

**SUBMISSION TO ACT PUBLIC ACCOUNTS COMMITTEE INQUIRY
INTO THE METHODOLOGY USED TO DETERMINE RATES AND LAND TAX FOR UNIT-
TITLED RESIDENCES.**

**AXIS APARTMENTS, UNITS PLAN NO. 3704, EXECUTIVE COMMITTEE (EC), [REDACTED]
[REDACTED] LYNEHAM, ACT, 2602**

Axis Apartments were completed between 2011 and 2013. It is a large complex with 350 units. The EC strongly opposes the changes to the methodology used to calculate rates and land taxes and we urge the government to return to the methodology that applied up until 2016/17.

In the ACT budget of 2012/13, the Government introduced a tax reform package with a number of initiatives, including changes to the way rates, stamp duty and land tax would be treated. The EC commends the government for being the only jurisdiction undertaking these reforms and agrees they introduce a broad and efficient revenue base.

The ACT Treasury described the relevant changes in the following way:

“The Government is commencing a major reform of the Territory’s taxation system in the 2012-13 Budget.

... A Fairer, Simpler and More Efficient Tax System: 5-Year Plan

.... The reform Plan has been designed to support key policy objectives of the Government to:

- support the *economy, businesses and jobs*;
- improve *housing affordability*; and
- reduce *households and business costs*.

..... under the reform:

- transaction taxes are to be phased out over periods ranging from 5 to 20 years;
- General Rates have been adopted as a broad and efficient revenue replacement base;
- a number of nuisance taxes are removed; and
- the *progressivity of existing taxes is improved.*”

2012-13 Budget Paper No. 3, p. 45, italics are the EC’s.

The EC supports the policy objectives, especially supporting the economy, housing affordability and improving the progressivity of taxes.

However, we believe the Government has severely undermined these objectives by introducing the changed methodology to the calculation of rates for units within a strata arrangement .

“ From July 2017, the Government will change general rates calculations for multi-unit dwellings to base it on the total AUV land rather than the individual AUV the unit (consistent with changes to Land Tax). This will make the increase in general rates for units higher than houses in 2017/18 and 2018/19 as the transition takes effect.” (p14. ACT Budget 2016-17: Tax Reform.)

While there was forewarning of an increase in rates for 2017-18, there was no indication that the formula would be changed so that owners of apartments and town-houses would be impacted both significantly and disproportionately. There is no indication at all of how this is consistent with changes to Land Tax.

The EC notes the pre-2016 methodology is widely used throughout Australia and the world where AUV is undertaken.

The changed methodology to rates calculations for residential unit owners does not “provide greater equity between free-standing home owners and apartment owners’ as stated by the government. This is simply not correct. There are many items where apartment owners are subsidising free-standing home owners, particularly with relation to municipal infrastructure. Apartment owners use less infrastructure servicing their homes and their use of all other services are equal or less than those living in free standing homes.

The Axis complex helps reduce municipal infrastructure costs. We are close to Dickson and Lyneham commercial operations. This results in reduced wear to municipal infrastructure such as roads and paths and reduced environmental damage via transport methods. This is particularly the case for Axis because it is adjacent to a number of bus routes, the forthcoming light rail and the proposed redevelopment of Dickson.

As with other large apartment complexes, Axis has a single collection point for garbage trucks and does not require trucks to lift hundreds of individual bins, resulting in reduced labour requirements for government contracted waste management. Further, there is reduced curb-side dumping in apartment complexes as these items are more commonly dumped in waste rooms and are disposed of at cost to all apartment owners in the complex.

Axis Fire & Emergency Services levies are charged at the same rate to owners as they are to free-standing home owners. However, our owners contribute a significant amount of resources to the maintenance of fire safety items within our buildings and in the education of our residents about reducing their fire risk. This results in reduced attendance rates for fire services in comparison to regular free-standing homes. SES attendance rates are significantly reduced in apartment complexes such as Axis. SES requests for attendance to Axis apartment are uncommon, with most damage being attended to by tradespeople at a cost to the owner’s corporation. Police attendance for domestic disturbances is also reduced as noise complaints are usually referred to and dealt by the Strata Manager. We have also invested heavily in security infrastructure which helps to ensure that reduced police presence is required.

Axis accounts for significantly less infrastructure development cost than surrounding free-standing homes. This begins at build and continues throughout its lifetime. Expansion of the city for free-standing homes means tax dollars need to be spread across a wider area. It is inequitable to charge apartment owners at a higher rate than free standing home owners when they have costed and will continue to cost the government significantly less over their properties lifetime.

High-rise apartment complexes preserve natural green space, resulting in less investment required in government implemented and maintained green space throughout the territory.

Axis, like many high rise complexes, maintains its verges to a higher standard due to the framework around management of our buildings. This results in decreased government costs for removal and replacement of verge trees, trimming of verge trees, watering of verge trees and general maintenance costs of poorly maintained verge areas and nature strips.

It is implausible to argue the change to the method of calculating the rates for apartments improves equity.

Axis investors who rent their properties (supplying housing to those who do not have their own home) will likely recover the very high extra government costs from their tenants. Rents will need to increase for those who can least afford it. Axis has a significant student population. This is counter to the stated aims of the Governments in trying to improve affordable housing.

We also have a number of senior citizens living in the apartments who the Government encouraged to downsize to increase the density of living, reduce land usage pressure, maximise the use of infrastructure around town centres, reduce waste removal and utility costs, and vacate larger houses and blocks for young families, but they have subsequently been penalised with much higher rates and taxes.

Affordable housing will suffer. Buying cost may come down but the government will more than make up the reduction in stamp duty with massive rates and taxes. Axis owners are now also suffering higher body corporate levies because of paying for building defect rectification – due in part to inadequate supervision or oversight of building by the government.

In 2012/13, the Government said Rates/Taxes would go up slowly and Stamp Duty would come down slowly. However, rates for strata units have escalated exponentially and stamp duty has hardly moved. For many “downsizers” they paid both high stamp duty and now much higher rates.

People bought into strata on previous rules. The changed methodology is retrospective and needs to be abandoned.

We urge the Government to reconsider the unintended consequences of their change in methodology for determining the rates to strata units and revert to the previous method in the best interests of the community, unit holders, home renters and the Government.

Executive Committee

Axis Apartments

23 March 2018