



STANDING COMMITTEE ON PUBLIC ACCOUNTS]

Elizabeth Kikkert MLA (Chair), Michael Pettersson MLA (Deputy Chair),
Andrew Braddock MLA

Inquiry into Annual and Financial Reports 2020-21
ANSWER TO QUESTION TAKEN ON NOTICE
1 March 2022

Asked by PETER CAIN MLA on 1 MARCH 2022: ANDREW BARR MLA took on notice the following question(s):

[Ref: Hansard Transcript 1 MARCH 2022, PAGE 34

In relation to:

MR CAIN: I would like to briefly then discuss the Leave Variation Charge Deferral Scheme. As the Treasurer and the commissioner would be aware, last year there was an amendment to the scheme under act no 10 of 2021, a Revenue Legislation Amendment Bill. And I just note that one of the changes was to establish when an obligation to pay the LVC liability. Now there is also a comment in the explanatory statement that the amendment will ensure that the LVC deferral arrangement can operate effectively. Can you explain how it was not operating effectively prior to last year's change?

Mr Salisbury: No, I guess I cannot, Mr Cain, speak to the details of that tax legislation. I guess we are looking at a very technical piece of the law. I am not in a position to discuss that at this moment, but I—moment, but I—

MR CAIN: Would you take that on notice then, please, and provide an explanation?

Mr Barr: Yes, we can take that on notice for you.

YVETEE BERRY MLA: The answer to the Member's question is as follows:—

The Lease Variation Charge (LVC) Deferral Scheme (the Scheme) has been operating successfully since 2018 with 117 deferrals approved to the benefit of the associated lessees. Prior to the introduction of the Scheme lessees had to pay the LVC with the execution of a lease variation, prior to commencing construction work. Under the Scheme, lessees with an LVC above a monetary threshold have the option of deferring the payment of LVC to a later date, after a lease is varied. Lessees that qualify for the Scheme benefit as they can elect to pay LVC nearer the end of a project to match development cashflows.

The initial provisions did not correctly align the liability and payment arrangements. However, there was never any question as to whether the government had a taxing right in relation to these lessees or that LVC needed to be paid with the execution of a chargeable lease variation.

The 2021 amendments simply addressed the alignment issue. The government had been aware of the issue for some time but it was not critical to the administration of the Scheme. The government made amendments at a convenient time as part of a suite of minor technical changes that are periodically made to the tax law through a Revenue Legislation Amendment Bill.

No taxpayer has been advantaged or disadvantaged in relation to their eligibility to the Scheme as a consequence of the initial 2018 provisions or the subsequent 2021 amendments. Nor has there been any loss of tax revenue.

Approved for circulation to the Standing Committee on Public Accounts

Signature:

By the A/g Treasurer, Yvette Berry MLA

Date: 10/03/22