemption for community housing can vary significantly from year to year depending on the development pipeline of community housing providers.

The take-up rate of the Loose-fill Asbestos Insulation Eradication Buyback Concession Scheme decreased as most of the affected properties have been bought back by the Government and the owners have purchased and settled on new properties.

**Table 8: Conveyance Duty – tax expenditures**

|                                                                      | Revenue forgone (\$'000) |                      |                      |                      |                      |
|----------------------------------------------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                      | 2016-17 <sup>a</sup>     | 2017-18 <sup>a</sup> | 2018-19 <sup>a</sup> | 2019-20 <sup>a</sup> | 2020-21 <sup>a</sup> |
| <b>Duty exemption</b>                                                |                          |                      |                      |                      |                      |
| Community housing                                                    | 2,322                    | 771                  | 1,109                | 2,058                | 1,200                |
| <b>Duty concessions</b>                                              |                          |                      |                      |                      |                      |
| The charitable sector                                                | 1,269                    | 96                   | 19,187               | 1,844                | 4,801                |
| Loose-fill Asbestos Insulation Eradication Buyback Concession Scheme | 15,945                   | 989                  | 362                  | 501                  | 107                  |
| <b>Home buyer assistance</b>                                         |                          |                      |                      |                      |                      |
| Home Buyer Concession Scheme                                         | 9,750                    | 8,083                | 3,701                | 44,274               | 64,190               |
| Pensioner Duty Concession Scheme                                     | 1,748                    | 1,731                | 2,005                | 909                  | 626                  |
| Over 60's Bonus Scheme                                               | 1,770                    | 4                    | -                    | -                    | -                    |
| Disability Duty Concession Scheme                                    | 60                       | 64                   | 80                   | 92                   | 0                    |
| <b>COVID-19 Support</b>                                              |                          |                      |                      |                      |                      |
| Owner Occupier Duty Concession                                       | -                        | -                    | -                    | 0                    | 8,793                |
| <b>Total</b>                                                         | <b>32,864</b>            | <b>11,738</b>        | <b>26,444</b>        | <b>49,678</b>        | <b>79,717</b>        |

a – Actual costs. Others are estimated costs.

## **Community housing**

Declared community housing providers<sup>9</sup> are exempt from conveyance duty on purchases of properties that are used for community housing.

## **Loose-fill Asbestos Insulation Eradication Buyback Concession Scheme**

This scheme forms part of the ACT Government's broader strategies to eradicate loose-fill asbestos in the Territory.

Mr Fluffy homeowners who opted into the voluntary buyback program are eligible for a duty concession on the purchase of a replacement property. The buyback program was extended to 17 August 2021, from the original end date of 30 June 2015.

The value of the concession is linked to the value of the property surrendered (the asbestos affected property). If the new purchase is valued at less than that of the property surrendered (a "downsize"), duty will be fully offset.

If the purchase is valued more than the property surrendered, there will be a partial duty payable on the price differential, that is:

- duty calculated on the new property (the higher amount);  
*minus*
- duty credit on the surrendered property (the lower amount).

## **The charitable sector**

The charitable sector<sup>10</sup> is exempt from duty on transfers of properties.

## **Home Buyer Concession Scheme**

The Home Buyer Concession Scheme is available to eligible first home buyers, as well as buyers who have not owned a property in the previous two years.

Prior to 1 July 2019, to access the concession, the applicant had to purchase a new residential property or a vacant block of land, satisfy the ownership test, household income test, property value test and residency requirements. In addition, the applicant had to continuously live in the property for 12 months or more after moving in.

From 1 July 2019, the concession was extended to all residential properties in the ACT, including established homes. The property value thresholds were also removed, allowing residential properties at any price to be eligible for the concession.

## **Pensioner Duty Concession Scheme and Over 60's Home Bonus Scheme**

The Pensioner Duty Concession Scheme was available to Centrelink and Department of Veterans' Affairs age pensioners, disability support pensioners aged 50 and over, or a person who held a

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<sup>9</sup> Declared community housing providers include Housing ACT and Community Housing Canberra. Housing ACT is a Public Trading Enterprise reporting as a not-for-profits entity, which is included in the scope of this statement.

<sup>10</sup> The charitable sector includes charities and organisations that have a beneficial organisation determination approved.

Department of Veterans' Affairs' Gold Card for more than one year. Under either scheme, the applicant had to continuously live in the property for 12 months or more after moving in. The purchase had to take place within 12 months of the sale of the applicant's previous property. The Government announced the extension of the Pensioner Duty Concession Scheme to 30 June 2021.

Up until 31 December 2016, the Government also provided the Over 60's Home Bonus Scheme, which was the Pensioner Duty Concession Scheme equivalent for non-pensioners aged 60 and over. The Over 60's Home Bonus Scheme ceased on 31 December 2016.

Table 7 shows the property value thresholds for the Pensioner Duty Concession over the course of 2020-21.

**Table 9: Pensioner Duty Concession Scheme, property value thresholds,  
1 July 2020 to 30 June 2021<sup>11</sup>**

|              | Lower threshold<br>No duty for purchases up to the<br>lower threshold | Upper threshold<br>No concession for purchases over<br>the upper threshold |
|--------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------|
| Dwelling     | \$440,000                                                             | \$570,000                                                                  |
| Vacant block | \$278,650                                                             | \$390,000                                                                  |

For purchases valued less than or equal to the lower threshold, no duty is applied. For purchases valued between the lower threshold and the upper threshold, concessional duty is applied. No concession is available for purchases where the values exceed the upper threshold.

### **Disability Duty Concession Scheme<sup>12</sup>**

The Disability Duty Concession Scheme commenced on 1 July 2016. It is available to individuals with a long-term and permanent disability.

To access the concession, the applicant must qualify for an individual funding package under the National Disability Insurance Scheme, satisfy the ownership test and residency requirements. In addition, the applicant must purchase a home valued at \$750,000 or less and acquire at least 51 per cent interest in the home.

### **COVID-19 support – Owner Occupier Duty Concession**

The ACT Government offered stamp duty concessions for eligible home buyers. The following concessions apply to contracts exchanged between 4 June 2020 and 30 June 2021:

- No stamp duty on single residential dwelling block.
- No stamp duty on off-the-plan unit (unit-titled apartment and townhouses) purchases up to \$500,000.
- An \$11,400 stamp duty reduction for off-the-plan unit (unit-titled apartment and townhouses) purchases between \$500,000 and \$750,000

<sup>11</sup> See Disallowable Instrument DI2020-178, which commenced on 1 July 2020 and expired on 30 June 2021.

<sup>12</sup> See Disallowable Instrument DI2017-228.

## Motor Vehicle Duty

Motor Vehicle Duty is levied on the establishment of a registration or the transfer of a motor vehicle. The duty rate applied to each new vehicle is subject to the environmental performance rating of that vehicle. The rating is assigned according to the motor vehicle emission data published in the Green Vehicle Guide, from Rating A – the most environmentally friendly, to Rating D – the least. All second-hand vehicles are taxed at Rating C.

Table 10 below shows that the Territory's tax expenditure on Motor Vehicle Duty is estimated at \$9.6 million in 2020-21, a decrease of 3.1 per cent (or \$0.3 million) from 2019-20. The decrease was a result of a fall in the number of green rated vehicles that received a duty concession, which was reflective of a broader fall in the total establishments of a registration and transfers of a motor vehicle.

**Table 10: Motor Vehicle Duty – tax expenditures**

|                                         | Revenue forgone (\$'000) |                    |                    |                    |                    |
|-----------------------------------------|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                                         | 2016-17                  | 2017-18            | 2018-19            | 2019-20            | 2020-21            |
| <b>Duty exemption</b>                   |                          |                    |                    |                    |                    |
| People with certain disabilities        | 40                       | 41                 | 44                 | 31                 | 44                 |
| The charitable sector                   | 40                       | 41                 | 46                 | 37                 | 89                 |
| Veteran, vintage and historic vehicles  | 10                       | 10                 | 26                 | 8                  | 9                  |
| Caravans and camp trailers              | 820                      | 850                | 906                | 841                | 1,198              |
| <b>Duty concession</b>                  |                          |                    |                    |                    |                    |
| Vehicle Emission Reduction Scheme       | 6,984 <sup>a</sup>       | 7,547 <sup>a</sup> | 7,064 <sup>a</sup> | 8,919 <sup>a</sup> | 8,223 <sup>a</sup> |
| Rebates for owners of hail-damaged cars | -                        | -                  | -                  | 44 <sup>a</sup>    | 14 <sup>a</sup>    |
| <b>Total</b>                            | <b>7,894</b>             | <b>8,489</b>       | <b>8,086</b>       | <b>9,880</b>       | <b>9,577</b>       |

a – Actual costs. Others are estimated costs.

### People with disabilities

People with certain disabilities are eligible for a partial duty exemption on purchases of disability modified vehicles. The value of the modification is exempt from duty. Veterans with certain disabilities are eligible for a full exemption.

### The charitable sector

The charitable sector<sup>13</sup> is exempt from duty on purchases of motor vehicles.

### Veteran, vintage and historic vehicles

Veteran, vintage or historic vehicles are exempt from Motor Vehicle Duty.

<sup>13</sup> The charitable sector includes charities and organisations that have a beneficial organisation determination approved.



## CABINET

A veteran vehicle is a motor vehicle built before 1919 and a vintage vehicle is a motor vehicle built between 1918 and 1931. A historic vehicle is a motor vehicle other than a veteran vehicle or a vintage vehicle and built more than 30 years before it was registered.

Vintage vehicles are often affiliated to car clubs. The Government exempts these vehicles from duty to recognise that they are used purely as a hobby and on a limited basis.

### Caravans and camp trailers

Non-motorised caravans and camp trailers are exempt from duty.

### Vehicle Emission Reduction Scheme

This scheme establishes the marginal rates of Motor Vehicle Duty based on the vehicle's performance rating, which is applied according to the vehicle's emission level.

Table 11 shows the performance rating scale.

**Table 11: Vehicle Performance Ratings Under the Vehicle Emissions Reduction Scheme**

| Vehicle Performance Rating | Description                                                       | Carbon Dioxide (CO <sub>2</sub> ) emissions in grams per kilometre (g/km) |
|----------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------|
| A                          | Environmental leading-edge models                                 | 0-130                                                                     |
| B                          | Models with significantly above-average environmental performance | 131-175                                                                   |
| C                          | Models with average environmental performance                     | 176-220                                                                   |
| D                          | Models with below-average environmental performance               | 221 and above                                                             |

In terms of the duty rate, A-rated vehicles are duty free, while vehicles rated B, C and D are taxed at increasing rates.

Costing of this tax expenditure has been undertaken using Rating C as the benchmark given this rating applies to most vehicles. The tax rates applied to C-rated vehicles have been used as the standard tax rates for calculating the duty forgone from greener vehicles (i.e. vehicles with Rating A or Rating B) that pay concessional duties.

It should be noted that while the tax rates of Rating D are higher than Rating C, Rating D is not considered an appropriate benchmark as tax rates of this rating are effectively a surcharge that discourages purchases of higher emission cars.

The value of duty forgone from the Vehicle Emission Reduction Scheme is calculated as the total of:

- duty forgone on A-rated vehicles relative to Rating C; and
- duty forgone on B-rated vehicles relative to Rating C.

**Rebates for owners of hail-damaged cars**

The ACT Government provided a motor vehicle duty rebate of up to \$100 for vehicles with a value of \$10,000 or less that were purchased to replace a vehicle written-off as a result of the hailstorm occurred in January 2020. The rebates applied to privately registered vehicles in the ACT and was in place from late February 2020 until 31 October 2020.

## Motor vehicle registration fees

Motor vehicle registration fees are payable upon the renewal of a registration. They are calculated based on the tare weight of the vehicle and the length of the registration. Vehicle owners are able to register for 3, 6 or 12 months.

Table 11 shows that the Territory's tax expenditure on motor vehicle registration fees was \$12.4 million in 2020-21, an increase of 3.4 per cent (or \$0.4 million) from 2019-20. This increase in revenue forgone for motor vehicle registration fees was largely due to an increase in exemptions provided to pensioners and concessions provided to gas and electrical vehicles.

**Table 12: Motor vehicle registration fee – tax expenditures**

|                           | Revenue forgone (\$'000) |                      |                      |                      | 2020-21 <sup>a</sup> |
|---------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                           | 2016-17 <sup>a</sup>     | 2017-18 <sup>a</sup> | 2018-19 <sup>a</sup> | 2019-20 <sup>a</sup> |                      |
| <b>Exemption</b>          |                          |                      |                      |                      |                      |
| Pensioners                | 9,439                    | 9,832                | 11,242               | 11,704               | 11,918               |
| <b>Concessions</b>        |                          |                      |                      |                      |                      |
| Gas and electric vehicles | 85                       | 273                  | 245                  | 262                  | 451                  |
| Primary producers         | 14                       | 13                   | 13                   | 12                   | 11                   |
| <b>Total</b>              | <b>9,538</b>             | <b>10,117</b>        | <b>11,500</b>        | <b>11,978</b>        | <b>12,380</b>        |

a - Actual costs.

## Pensioners

Holders of a current Centrelink pensioner concession card; a Department of Veterans' Affairs pensioner concession card; or a Repatriation Health Card ('gold card') issued by the Department of Veteran's Affairs (where the card does not indicate that the card holder is a dependant) are eligible for a 100 per cent discount on the registration of one vehicle in the card holder's name.

Holders of a Seniors Card are eligible for 10 per cent discount on the registration of one vehicle in the card holder's name.

## Gas and electric vehicles

Gas, electric, plug-in hybrid or hydrogen fuel cell powered vehicles are entitled to 20 per cent discount on the registration. Where such a vehicle is owned by a Seniors Card holder, a 28 per cent discount applies.

## Primary producers

Motor vehicles used in primary production receive a 45 per cent discount on the motor vehicle registration fee. The concession can only be applied to two goods carrying vehicles, one goods carrying or fixed load trailer and one vehicle with a body type of 'tractor'.

If the vehicle is gas, electric, plug-in hybrid or hydrogen fuel cell powered, it receives a 55 per cent discount on the motor vehicle registration fee.

## **Lease Variation Charge**

The value of a lease associated with a block of land is likely to increase when the lease holder seeks to vary the permitted use of the lease to allow new or additional development. The Lease Variation Charge is levied on this value uplift to capture any increase in development rights. The charge is assessed as part of the development approval process.

There are two types of chargeable variations:

- Section 276E – codified lease variation. The Lease Variation Charge for a variety of variations is set under a fee schedule. The set charge represents the value uplift to be expected from the particular variation given the type and location of proposed development.
- Section 277 – non-codified lease variation. These variations apply to more complex developments such as mixed residential and commercial developments. For a section 277 variation, the Lease Variation Charge is levied based on 75 per cent of the value uplift that has been determined by valuations assessed before and after the proposed variation.

Since the Lease Variation Charge was introduced in 2011, the Government has offered a range of remissions and exemptions to achieve positive development and economic outcomes. From 4 March 2014, the Government provided additional remissions for several types of lease variations through an economic stimulus package. The package was designed to support the building and construction industry and keep the wider economy growing during a period of economic uncertainty. While the package ceased on 6 March 2018, the Government did extend the application period of one remission in the package – the remission for environmentally sustainable developments – to 30 June 2019.

The concessions offered on the Lease Variation Charge are tax expenditures. Table 12 shows that the Territory's tax expenditure on the Lease Variation Charge was \$17.5 million in 2020-21, representing a significant rise from 2019-20. This increase was mainly due to increase in the economic stimulus and remissions paid to non-codified lease variations and a rise in the COVID-19 support payment provided to the construction sector.

Table 13: Lease Variation Charge – tax expenditures

|                                                                                                        | Revenue forgone (\$'000) |                      |                      |                      |                      |
|--------------------------------------------------------------------------------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                        | 2016-17 <sup>a</sup>     | 2017-18 <sup>a</sup> | 2018-19 <sup>a</sup> | 2019-20 <sup>a</sup> | 2020-21 <sup>a</sup> |
| Affordable rental development concession                                                               | -                        | -                    | -                    | 0                    | 0                    |
| <b>S276E – Codified variation</b>                                                                      |                          |                      |                      |                      |                      |
| Economic stimulus – residential – extra 30 per cent remission                                          | 117                      | 0                    | 94                   | -                    | -                    |
| Housing assistance – extra 25 per cent remission                                                       | 2                        | 112                  | 10                   | 111                  | 14                   |
| <b>S277 – Non-codified variation</b>                                                                   |                          |                      |                      |                      |                      |
| Economic stimulus – extra 25 per cent remission <sup>1</sup>                                           | 10,885                   | 5,156                | 11,596               | 969                  | 7,689                |
| Environmentally sustainable development / Economic stimulus – sustainable or adaptable building design | 5,874                    | 3,417                | 14,944               | 2,992                | 6,674                |
| Environmental remediation of former service station                                                    | 0                        | 551                  | 0                    | 0                    | 0                    |
| <b>COVID-19 support</b>                                                                                |                          |                      |                      |                      |                      |
| Construction sector remission                                                                          | -                        | -                    | -                    | 0                    | 3,142                |
| <b>Total</b>                                                                                           | <b>16,878</b>            | <b>9,236</b>         | <b>26,644</b>        | <b>4,072</b>         | <b>17,519</b>        |

a – Actual costs.

1. While this stimulus measure ceased on 6 March 2018, remissions are payable once determined notwithstanding the termination of the Disallowable Instrument.

### Affordable rental development concession<sup>14</sup>

The ACT Government introduced a 25 per cent remission on the Lease Variation Charge for registered community housing providers to encourage the development of more affordable rental housing for low to moderate income households. The remission applies to both a section 276E or a section 277 lease variation.

The remission commenced on 1 October 2019 and will be available for an initial period expiring on 30 June 2022. There was no take-up for the remission in 2020-21.

### Economic stimulus – residential lease variations – extra 30 per cent remission<sup>15</sup>

As part of the ACT Government's economic stimulus package, a section 276E residential lease variation was eligible for an extra 30 per cent remission on the Lease Variation Charge, should such a lease variation seek to increase the number of dwellings permitted on the block. This stimulus package ceased on 30 June 2018.

<sup>14</sup> See Disallowable Instrument DI2019-229. This instrument took effect on 1 October 2019 and will expire on 30 June 2022.

<sup>15</sup> This stimulus measure took effect through Disallowable Instrument DI2014-201 on 1 July 2015. It was extended to 30 June 2018 via Disallowable Instrument DI2017-208.

### **Housing assistance – extra 25 per cent remission<sup>16</sup>**

The ACT Government provides an additional 25 per cent remission where the purpose of the lease variation is for the provision of housing assistance. The remission applies if the lease was granted to the housing commissioner for a term beginning prior to 17 December 1987 and the housing commissioner is the lessee.

### **Economic stimulus – extra 25 per cent remission<sup>17</sup>**

As part of the ACT Government's economic stimulus package, a section 277 variation may be eligible for a 25 per cent remission on the Lease Variation Charge, provided there is a development approval, and that the development approval relates to the construction of a building on the land. This stimulus package ceased on 6 March 2018; however, remissions were payable once determined notwithstanding the termination of the Disallowable Instrument.

### **Environmentally sustainable development<sup>18</sup> / Economic stimulus – sustainable or adaptable building design<sup>19</sup>**

The Lease Variation Charge levied on a section 277 variation may be eligible for a remission of up to 25 per cent, provided that the building development to which the variation relates complies with the requirements for energy efficiency of:

- A Green Star rating of 5 or 6 for the commercial sector; or
- A Nationwide House Energy Rating Scheme (NatHERS) rating of 6.5 or more for the residential sector.

The objective of this policy was to support high-level environmentally sustainable outcomes for the ACT by encouraging developers to deliver higher sustainability outcomes above the industry norm.

Essentially, this policy was a continuation of the environmental sustainability remission component of the *Economic stimulus – sustainable or adaptable building design*, which provided an additional remission of up to 25 per cent to buildings that comply with either the abovementioned energy efficiency requirements (i.e., the environmental sustainability remission component) or the Australian standard for adaptable housing.

The *Economic stimulus – sustainable or adaptable building design* ceased on 6 March 2018, while the *Environmentally sustainable development* ceased on 30 June 2019; however, some remissions were paid in 2020-21.

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<sup>16</sup> See Disallowable Instruments DI2011-318 and DI2018-93.

<sup>17</sup> This stimulus measure took effect through Disallowable Instrument DI2014-48 on 6 March 2014. It was extended via Disallowable Instrument DI2016-28 which expired on 6 March 2018.

<sup>18</sup> This environmental sustainability remission for the lease variation charge was introduced by the Planning and Development (Remission of Lease Variation Charges - Environmental Sustainability) Determination 2018 (No.1) (DI2018-40) on 7 March 2018. It was later extended by Disallowable Instrument DI2018-89 which expired on 30 June 2019.

<sup>19</sup> This stimulus measure was announced along with the *Economic stimulus – 25 per cent remission* and ceased on 6 March 2018.

## **CABINET**

### **Environmental remediation of former service stations**

A lease variation involving rehabilitation of the site of a former service station receives a full Lease Variation Charge exemption.

**COVID-19 support – construction sector remission**

As part of the ACT Government's Economic Survival and Recovery Package, a 50 per cent remission on the Lease Variation Charge (capped at \$250,000) has been provided where an application to enter the Lease Variation Charge deferred payment scheme was made between 25 June 2020 and 23 December 2020. To receive this remission, construction must commence by 31 March 2021 regardless of when the development application was lodged or approved. This stimulus measure has been extended by six months to 30 June 2021 at a lower remission rate of 25 per cent (capped at \$125,000), with the requirement to commence construction by 31 January 2022.



## Water Abstraction Charge

The Water Abstraction Charge is paid by users who are licensed to take water in the ACT. The charge reflects the value of water as a scarce resource, as well as the Territory's costs incurred in relation to water catchment management and environmental protection.

For 2020-21, the Water Abstraction Charge rate for non-potable water (surface and ground water) was \$0.305 per kilolitre of water. The tax expenditures reflect the ACT Government's concession schemes in relation to the extraction of non-potable water.

Table 13 shows that the Territory's tax expenditure on the Water Abstraction Charge was \$0.5 million in 2020-21, an increase of 7.3 per cent from 2019-20. The increase in Water Abstraction Charge tax expenditure was due to an increase in the volume of water used due to high levels of rainfall and take up of the non-potable water rebate for High intensity Club Users

**Table 14: Water Abstraction Charge – tax expenditures**

|                                                       | Revenue forgone (\$'000) |                      |                      |                      |                      |
|-------------------------------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                       | 2016-17 <sup>a</sup>     | 2017-18 <sup>a</sup> | 2018-19 <sup>a</sup> | 2019-20 <sup>a</sup> | 2020-21 <sup>a</sup> |
| Golf Clubs - Market Equity Scheme                     | 98                       | 193                  | 193                  | 161                  | 106                  |
| Golf Clubs - Infrastructure Offset Scheme             | 100                      | 190                  | 190                  | 160                  | 110                  |
| Agriculture - Competition Equalisation Payment Scheme | 154                      | 167                  | 152                  | 116                  | 114                  |
| High-intensity Club Users – Non-potable Water Rebate  | -                        | -                    | -                    | -                    | 139                  |
| <b>Total</b>                                          | <b>352</b>               | <b>550</b>           | <b>536</b>           | <b>438</b>           | <b>469</b>           |

a - Actual costs.

### Golf Clubs - Market Equity Scheme

Under the scheme, ACT golf clubs receive a 50 per cent discount on the Non-potable Water Abstraction Charge incurred in relation to the extraction of non-potable water for the maintenance of golf courses.

This Scheme was introduced to provide parity between ACT and NSW golf clubs by providing the same support to all golf clubs regardless of their ability to invest in significant infrastructure upgrades to improve water efficiency.

### Golf Clubs – Infrastructure Offset Scheme

Under the scheme, ACT golf clubs could claim an offset until the end of 2020 on their Non-potable Water Abstraction Charge liabilities for eligible capital expenditure invested into water saving infrastructure during the period 2002 to 2015.

If the available offset amount for a golf club was greater than its Non-potable Water Abstraction Charge bill, the liability was fully offset, such that no charge was payable.

Under the scheme golf clubs were required to demonstrate to the ACT Government how their capital spending was linked to improved water efficiency outcomes.

## **CABINET**

### **High-intensity Club Users – Non-potable Water Rebate**

Under the scheme, high-intensity club users of non-potable water can receive a rebate for charges incurred in 2020-21 financial year. The rebate covers recycled water charges related to the Lower Molonglo Water Quality Control Centre, stormwater water charges related to the Inner North Reticulation Network, and the Non-potable Water Abstraction Charge for surface and ground water.

The Government put in place a temporary rebate for non-potable water usage by high-intensity club users from 1 July 2020 to 30 June 2021 and extended the rebate up to a capped amount until 31 December 2021 as part of the 2021-22 Budget.

### **Agriculture – Competition Equalisation Payment Scheme**

Under the scheme, eligible ACT irrigators receive a 99 per cent rebate on Non-potable Water Abstraction for water used in primary production. This rebate reduces the cost of non-potable water for ACT irrigators to a level that is no more than that of the NSW irrigators operating in the surrounding region.

## ATTACHMENT A – WAIVERS

Section 131 of the *Financial Management Act 1996* (FMA) allows the Treasurer or his delegate to waive a debt owed to the Territory. A tax waiver releases a taxpayer from the obligation of paying a tax liability. Waivers are not tax expenditures. They are administrative actions taken on a case-by-case basis, whereas tax expenditures are government policies that are applied across taxpayers. The FMA does not specify criteria for assessing waiver requests; the power to provide waivers is discretionary in nature.

The annual financial statements of individual Directorates contain more information on tax waivers.<sup>20</sup>

In 2020-21, 67 tax waivers were granted under section 131 of the FMA, totalling around \$7.9 million (Table A1).

**Table A1: Tax waivers by revenue line<sup>1</sup>**

|                            | 2016-17   |              | 2017-18  |              | 2018-19   |              | 2019-20   |            | 2020-21   |              |
|----------------------------|-----------|--------------|----------|--------------|-----------|--------------|-----------|------------|-----------|--------------|
|                            | Number    | \$'000       | Number   | \$'000       | Number    | \$'000       | Number    | \$'000     | Number    | \$'000       |
| Payroll Tax <sup>2,3</sup> | 4         | 1,716        | 3        | 1,500        | 4         | 1,820        | 0         | 0          | 5         | 5,922        |
| Conveyance Duty            | 2         | 93           | 1        | 8            | 0         | 0            | 0         | 0          | 1         | 11           |
| Land Tax <sup>4,5</sup>    | 3         | 42           | 0        | 0            | 7         | 235          | 8         | 33         | 8         | 457          |
| General Rates <sup>6</sup> | 2         | 28           | 0        | 0            | 3         | 89           | 1         | 100        | 52        | 1,427        |
| Land Rent                  | 1         | 12           | 0        | 0            | 1         | 45           | 0         | 0          | 1         | 52           |
| Lease Variation Charge     | 0         | 0            | 1        | 394          | 0         | 0            | 1         | 7          | 1         | 10           |
| <b>Total</b>               | <b>12</b> | <b>1,891</b> | <b>5</b> | <b>1,902</b> | <b>15</b> | <b>2,189</b> | <b>10</b> | <b>140</b> | <b>67</b> | <b>7,879</b> |

<sup>20</sup>As of 2020-21, two Directorates had tax administration responsibilities: the Environment and Planning Directorate was responsible for the administration of the Lease Variation Charge, and the Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office and Access Canberra) was responsible for the administration of all other taxes.

## CABINET

**Source:** ACT Government

**Notes:**

1. The number for waivers represents the number of signed waiver instruments, not the number of taxpayers being granted the waiver.
2. All payroll tax waivers provided in 2019-20 were provided as part of the COVID-19 support measure, and as they were non-discretionary have been treated as tax expenditures and therefore excluded from this section. The ACT Government provided payroll tax waivers to a number of businesses through agreements that were executed in 2020-21. While the agreements have retrospective effects, including in 2019-20, the payroll tax waivers will only be reflected in the 2020-21 financial year.
3. Of the \$5.9 million worth of payroll tax waivers provided by the ACT Government in 2020-21, \$3.7 million was provided as part of the COVID-19 support measures.
4. In 2019-20, the land tax waivers provided as part of the residential tenancy relief, a COVID-19 support measure, has been treated as tax expenditures as it was non-discretionary and therefore excluded from this section.
5. Of the \$457,000 worth of land tax waivers provided by the ACT Government in 2020-21, \$393,000 was provided under the residential tenancy relief, a COVID-19 support measure.
6. Of the \$1.427 million worth of general rates waivers provided by the ACT Government in 2020-21, \$1.419 million was provided as commercial rates credit for properties greater than \$2 million, a COVID-19 support measure.

## CABINET

### Waivers of fees and charges

Additionally, Tables A2 and A3 show the waivers granted under section 131 of the FMA for major fees and charges in 2020-21.

Table A4 shows the waivers granted under section 15 of the Courts Procedures Act 2004 for court fees. Waivers for fees and charges are not treated as tax expenditures.

In 2020-21, the ACT Government provided 137 waivers of fees and charges in total, at the cost of \$935,000.

**Table A2: Chief Minister, Treasury and Economic Development Directorate (Access Canberra) – fee waivers**

|                                                                                           | 2016-17  |            | 2017-18    |            | 2018-19   |           | 2019-20  |            | 2020-21  |            |
|-------------------------------------------------------------------------------------------|----------|------------|------------|------------|-----------|-----------|----------|------------|----------|------------|
|                                                                                           | Number   | \$'000     | Number     | \$'000     | Number    | \$'000    | Number   | \$'000     | Number   | \$'000     |
| Extension of Time fee <sup>1</sup>                                                        | 8        | 132        | 1          | 9          | 5         | 17        | 3        | 742        | 2        | 757        |
| Waiver for Application fee to register and withdraw a Homes for Homes caveat <sup>2</sup> | 0        | 0          | 405        | 106        | 40        | 6         | 0        | 0          | 0        | 0          |
| <b>Total</b>                                                                              | <b>8</b> | <b>132</b> | <b>406</b> | <b>115</b> | <b>45</b> | <b>23</b> | <b>3</b> | <b>742</b> | <b>2</b> | <b>757</b> |

1. In the Territory, lessees are required to build on their blocks within a prescribed timeframe. Payment of Extension of Time fees allows lessees extra time to build on a block. Extension of time fees are charged based on a block's general rates and commercial rates can be high.
2. This waiver is provided to support the Homes for Homes scheme operations in the Territory. Participants under the scheme are able to contact Homes for Homes to remove the caveat put on the purchased property when they become the registered proprietor. Withdrawal of caveat fees are waived in this case to minimise barriers for participants who wish to exit the scheme.

## CABINET

**Table A3: Environment, Planning and Sustainable Development Directorate – fee waivers**

|                                     | 2016-17  |          | 2017-18  |          | 2018-19  |          | 2019-20  |          | 2020-21  |          |
|-------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                     | Number   | \$'000   | Number   | \$'000   | Number   | \$'000   | Number   | \$'000   | Number   | \$'000   |
| Licence application fee             | 1        | 1        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| De-concessionalisation of lease fee | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Development application fee         | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>Total</b>                        | <b>1</b> | <b>1</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

## CABINET

**Table A4: Justice and Community Safety Directorate – fee waivers**

|                                                  | 2016-17    |            | 2017-18    |            | 2018-19    |            | 2019-20    |            | 2020-21    |            |
|--------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                                  | Number     | \$'000     | Number     | \$'000     | Number     | \$'000     | Number     | \$'000     | Number     | \$'000     |
| Courts and Tribunal transcript fees <sup>3</sup> | 63         | 25         | 80         | 30         | 63         | 23         | 0          | 0          | 0          | 0          |
| Courts and Tribunal fees <sup>3</sup>            | 115        | 120        | 97         | 116        | 96         | 155        | 120        | 126        | 135        | 178        |
| <b>Total</b>                                     | <b>178</b> | <b>145</b> | <b>177</b> | <b>146</b> | <b>159</b> | <b>178</b> | <b>120</b> | <b>126</b> | <b>135</b> | <b>178</b> |

3. Waivers were provided by the Registrars of the Courts and the ACT Civil and Administrative Tribunal on a case-by-case basis, depending on the circumstances, under section 15 of the Court Procedures Act 2004. Cases of Courts and Tribunal transcript fee waivers and other Courts and Tribunal fee waivers may be related to the same applicant.

## **ATTACHMENT B – SOCIAL CONCESSIONS AND SUPPORTS**

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The ACT Government provides a range of social concessions and supports to individuals and households in need, as well as to community groups. These policy measures provide direct financial assistance to their beneficiaries, reducing the amount they would otherwise have to pay for an essential, non-tax related expense.

Government funded assistance schemes or programs that offer free-of-charge services to eligible individuals, households or community groups are excluded from this section. For example, the bulky waste collections scheme currently commissioned and funded by the ACT Government is not included as part of the social concessions and supports. This is because while the scheme provides free bulky waste collection services to eligible ACT residents, it does not reduce any of their financial liabilities.

These policy measures do not fall under the tax system and are not tax expenditures.

Table B1 outlines the social concessions and supports that result in revenue forgone, at a cost of \$196.0 million in 2020-21.

Table B2 further details the social concessions and supports that were provided by way of direct expenditure, at a cost of \$32.0 million in 2020-21.

The total cost of social concessions and supports was \$228.0 million in 2020-21, a decrease of \$0.344 million from 2019-20 (\$228.3 million)<sup>21</sup>.

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<sup>21</sup> Care should be taken when interpreting the total cost of \$228.0 million. The cost of concessions that involve revenue forgone (\$196.0 million) is estimated, while the cost of concessions that involve direct expenditures is an actual figure (\$32.0 million). They are two different measures and may not be like for like.



# CABINET

**Table B1. ACT Government social concessions and supports – revenue forgone<sup>1</sup>**

| Social Concessions and Supports                                                                                                        | 2016-17   |         | 2017-18   |         | 2018-19   |         | 2019-20   |         | 2020-21   |         |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
|                                                                                                                                        | Number    | \$'000  | Number    | \$'000  | Number    | \$'000  | Number    | \$'000  | Number    | \$'000  |
| <b><i>Concessional rent for community groups</i></b>                                                                                   |           |         |           |         |           |         |           |         |           |         |
| ACT Property Group properties <sup>2</sup>                                                                                             | 211       | 15,972  | 211       | 15,972  | 204       | 13,718  | 236       | 14,941  | 230       | 15,905  |
| COVID-19 rent relief <sup>3</sup>                                                                                                      | -         | -       | -         | -       | -         | -       | 3         | 12      | 65        | 150     |
| <b><i>Public housing</i></b>                                                                                                           |           |         |           |         |           |         |           |         |           |         |
| Public housing rental rebate <sup>4,5</sup>                                                                                            | 11,314    | 142,151 | 11,279    | 144,847 | 11,188    | 144,297 | 11,246    | 149,366 | 11,115    | 149,289 |
| Public housing water consumption costs <sup>6</sup>                                                                                    | -         | 6,719   | -         | 7,303   | -         | 7,102   | -         | 7,045   | -         | 6,077   |
| Community housing providers rent relief <sup>7</sup>                                                                                   | -         | -       | -         | -       | -         | -       | 631       | 1,224   | 679       | 2,424   |
| Stimulus payments for public housing tenants and stimulus payments to community organisations for the eligible households <sup>8</sup> | -         | -       | -         | -       | -         | -       | 10,555    | 2,639   | 1,600     | 400     |
| <b><i>Targeted assistance concessions</i></b>                                                                                          |           |         |           |         |           |         |           |         |           |         |
| Water and sewage rebate <sup>10</sup>                                                                                                  | 5,435     | 11,051  | -         | -       | -         | -       | -         | -       | -         | -       |
| ACTION bus concession <sup>11,12</sup>                                                                                                 | 6,600,000 | 9,039   | 7,200,000 | 10,245  | 7,144,500 | 11,078  | 5,005,087 | 7,395   | 3,699,512 | 5,790   |
| Light rail concession <sup>11,12</sup>                                                                                                 | -         | -       | -         | -       | 285,759   | 443     | 1,179,333 | 1,742   | 896,807   | 1,404   |

## CABINET

| Social Concessions and Supports                                  | 2016-17 |                | 2017-18 |                | 2018-19 |                | 2019-20 |                | 2020-21 |                |
|------------------------------------------------------------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|
|                                                                  | Number  | \$'000         | Number  | \$'000         | Number  | \$'000         | Number  | \$'000         | Number  | \$'000         |
| Special Needs Transport Program                                  | 476     | 6,214          | 394     | 5,991          | 353     | 5,874          | 363     | 6,162          | 360     | 7,228          |
| Driver licence fee concession <sup>13</sup>                      | 8,280   | 1,183          | 8,132   | 1,736          | 8,418   | 1,993          | 8,083   | 1,849          | 9,159   | 1,935          |
| Good Driver Discount <sup>14</sup>                               | 23,683  | 1,004          | 24,746  | 1,322          | 27,104  | 1,905          | 30,218  | 2,039          | 30,835  | 2,021          |
| Ambulance transport fee exemption <sup>15</sup>                  | 3,327   | 2,728          | 4,295   | 3,522          | 3,816   | 3,227          | 3,794   | 3,315          | 3,764   | 3,186          |
| Green Waste Bin Concession <sup>16</sup>                         | 4,888   | 244            | 4,279   | 214            | 15,882  | 794            | 2,743   | 137            | 2,488   | 124            |
| Hailstorm rebate payments <sup>17</sup>                          | -       | -              | -       | -              | -       | -              | 3,331   | 247            | 1,106   | 81             |
| <b>Cost of social concessions and supports - revenue forgone</b> |         | <b>196,305</b> |         | <b>191,152</b> |         | <b>190,431</b> |         | <b>198,113</b> |         | <b>196,014</b> |

### Notes:

1. Revenue forgone is measured on a total Territory basis, taking into account transactions between the General Government Sector and the Public Trading Enterprises (such as Housing ACT and Icon Water).
2. The ACT Government, through the ACT Property Group, leases Territory owned premises to community groups and not-for-profit childcare centres, either free of charge (often involving a nominal rent such as 5 cents a year) or under concessional rental arrangements. In 2020-21, 138 concessional leases and 92 peppercorn (nominal cost) leases were provided to the community sector.
3. The ACT Government provided rent relief to Crown Lessees in the Territory who experienced financial hardship as a result of COVID-19.
4. Public housing rent rebate is also reported in the Community Service Directorate Annual Report 2020-21.
5. In 2020-21, the ACT Government through Housing ACT, provided about 10,436 public housing tenancies to Canberrans in need. Additionally, the Government provided 679 subsidised dwellings to the community and homelessness housing sector, which are in turn leased at concessional rates to low income households and those needing homelessness accommodation support.
6. The ACT Government does not pass on water consumption costs to public housing tenants. These costs are absorbed by the Government. This contrasts with private landlords in the ACT, who are able to recover water usage charges from their tenants, if separately metered.
7. In response to COVID-19, the ACT Government provided full rent relief for community housing providers between April 2020 and December 2020.
8. In response to COVID-19, the ACT Government provided a one-off \$250 payment to public housing households to support Canberrans most in need.
9. In 2020-21, the one-off \$250 stimulus payments were extended to non-public housing tenants including tenants in the community sector, tenants under the Affordable Rental Scheme and occupants at the Narrabundah Long Stay Park.
10. Water and sewerage rebate – eligibility criteria: pensioners; Centrelink Low Income Health Care Card holders; Veterans Affairs Gold Card holders; or asylum seekers. From 2017-18, the energy and utility rebate has been combined with the water and sewerage rebate to become one concession known as Utilities Concession. As such no data is available for the period 2017-18 and 2020-21. See Table B2 below for this new concession.

## CABINET

11. ACTION bus and light rail – eligibility criteria for free travel: Children under 5; seniors over 70; Veterans Affairs Gold Card holders (totally and permanently disabled); passengers with a visual impairment or senior and concession MyWay card holders (excluding students and tertiary card holders) travelling off-peak period as part of a trial which started 14 January 2017. Eligibility for concessional travel: students; pensioners; Centrelink Health Care Card holders; or Veterans Affairs Gold Card holders. ACTION bus and light rail concessions are reported in Transport Canberra and City Services Directorate annual reports.
12. Due to COVID-19 impact on reduction of patronage, the 2020-21 revenue forgone figures for concessions provided for bus and light rail trips are estimated based on the corresponding share of revenue forgone in 2019-20. For all other years, the revenue forgone figures are estimated based on the corresponding share of bus and light rail trips, given concessions are provided per eligibility, not transport form.
13. Driver licence fee concession – eligibility criteria: pensioners; Veterans Affairs Gold Card holders; and Centrelink Health Care Card holders who are unemployed.
14. ACT residents are eligible to receive a 30 per cent discount on their ACT driver licence renewals if they have no relevant traffic offences recorded in the previous 5 years.
15. Ambulance transport fee exemption – eligibility criteria: school students; pensioners; and people who are injured in certain circumstances, e.g. motor vehicle accidents. The ACT Government provided 3,764 exempt ambulance trips in 2020-21, of which 3,711 exemptions were provided to Canberrans and 53 exemptions were provided to patients from other jurisdictions.
16. Under the Green Waste Bin Concession scheme, eligible Canberrans are exempt from the green waste bin registration fee. ACT residents holding one the following concession cards would be eligible for the Green Waste Bin Concession: ACTION Gold Card; Department of Veterans' Affairs Gold Card; Centrelink Pensioner Concession Card; MyWay Seniors Card (for people who are aged 70 years and above).
17. The hailstorm rebate payments are provided to people whose vehicles were impacted by the hail storm occurred in January 2020. The rebate payments provide support for a range of fees including fees charged on cancellation and establishment of motor vehicle registrations and road worthy inspection fees.

## CABINET

Table B2 shows the social concessions and supports funded by way of direct expenditure. The Government pays the respective service providers for the delivery of these programs.

**Table B2. ACT Government social concessions and supports – direct expenditures<sup>1</sup>**

| Social Concessions and Supports                               | 2016-17 |                           | 2017-18 |                           | 2018-19 |                           | 2019-20         |                           | 2020-21 |               |
|---------------------------------------------------------------|---------|---------------------------|---------|---------------------------|---------|---------------------------|-----------------|---------------------------|---------|---------------|
|                                                               | Number  | \$'000                    | Number  | \$'000                    | Number  | \$'000                    | Number          | \$'000                    | Number  | \$'000        |
| Energy and Utilities Rebate <sup>2</sup>                      | 31,500  | 14,595                    | -       | -                         | -       | -                         | -               | -                         | -       | -             |
| Utilities Concession <sup>3</sup>                             |         |                           | 29,932  | 27,117                    | 29,809  | 26,338                    | 29,921          | 22,749                    | 30,908  | 24,105        |
| Life Support Rebate <sup>4</sup>                              | 2,394   | 291                       | 2,714   | 330                       | 2,911   | 354                       | 3,180           | 392                       | 3,510   | 487           |
| Home Haemodialysis Rebate <sup>5</sup>                        | 69      | 19                        | 64      | 18                        | 61      | 18                        | 63              | 19                        | 77      | 20            |
| Taxi Subsidy Scheme <sup>6</sup>                              | 95,183  | 1,604                     | 101,196 | 2,383                     | 104,532 | 2,214                     | 94,576          | 2,122                     | 90,217  | 2,473         |
| Funeral Assistance Program <sup>7</sup>                       | 47      | 253                       | 34      | 272                       | 33      | 162                       | 39              | 281                       | 14      | 131           |
| Spectacles subsidy <sup>8</sup>                               | 10,057  | 2,135                     | 13,252  | 2,465                     | 10,838  | 2,088                     | 8,292           | 1,999                     | 11,129  | 2,464         |
| ACT Secondary Bursary Scheme <sup>9</sup>                     | 868     | 649                       | 795     | 676                       | 838     | 619                       | 970             | 710                       | 1,057   | 779           |
| Solar for Low Income Program <sup>10</sup>                    | -       | -                         | 221     | 658                       | 228     | 634                       | 73 <sup>r</sup> | 167 <sup>r</sup>          | 143     | 331           |
| Interstate Patient Travel Assistance Scheme                   | 2,305   | 628                       | 2,414   | 659                       | 2,477   | 719                       | 2,085           | 625                       | 1,427   | 770           |
| Act Of Grace Payments                                         | 3       | 20                        | 2       | 211                       | 122     | 61                        | 175             | 1,197                     | 24      | 455           |
| <b>Cost of concessions and supports - direct expenditures</b> |         | <b>20,194<sup>r</sup></b> |         | <b>34,789<sup>r</sup></b> |         | <b>33,207<sup>r</sup></b> |                 | <b>30,261<sup>r</sup></b> |         | <b>32,015</b> |

## CABINET

r – Revised. Expenditure for Solar for Low Income Program have been revised for 2019-20 to exclude an installation of solar systems within a public housing initiative that is not related to subsidies delivered to homeowners through the Solar for Low Income Program.

r – Revised. The total cost of concessions and supports for direct expenditures have been revised from 2016-17 to 2019-20 to include direct expenditure dispensed in the form of Act of Grace Payments in accordance with section 130 of the *Financial Management Act 1996* (FMA).

### Notes:

1. Direct expenditures do not include the costs to the Government to run these programs, such as staffing and overheads.
2. Energy and utility concessions are available to pensioners and Centrelink Low Income Health Care Card holders. The usage rate may not capture people who receive both the life support rebate and the energy and utility rebate.
3. From 2017-18, the energy and utility rebate has been combined with the water and sewerage rebate to become one concession known as *Utilities concession*.
4. Life Support Rebate supports Canberrans who require extra electricity usage for life support equipment at home.
5. The ACT Government provides financial assistance to eligible patients accessing home haemodialysis with their water costs for up to \$1,200 per annum.
6. The ACT Government subsidises taxi travel for eligible Canberrans who have severe activity limitations.
7. The ACT Government subsidises the costs of funerals for households who are in a financial hardship. This program allows families to have simple dignified funerals.
8. Spectacle subsidy includes: the ACT Spectacles Subsidy Scheme, the ACT Senior Spectacles Scheme, and the Low Vision Aids Scheme. The ACT Spectacles Subsidy Scheme is available to pensioners and Centrelink Healthcare Card holders. The ACT Senior Spectacles Scheme is available to Seniors Card holders. The Low Vision Aids Scheme is available to Canberrans with degenerative eye conditions. The ACT Seniors Spectacle Scheme was abolished from 1 July 2018.
9. The ACT Secondary Bursary Scheme provides financial assistance to low income families for education expenses of students in years 7-10. The students must be living with the applicant and be financially dependent upon the applicant, or in special government care that is paid for by the applicant.
10. The Solar for Low Income Program commenced in 2017-18 and ceased on 30 June 2020. The Program requires the participants to hold an Australian Government Pensioner Concession Card and be a homeowner in the ACT to be eligible for the program.



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

**ACT Treasury**

**June 2022**