



Standing Committee on Public Accounts

Inquiry into Annual and Financial Reports 2021-2022 **ANSWER TO QUESTION TAKEN ON NOTICE**

Asked by Mr Peter Cain on 4 November 2022: Andrew Barr MLA took on notice the following question(s):

Reference: Hansard uncorrected proof transcript 4 November 2022, page 52-53.

In relation to:

MR CAIN: Thank you. Treasurer, I make reference to answer to question taken on notice, am just trying to find, number 31. To do with development leases.

Mr Barr: I am sorry, I do not have that in front of me. From which question?

THE CHAIR: Just ask away please, Mr Cain.

MR CAIN: I can ask away it nonetheless.

Mr Barr: Yes, sorry, from which--from last estimates, or a question on notice through the usual Assembly?

MR CAIN: It was from earlier in the year.

Mr Barr: Unfortunately for you, Mr Cain, at this point I do not carry around the answer to every single question that I am asked.

MR CAIN: All right, the questions can be still asked.

Mr Barr: Yes. Go for it.

THE CHAIR: Yes, please.

MR CAIN: Thank you, Chair. I think the Chair is in control here.

THE CHAIR: Yes.

MR CAIN: Yes, thank you. The question was about how many development leases were taxed in the last five years and what classification they were placed under, whether commercial or residential

rates classification. I am reading your answer, Mr Barr, from earlier this year, there were six development leases taxed at the commercial rate, 31 taxed at the residential rate and then there is a category part commercial/part residential, five of such leases. Now I ask a question of clarification, those five part commercial/part residential, my understanding of the legislation is that they were at one stage a full residential or full commercial rate and then an apportionment was approved. So, is it true that those five part commercial/part residential started their lease life as commercial rates, under commercial rates?

Mr Barr: Yes, we will take that on notice.

MR CAIN: Given that there is such a significant number that are classified as residential, and given that commercial rates are significantly higher than residential rates on the same parcel, what revenue difference is there if those 31, and perhaps those five, were taxed at the commercial rate? What is the revenue difference compared to the two rates?

Mr Barr: There might be a lot of work associated with a hypothetical around what a commercial use-

MR CAIN: No. It is a formula, Treasurer, as you know. So the same parcel, you can get a number as if it was a commercial—

Mr Barr: Sure, but the land would have a different value depending on the lease.

MR CAIN: As the point of its issue, the development leases issue.

Mr Barr: Okay. That might narrow the scope of the question sufficiently that an answer can be required. We will take that on notice.

MR CAIN: That is the intention of that question.

Mr Barr: Right. Okay. Thank you.

MR CAIN: Treasurer, a supplementary. Could you explain how what are essentially the same arrangements for development of land to prepare it for subdivision, why some of those are commercial and why some are residential?

Mr Barr: It would depend on the lease, the Territory plan, the zoning and a site-by-site assessment, but again we will take that on notice as part of the answer to the series of questions, Mr Cain.

Andrew Barr MLA: The answer to the Member's question is as follows:—

Question 1. Is it true that those five part commercial/part residential started their lease life as commercial rates, under commercial rates?

Answer:

Yes, the parcels of land with part commercial/part residential charges were initially assessed as 100 per cent commercial.

Question 2. What revenue difference is there if those 31, and perhaps those five, were taxed at the commercial rate? What is the revenue difference compared to the two rates?

Answer:

The Government is receiving less rates revenue from the 36 development leases than it would if these leases were rated as entirely commercial. The different tax rates applied to residential and commercial leases are outlined at www.revenue.act.gov.au/rates.

It is not possible to be definitive about the rates revenue differential for these sites if commercial rates were applied. Both residential and commercial tax rates are adjusted each year depending on the respective change in total average unimproved values (AUVs) for existing rateable properties. New rateable properties generate additional rates revenue, but changes in land classifications from commercial to residential will reduce rates revenue collected by Government. In addition, if these leases were assessed as commercial land, their AUVs may be different, and changes in AUV from year-to-year may be different.

Question 3. Could you explain how what are essentially the same arrangements for development of land to prepare it for subdivision, why some of those are commercial and why some are residential?

Answer: The category of rates applied (residential, commercial, or rural) to rateable land in the ACT is based on the definitions under the *Rates Act 2004*. Broadly, this requires consideration of both, permitted uses in the Crown lease for the land and the actual or proposed use of the land. The use of land involves considering any planning approvals, earthworks and construction, or physical structures located on the site. While the nature of the use depends on the characterisation of its intent and purpose. More than one category of rates can apply to land by application of Division 5.2 of the Rates Act.

Approved for circulation to the Standing Committee on Public Accounts

Signature:



Date: 21.11.22

By the Treasurer, Andrew Barr MLA