

**CABINET****CABINET SUBMISSION**

20/614

Title	ACT Tax Expenditure Statement 2019-20
Meeting type	Cabinet
Minister	Andrew Barr MLA Treasurer
Cabinet date	Tuesday, 13 April 2021
Status	EXPOSURE DRAFT
Relationship to previous decisions	Tax Expenditure Statement – In Principle Agreement, Decision No. 19/527/CAB, 10 December 2019
Purpose	<p>This Submission seeks Cabinet’s agreement for the public release of the ACT Tax Expenditure Statement 2019-20 prepared by Treasury.</p> <p>This Statement outlines the tax expenditures provided by the ACT Government in 2019-20 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 2015-16 and 2019-20 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> <p>In 2019-20, the ACT Government’s total tax expenditure is estimated at \$323.3 million, an increase from the Territory’s tax expenditure in 2018-19 (\$294.9 million). 7.3 percentage points (\$21.6 million) of this increase was the result of COVID-19 support measures.</p>
Category	Category 2 - Government business
Financial impact	No
Treasury agreement	Yes Date provided for Treasury agreement: 16/02/2021 Date of Treasury agreement: 22/02/2021
Is ERC consideration required?	No If yes, select ERC meeting date: Select meeting date
Legislative change	No - change to legislation not required
Regulatory impact	No Click or tap here to enter text

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Triple Bottom Line  
assessment

No - TBL not required

## **RECOMMENDATIONS**

- 1) I recommend Cabinet agree:
  - a. to the public release of the *ACT Tax Expenditure Statement 2019-20* at Attachment C in April 2021.
- 2) Cabinet note:
  - a. 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
  - b. the following summary to be released.
    - i. Cabinet agreed to the public release of the *ACT Tax Expenditure Statement 2019-20*.

## 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 2019-20* (the 2019-20 Statement) provides an overview of the Territory's tax expenditures over the five years to 2019-20, with a focus on the 2019-20 financial year in terms of policy measures.
- 4) The 2019-20 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 has provided a series of stimulus measures as part of its Economic Survival and Recovery Packages on top of the existing concession policy measures, to support households and businesses who were affected by the pandemic. Some of these measures provide taxation relief in the form of revenue forgone, which have been considered tax expenditures and included in the 2019-20 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 2019-20 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 2019-20 Statement. The scope of the 2019-20 Statement (as with previous statements) does not cover:

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- a. Progressive tax measures that promote equity and fairness of the tax system;
  - 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.
- 9) 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.
- 10) In 2019-20, the ACT Government's total tax expenditure was estimated at \$325.3 million an increase of 10.3 per cent from \$294.9 million in 2018-19.
- a. The COVID-19 stimulus measures contributed \$21.6 million (or 7.3 percentage points) of this increase across five revenue initiatives on payroll tax, general rates and land tax.
- 11) Tax expenditures were 5.0 per cent of the ACT's total direct expenditure in 2019-20, unchanged from 2018-19.
- a. Total direct expenditure increased to \$6.5 billion in 2019-20, from \$5.9 billion in 2018-19.
- 12) The increase was largely attributable to growth in tax expenditures on conveyance duty and general rates, partially offset by a decline in tax expenditures related to the Lease Variation Charge.
- a. The increase in conveyance duty tax expenditures was largely as a result of a significant increase in the take-up for the Home Buyer Concession Scheme.
  - b. The increase in general rates tax expenditures was mainly due to the introduction of a COVID-19 stimulus measure that provides owners of large commercial property a full rebate on their commercial rates fixed charge for the 2019-20 financial year.
  - c. The decline in the Lease Variation Charge tax expenditures was mainly due to the cessation of environmental sustainability remissions previously provided by the Government to stimulate activity in the building industry.
- 13) Of the \$325.3 million tax expenditure, payroll tax contributed \$210.0 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

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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.

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

	Revenue foregone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Payroll tax	188,150	190,660	196,680	199,690	210,010
Conveyance duty	32,614	32,864	11,738	26,444	49,678
General rates	17,619 <sup>r</sup>	18,442 <sup>r</sup>	18,543 <sup>r</sup>	19,118 <sup>r</sup>	35,724
Motor vehicle registration	8,973	9,538	10,117	11,500	11,978
Motor vehicle duty	7,213	7,894	8,489	8,086	9,880
Lease Variation Charge	3,375 <sup>a</sup>	16,878 <sup>a</sup>	9,236 <sup>a</sup>	26,644 <sup>a</sup>	4,072 <sup>a</sup>
Fire and Emergency Services Levy	2,848	2,752	2,793	2,929	2,933
Land tax	-	-	-	1 <sup>a</sup>	545 <sup>a</sup>
Water Abstraction Charge	397 <sup>a</sup>	352 <sup>a</sup>	550 <sup>a</sup>	536 <sup>a</sup>	438 <sup>a</sup>
<b>Total</b>	<b>261,189<sup>r</sup></b>	<b>279,380<sup>r</sup></b>	<b>258,147<sup>r</sup></b>	<b>294,948<sup>r</sup></b>	<b>325,257</b>

a – Actual costs. Others are estimated costs.

r – Revised. Tax expenditures for general rates have been revised for the period 2015-16 to 2018-19 mainly due to the inclusion of exemptions provided to certain car park spaces on their commercial rates fixed charge. As a result, the total expenditures have been revised for that period.

- 14) The relatively high payroll tax threshold also meant private sector businesses were the largest beneficiaries of the Territory's tax expenditures. The charitable sector, non-government schools and pensioners also benefited significantly from various concession programs provided by the ACT Government across a range of tax lines.

### Policy change – COVID-19 support

#### Payroll tax – payroll tax waiver

- 15) 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.
- 16) 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 can access a further payroll tax waiver.
- 17) This measure contributed \$3.3 million to the Territory's total tax expenditure in 2019-20.

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

- 18) The Government exempted from payroll tax payments made under the Commonwealth Government's JobKeeper support package from 30 March 2020. This measure contributed \$2.2 million to the Territory's total tax expenditure in 2019-20.

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### General rates – commercial rates fixed charge rebate

- 19) The Government provided owners of commercial property with an Average Unimproved Value of \$2 million or less a full rebate on their commercial rates fixed charge for the 2019-20 financial year (\$2,622 per property). This measure contributed \$15.9 million to the Territory's total tax expenditure in 2019-20.

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

- 20) 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 \$8,000 to the Territory's total tax expenditure in 2019-20.

### Land tax – residential tenancy relief

- 21) The Government is providing a land tax credit to landlords who reduce rents by at least 25 per cent for tenants who have been impacted by COVID-19. The credit is 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. This measure contributed \$458,000 to the Territory's total tax expenditure in 2019-20.

### Conveyance duty – owner occupier duty concession

- 22) The ACT Government is offering stamp duty concessions for eligible home buyers. The following concessions apply to contracts exchanged between 4 June 2020 and 30 June 2021:
- a. No stamp duty on single residential dwelling block.
  - b. No stamp duty on off-the-plan unit (unit-titled apartment and townhouses) purchases up to \$500,000.
  - c. An \$11,400 stamp duty reduction for off-the-plan unit (unit-titled apartment and townhouses) purchases between \$500,000 and \$750,000

- 23) There was no take-up for the concession in 2019-20.

### Lease Variation Charge – construction sector remission

- 24) The Government provided a 50 per cent remission on the Lease Variation Charge 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. There was no take-up for the remission in 2019-20.
- 25) This stimulus measure has been extended by six months to 30 June 2021 at a lower remission rate of 25 per cent, with the requirement to commence construction by 30 September 2021.

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### Policy change – other

#### Conveyance duty – Home Buyer Concession Scheme

- 26) Prior to 1 July 2019, the Home Buyer Concession Scheme only applied to purchases of a new residential property or a vacant block of land. A set of property value thresholds was also applied to determine the concessional rate of duty.
- 27) From 1 July 2019, the scheme 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.

#### Land tax – Affordable community housing exemption

- 28) The Government provides a land tax exemption for properties rented at less than 75 per cent of the market rate through a registered community housing provider. This measure commenced on 28 March 2019.

#### Motor vehicle duty – Rebates for owners of hail-damaged cars

- 29) The ACT Government provided a motor vehicle duty rebate of up to \$100 for vehicles with a value of \$10,000 or less that are 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.

#### Lease Variation Charge – affordable rental development concession

- 30) The 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 codified and a non-codified lease variation.
- 31) 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 2019-20.

### Revisions

- 32) Tax expenditures for general rates for the period 2015-16 to 2018-19 have been slightly revised due to inclusion of the exemptions provided to certain car park spaces on their commercial rates fixed charge. Reporting of this exemption has been inadvertently omitted in the previous statements.

#### Additional information – waivers and social concessions and supports

- 33) 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

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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. It should be noted that 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. However, the following tax waivers in 2019-20 have been treated as revenue forgone in the 2019-20 Statement, consistent with their treatment in the 2020-21 Budget, and therefore not included under the waivers section:
  - i. Payroll tax waivers of \$3.3 million provided as part of the Government's COVID-19 stimulus response; and
  - ii. Land tax waivers of \$458,000 provided under the residential tenancy relief (also a COVID-19 support measure).

### Waivers

- 34) In 2019-20, the ACT Government granted 10 tax waivers under the Financial Management Act 1996 at a cost of \$140,000, representing a large decline from the \$2.2 million granted in 2018-19. This is largely due to the fact that all payroll tax waivers provided in 2019-20 were provided as part of the COVID-19 support response, and have been treated as tax expenditures. (Table 2).
- 35) Tax waivers are also reported in Directorates' annual financial statements. However, they are not reported on a whole of government basis.
  - a. In 2019-20, 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.

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**Table 2: Tax waivers by revenue line<sup>1</sup>**

	2015-16		2016-17		2017-18		2018-19		2019-20	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Payroll Tax	5	2,164	4	1,716	3	1,500	4	1,820	0	0
Conveyance Duty	0	0	2	93	1	8	0	0	0	0
Land Tax <sup>2</sup>	5	19	3	42	0	0	7	235	8	33
General Rates	9	22	2	28	0	0	3	89	1	100
Land Rent	0	0	1	12	0	0	1	45	0	0
Lease Variation Charge	0	0	0	0	1	394	0	0	1	7
<b>Total</b>	<b>19</b>	<b>2,205</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>

**Source:** ACT Government

**Notes:**

1. There were no waivers for Conveyance Duty and the Lease Variation Charge in 2018-19.
2. All payroll tax waivers provided in 2019-20 were provided as part of the COVID-19 support measure, and 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. The number for land tax waivers represents the number of signed waiver instruments, not the number of taxpayers being granted the waiver.
4. The land tax waivers provided as part of the residential tenancy relief, a COVID-19 support measure, have been treated as tax expenditures and therefore excluded from this section.

36) The Statement also includes information on the number and cost of other waivers for fees and charges. In 2019-20, the ACT Government provided 123 waivers of fees and charges in total, at the cost of \$868,000, 332 per cent more than the waivers provided in 2018-19 (\$201,000).

- a. An increase in waivers of the extension of time fee was the main contributor to the increase in waivers of fees and charges in 2019-20, due to one of waivers being granted to a commercial block. Extension of time fees are charged based on a block's general rates and commercial rates can be high.

### [Social concessions and supports](#)

37) The Government provides social concessions and supports by way of revenue forgone and direct expenditure. In 2019-20, the total cost of social concessions and supports provided by the Government was \$226.2 million, with revenue forgone of \$196.9 million and direct expenditure of \$29.3 million. The total cost is \$2.6 million higher than that in 2018-19 (\$223.6 million).

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- 38) The public housing rental rebate was by far the most significant social concession, which provided a total of 11,246 rebates with a value of \$149.4 million in revenue forgone. Other large expenditures for social concessions and supports in 2019-20 were:
- a. Utilities Concession, \$22.7 million in direct expenditure;
  - b. concessional and peppercorn leases for community groups, \$14.9 million in revenue forgone; and;
  - c. ACTION bus and light rail concession, totalling \$9.1 million in revenue forgone.
- 39) Additional COVID-19 related social concessions and supports have been included in the 2019-20 Statement. They are:
- a. COVID-19 rent relief (revenue forgone); and
  - b. Stimulus payments for public housing tenants (revenue forgone).

### Public release

- 40) With Cabinet's agreement, the 2019-20 Statement will be publicly released on the ACT Treasury website in April 2021.

### FINANCIAL IMPACT

- 41) The Cabinet Submission **does not have financial impacts**. This work has been undertaken within existing resources of Treasury.

### CONSULTATION

#### External stakeholders

- 42) Nil.

#### ACT Government agencies

- 43) Treasury has coordinated input from the ACT Revenue Office, Access Canberra, and Environment, Planning and Sustainable Development Directorate.
- 44) Early consultation has been undertaken with Finance and Budget Group, Policy and Cabinet Division, CMTEDD Strategic Finance, and the Revenue and Concessions Policy unit in Economic and Financial Group.

### MEDIA/COMMUNICATIONS

- 45) Nil.

# CABINET

## IMPLEMENTATION

46) Nil.

## HUMAN RIGHTS IMPACT

47) Nil.

## TRIPLE BOTTOM LINE ASSESSMENT

48) Not required.

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

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

## **ATTACHMENTS**

- |   |                                       |
|---|---------------------------------------|
| A | Table of comments                     |
| B | Open Access decision summary          |
| C | ACT Tax Expenditure Statement 2019-20 |

**CABINET**

ATTACHMENT X

**EXPOSURE DRAFT COMMENTS – 20/614**

**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

<b>Directorate</b>	<b>Comment</b>	<b>Response</b>
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 Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

**CABINET**

**FINAL COMMENTS – 20/614**

**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

<b>Directorate</b>	<b>Comment</b>	<b>Response</b>
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 Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

## OPEN ACCESS ASSESSMENT: DECISION SUMMARY

The Chief Minister must proactively release the information described in section 23 of the *Freedom of Information Act 2016* (the FOI Act) unless the information is contrary to the public interest in accordance with sections 16 and 17, and schedules 1 and 2 of the FOI Act. Please refer to the [Practice Guide to Open Access Information – Cabinet decisions](#) for further guidance on what is within the scope of Open Access requirements.

If you believe that release of this information is within the scope of Open Access requirements and would be contrary to the public interest, please complete Part B.

### PART A: Release proposed

**Number and title of decision:**      **ACT Tax Expenditure Statement 2019-20**

**Proposed summary of the decision**

Cabinet agreed to the public release of the ACT Tax Expenditure Statement 2019-20

**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> Table of final agency comments		
<u>Attachment B</u> Open Access Assessment – Decision Summary		
<u>Attachment X</u> Triple Bottom Line assessment	No (TBL not prepared)	
<u>Attachment C</u> ACT Tax Expenditure Statement 2019-20	No	Yes



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

**Australian Capital Territory**  
**Tax Expenditure**  
**Statement**  
**2019-20**

**ACT Treasury**

**April 2021**

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# 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 2019-20* outlines tax expenditures provided by the ACT Government in 2019-20 based on the taxation policies in that financial year and compares them with those in 2018-19. Historical information for 2015-16 and 2017-18 is also presented in the statement.

It should be noted that the 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.

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<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

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The *ACT Tax Expenditure Statement 2019-20* identifies and quantifies tax exemptions, concessions and incentives provided by the ACT Government in 2019-20 and compares them with those in 2018-19.

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.

In response to the pandemic, the ACT Government provided a series of support measures as part of its Economic Survival and Recovery Packages to assist households and businesses who have been affected by the pandemic. Some of these measures provide taxation relief.

For own-source taxation revenue, these measures cost the Government \$23.8 million in 2019-20, of which \$21.6 million was expensed as revenue forgone across five revenue initiatives on payroll tax, general rates and land tax. 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 focused on the support provided in the 2019-20 financial year and does not include the revenue forgone associated with COVID-19 support measures provided in 2020-21. This will be reflected in the 2020-21 tax expenditure statement.

### 3 TOTAL TAX EXPENDITURE

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In 2019-20, the ACT Government's total revenue forgone is estimated to have been \$325.3 million, an increase of 10.3 per cent (or \$30.3 million) from 2018-19. This is equivalent to 5 per cent of the ACT's total direct expenditure<sup>2</sup>, unchanged from 2018-19. The average share of tax expenditures to total direct expenditure for the five years between 2015-16 to 2019-20 is also 5 per cent. The ACT Government's total direct expenditure through programs and new initiatives increased by 10.1 per cent in 2019-20, partly as a result of increased spending associated with the response to the COVID-19 pandemic.

The increase in the Government's total tax expenditures in 2019-20 was largely driven by increases in the tax expenditures on conveyance duty and general rates, partially offset by a decline in the tax expenditures on the Lease Variation Charge.

Conveyance duty tax expenditures increased by \$23.2 million in 2019-20, largely reflecting a significant increase in the take-up of the Home Buyer Concession Scheme.

General rates tax expenditures increased by \$16.6 million in 2019-20, due to the introduction of a COVID-19 support measure that provides owners of commercial properties with an Average Unimproved Value of \$2 million or below a full rebate on their commercial rates fixed charge for the 2019-20 financial year.

Lease variation charge tax expenditures declined by \$22.6 million in 2019-20, due to the cessation of the environmental sustainability remission.

Table 1 below shows that revenue forgone in 2019-20 was the highest for payroll tax at \$210.0 million, followed by the conveyance duty at \$49.7 million and general rates at \$35.7 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.

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<sup>2</sup> ACT's total direct expenditure was \$6.518 billion in 2019-20 and \$5.919 billion in 2018-19.

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

	Revenue foregone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Payroll tax	188,150	190,660	196,680	199,690	210,010
Conveyance duty	32,614	32,864	11,738	26,444	49,678
General rates	17,619 <sup>r</sup>	18,442 <sup>r</sup>	18,543 <sup>r</sup>	19,118 <sup>r</sup>	35,724
Motor vehicle registration	8,973	9,538	10,117	11,500	11,978
Motor vehicle duty	7,213	7,894	8,489	8,086	9,880
Lease Variation Charge	3,375 <sup>a</sup>	16,878 <sup>a</sup>	9,236 <sup>a</sup>	26,644 <sup>a</sup>	4,072 <sup>a</sup>
Fire and Emergency Services Levy	2,848	2,752	2,793	2,929	2,933
Land tax	-	-	-	1 <sup>a</sup>	545 <sup>a</sup>
Water Abstraction Charge	397 <sup>a</sup>	352 <sup>a</sup>	550 <sup>a</sup>	536 <sup>a</sup>	438 <sup>a</sup>
<b>Total</b>	<b>261,189<sup>r</sup></b>	<b>279,380<sup>r</sup></b>	<b>258,147<sup>r</sup></b>	<b>294,948<sup>r</sup></b>	<b>325,257</b>

a – Actual costs. Others are estimated costs.

r – Revised. Tax expenditures for general rates have been revised for the period 2015-16 to 2018-19 mainly due to the inclusion of exemptions provided to certain car park spaces on their commercial rates fixed charge. As a result, the total expenditures have been revised for that period.

Table 2 below lists the ten largest tax expenditures in the ACT in 2019-20.

**Table 2: Top ten tax expenditures**

		Revenue forgone (\$'000)				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Payroll tax – tax free threshold for private sector businesses	145,300	148,000	151,000	154,000	157,000
2	Conveyance duty – Home Buyer Concession Scheme	11,742 <sup>a</sup>	9,750 <sup>a</sup>	8,083 <sup>a</sup>	3,701 <sup>a</sup>	44,274 <sup>a</sup>
3	Payroll tax – charitable sector exemption <sup>1</sup>	19,100	19,000	20,000	20,000	21,000
4	Payroll tax – non-government schools exemption <sup>1</sup>	17,800	18,000	19,000	19,000	20,000
5	General rates – commercial rates fixed charge rebate (COVID-19 stimulus)	-	-	-	-	15,876 <sup>a</sup>
6	Motor vehicle registration – pensioner remission	8,944 <sup>a</sup>	9,439 <sup>a</sup>	9,832 <sup>a</sup>	11,242 <sup>a</sup>	11,704 <sup>a</sup>
7	General rates – pensioner rebate	9,160 <sup>a</sup>	9,391 <sup>a</sup>	8,953 <sup>a</sup>	8,956 <sup>a</sup>	9,059 <sup>a</sup>
8	Motor vehicle duty – Vehicle Emission Reduction Scheme	6,343 <sup>a</sup>	6,984 <sup>a</sup>	7,547 <sup>a</sup>	7,064 <sup>a</sup>	8,919 <sup>a</sup>
9	Payroll tax – private hospital exemption <sup>1</sup>	5,300	5,000	6,000	6,000	6,000
10	General rates – Non-government schools exemption	4,700	5,030	5,331	5,651	5,990

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.

Table 3 below shows categories of beneficiaries by the value of tax benefits received. For 2019-20, small and medium businesses falling below the payroll tax threshold accounted for the largest share of the total benefits, followed by the charitable sector and non-government schools.

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

	Revenue forgone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>The business sector</b>	<b>145,300</b>	<b>148,000</b>	<b>151,000</b>	<b>154,000</b>	<b>157,000</b>
Payroll tax threshold	145,300	148,000	151,000	154,000	157,000
<b>Home buyers</b>	<b>16,555<sup>a</sup></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>
Home Buyer Concession Scheme	11,742 <sup>a</sup>	9,750 <sup>a</sup>	8,083 <sup>a</sup>	3,701 <sup>a</sup>	44,274 <sup>a</sup>
Pensioner Duty Concession Scheme	1,677 <sup>a</sup>	1,748 <sup>a</sup>	1,731 <sup>a</sup>	2,005 <sup>a</sup>	909 <sup>a</sup>
Over 60's Home Bonus Scheme <sup>2</sup>	3,136 <sup>a</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>
Owner occupier duty concession	-	-	-	-	0
<b>Non-government schools<sup>1</sup></b>	<b>23,340</b>	<b>23,890</b>	<b>25,203</b>	<b>25,542</b>	<b>26,897</b>
Payroll tax	17,800	18,000	19,000	19,000	20,000
General rates	4,700	5,030	5,331	5,651	5,990
Fire and Emergency Services Levy	840	860	872	891	907
<b>The charitable sector<sup>1</sup></b>	<b>22,840</b>	<b>24,029</b>	<b>24,054</b>	<b>43,363</b>	<b>27,235</b>
Payroll tax	19,100	19,000	20,000	20,000	21,000
Conveyance duty	200	1,269 <sup>a</sup>	96 <sup>a</sup>	19,187 <sup>a</sup>	1,844 <sup>a</sup>
General rates	2,950	3,160	3,346	3,547	3,760
Fire and Emergency Services Levy	550	560	571	584	594
Motor Vehicle Duty	40	40	41	45	37
<b>Pensioners</b>	<b>19,462<sup>a</sup></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</b>
General rates rebate	9,160 <sup>a</sup>	9,391 <sup>a</sup>	8,953 <sup>a</sup>	8,956 <sup>a</sup>	9,059
Fire and Emergency Services Levy rebate	1,358 <sup>a</sup>	1,232 <sup>a</sup>	1,246 <sup>a</sup>	1,347 <sup>a</sup>	1,324
Motor vehicle registration	8,944 <sup>a</sup>	9,439 <sup>a</sup>	9,832 <sup>a</sup>	11,242 <sup>a</sup>	11,704
<b>Non-government hospitals<sup>1</sup></b>	<b>5,960</b>	<b>5,700</b>	<b>6,739</b>	<b>6,779</b>	<b>6,821</b>
Payroll tax	5,300	5,000	6,000	6,000	6,000
General rates	560	600	635	673	713
Fire and Emergency Services Levy	100	100	104	106	108
<b>Others</b>	<b>27,732<sup>r</sup></b>	<b>44,371<sup>r</sup></b>	<b>21,238<sup>r</sup></b>	<b>37,932<sup>r</sup></b>	<b>39,942</b>

a – Actual costs. Others are estimated costs.

r – Revised. "Others" have been revised for the period 2015-16 to 2018-19 mainly due to revisions to general rates.

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 below shows that the Territory's tax expenditure on payroll tax was \$210.0 million in 2019-20, a 5.2 per cent (or \$10.3 million) increase from the 2018-19 tax expenditure of \$199.7 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 the introduction of COVID-19 support measures that exempt JobKeeper payments and businesses directly affected by the COVID-19 pandemic from payroll tax.

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

	Revenue forgone (\$'000)				
	2015-16 <sup>e</sup>	2016-17 <sup>e</sup>	2017-18 <sup>e</sup>	2018-19 <sup>e</sup>	2019-20 <sup>e</sup>
<b>Tax-free threshold for small and medium businesses</b>	145,300	148,000	151,000	154,000	157,000
<b>Exempt employers</b>					
The charitable sector <sup>1</sup>	19,100	19,000	20,000	20,000	21,000
Non-government schools <sup>1</sup>	17,800	18,000	19,000	19,000	20,000
Non-government hospitals <sup>1</sup>	5,300	5,000	6,000	6,000	6,000
<b>Exempt wages</b>					
Group Training Organisations – trainees and apprentices	430	440	450	460	470
Long term unemployed	200	200	210	210	220
Building and construction industry – the portable leave scheme	20	20	20	20	20
<b>COVID-19 support</b>					
Payroll tax waivers	-	-	-	-	3,300
Payroll tax exemption for JobKeeper Payments	-	-	-	-	2,000
<b>Total</b>	<b>188,150</b>	<b>190,660</b>	<b>196,680</b>	<b>199,690</b>	<b>210,010</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 2019-20 was \$2 million, unchanged from 2018-19.

## **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 2019-20 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.

## **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.

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

## **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 can access a further payroll tax waiver.

## **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.

## General rates and Fire and Emergency Services Levy

General rates and the Fire and Emergency Services Levy are part of the same land-based tax charges levied 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 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 different from those determined for commercial general rates.

Table 5 below shows that the Territory's tax expenditure on general rates concessions was \$35.7 million in 2019-20, an increase of 86.9 per cent (or \$16.6 million) from 2018-19. This increase was mainly a result of a rates rebate provided to the commercial property owners as part of the Government's support to businesses during the COVID-19 pandemic.

Table 6 below shows the ACT's tax expenditure on the Fire and Emergency Services Levy was \$2.9 million in 2019-20, largely unchanged from 2018-19.

**Table 5: General rates – tax expenditures**

	Revenue forgone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Residential property</b>					
Pensioner rebate	9,160 <sup>a</sup>	9,391 <sup>a</sup>	8,953 <sup>a</sup>	8,956 <sup>a</sup>	9,059 <sup>a</sup>
<b>Commercial property</b>					
Not-for-profit sector exemption	2,950	3,160	3,346	3,547	3,760
Non-government schools exemption	4,700	5,030	5,331	5,651	5,990
Non-government hospitals exemption	560	600	635	673	713
Small clubs and car park spaces fixed charge exemption	249 <sup>a, r</sup>	261 <sup>a, r</sup>	278 <sup>a, r</sup>	291 <sup>a, r</sup>	318 <sup>a</sup>
<b>COVID-19 support</b>					
Commercial rates fixed charge rebate	-	-	-	-	15,876 <sup>a</sup>
Rental relief and owner-occupier rebate	-	-	-	-	8 <sup>a</sup>
<b>Total</b>	<b>17,619<sup>r</sup></b>	<b>18,442<sup>r</sup></b>	<b>18,543<sup>r</sup></b>	<b>19,118<sup>r</sup></b>	<b>35,724</b>

a – actual costs.

r – Revised. Tax expenditures for general rates have been revised for the period 2015-16 to 2018-19 to include exemptions provided to certain car park spaces on their commercial rates fixed charge.

**Table 6: Fire and Emergency Levy – tax expenditures**

	Revenue forgone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Residential property</b>					
Pensioner rebate	1,358 <sup>a</sup>	1,232 <sup>a</sup>	1,246 <sup>a</sup>	1,347 <sup>a</sup>	1,324 <sup>a</sup>
<b>Commercial property</b>					
Not-for-profit sector exemption	550	560	571	584	594
Non-government schools exemption	840	860	872	891	907
Non-government hospitals exemption	100	100	104	106	108
<b>Total</b>	<b>2,848</b>	<b>2,752</b>	<b>2,793</b>	<b>2,929</b>	<b>2,933</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.

Two schemes operated concurrently in 2019-20:

- 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 2019-20, the Territory's revenue forgone for pensioner rates rebate was largely unchanged compared to 2018-19. 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 2019-20, 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 be eligible for assistance if they had been negatively affected by COVID-19.

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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 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 below shows that the Territory's tax expenditure on land tax was around \$0.5 million in 2019-20, as the ACT Government provided support to 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)				
	2015-16	2016-17	2017-18	2018-19 <sup>a</sup>	2019-20 <sup>a</sup>
Affordable community housing exemption	-	-	-	1	87
<b>COVID-19 support</b>					
Residential tenancy relief	-	-	-	-	458
<b>Total</b>	-	-	-	<b>1</b>	<b>545</b>

a – Actual costs.

### 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. In 2019-20, 31 eligible properties received the exemption.

### COVID-19 support – residential tenancy relief

The ACT Government is providing a land tax credit to landlords of residential properties who reduce rents by at least 25 per cent for tenants affected by COVID-19. The credit is 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. This will provide rental relief of up to \$200 per week.

## 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 below shows that the Territory's tax expenditure on conveyance duty was \$49.7 million in 2019-20, an increase of 87.9 per cent (or \$23.2 million) from 2018-19. 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 the Scheme was extended to all residential properties with no limit on the value of the property being purchased. The duty exemption for community housing also contributed positively to conveyance duty tax expenditures in 2019-20 although it can vary significantly from year to year depending on the development pipeline of community housing providers.

These increases were partially offset by a significant reduction in the number and value of properties purchased by the charitable sector and a decline in the expenditure on the Pensioner Duty Concession Scheme.

The take-up rate of the Loose-fill Asbestos Insulation Eradication Buyback Concession Scheme remained at a moderate level 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)				
	2015-16	2016-17 <sup>a</sup>	2017-18 <sup>a</sup>	2018-19 <sup>a</sup>	2019-20 <sup>a</sup>
<b>Duty exemption</b>					
Community housing	1,839 <sup>a</sup>	2,322	771	1,109	2,058
<b>Duty concessions</b>					
The charitable sector	200	1,269	96	19,187	1,844
Loose-fill Asbestos Insulation Eradication Buyback Concession Scheme	14,020 <sup>a</sup>	15,945	989	362	501
<b>Home buyer assistance</b>					
Home Buyer Concession Scheme	11,742 <sup>a</sup>	9,750	8,083	3,701	44,274
Pensioner Duty Concession Scheme	1,677 <sup>a</sup>	1,748	1,731	2,005	909
Over 60's Bonus Scheme	3,136 <sup>a</sup>	1,770	4	-	-
Disability Duty Concession Scheme	-	60	64	80	92
<b>COVID-19 support</b>					
Owner occupier duty concession	-	-	-	-	0
<b>Total</b>	<b>32,614</b>	<b>32,864</b>	<b>11,738</b>	<b>26,444</b>	<b>49,678</b>

a – Actual costs. Others are estimated costs.

## Community housing

Declared community housing providers<sup>8</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 home owners who opted into the voluntary buyback program are eligible for a duty concession on the purchase of a replacement property. The buyback program has been 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>9</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 must 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 must 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 may be available to Centrelink and Department of Veterans' Affairs age pensioners, disability support pensioners aged 50 and over, or a person who has held a

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<sup>8</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>9</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. The Government has 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.

Under either scheme, the applicant must continuously live in the property for 12 months or more after moving in. The purchase must take place within 12 months of the sale of the applicant's previous property.

Table 7 shows the property value thresholds for the Pensioner Duty Concession over the course of 2019-20.

**Table 9: Pensioner Duty Concession Scheme, property value thresholds, 1 July 2019 to 30 June 2020<sup>10</sup>**

	Lower threshold No duty for purchases up to the lower threshold	Upper threshold No concession for purchases over the upper threshold
Dwelling	\$420,000	\$530,000
Vacant block	\$277,200	\$385,000

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>11</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 is offering 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>10</sup> See Disallowable Instrument DI2019-101, which commenced on 1 July 2019 and expired on 30 June 2019

<sup>11</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 \$9.9 million in 2019-20, an increase of 22.2 per cent (or \$1.8 million) from 2018-19. The increase was a result of a rise in the number of green rated vehicles that received a duty concession.

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

	Revenue forgone (\$'000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Duty exemption</b>					
People with certain disabilities	40	40	41	44	31
The charitable sector	40	40	41	46	37
Veteran, vintage and historic vehicles	10	10	10	26	8
Caravans and camp trailers	780	820	850	906	841
<b>Duty concession</b>					
Vehicle Emission Reduction Scheme	6,343 <sup>a</sup>	6,984 <sup>a</sup>	7,547 <sup>a</sup>	7,064 <sup>a</sup>	8,919 <sup>a</sup>
Rebates for owners of hail-damaged cars	-	-	-	-	44 <sup>a</sup>
<b>Total</b>	<b>7,213</b>	<b>7,894</b>	<b>8,489</b>	<b>8,086</b>	<b>9,880</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>12</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.

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.

<sup>12</sup> The charitable sector includes charities and organisations that have a beneficial organisation determination approved.

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. There are four ratings:

- Rating A, which is applied to electric and hybrid cars;
- Rating B, which is applied to compact cars and new motorcycles;
- Rating C, which is applied to medium and large cars, as well as to second-hand and non-rated vehicles including motorcycles; and
- Rating D, which is applied to high powered cars, large four-wheel drives, and some commercial vehicles.

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 below shows that the Territory's tax expenditure on motor vehicle registration fees was \$12 million in 2019-20, an increase of 4.2 per cent (or \$0.5 million) from 2018-19. This increase in revenue forgone for motor vehicle registration fees was due to increases in exemptions for pensioners and the number of gas and electric vehicles that received a concession.

**Table 11: Motor vehicle registration fee – tax expenditures**

	Revenue forgone (\$'000)				
	2015-16 <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	8,944	9,439	9,832	11,242	11,704
<b>Concessions</b>					
Gas and electric vehicles	13	85	273	245	262
Primary producers	16	14	13	13	12
<b>Total</b>	<b>8,973</b>	<b>9,538</b>	<b>10,117</b>	<b>11,500</b>	<b>11,978</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 has extended the application period of one remission in the package – the remission for environmentally sustainable developments.

The concessions offered on the Lease Variation Charge are tax expenditures. Table 12 below shows that the Territory's tax expenditure on the Lease Variation Charge was \$4.1 million in 2019-20, representing a significant decline from 2018-19. This fall was mainly due to the lower remissions provided by the Government as some packages ceased in 2018-19 and 2019-20 (see table 12 below for details).

**Table 12: Lease Variation Charge – tax expenditures**

	Revenue forgone (\$'000)				
	2015-16 <sup>a</sup>	2016-17 <sup>a</sup>	2017-18 <sup>a</sup>	2018-19 <sup>a</sup>	2019-20 <sup>a</sup>
Affordable rental development concession	-	-	-	-	0
<b>S276E – Codified variation</b>					
Economic stimulus – residential – extra 30 per cent remission	16	117	0	94	-
Housing assistance – extra 25 per cent remission	11	2	112	10	111
<b>S277 – Non-codified variation</b>					
Economic stimulus – extra 25 per cent remission	2,080	10,885	5,156	11,596	969
Environmentally sustainable development / Economic stimulus – sustainable or adaptable building design	443	5,874	3,417	14,944	2,992
Environmental remediation of former service station	525	0	551	0	0
Childcare centres – exemption	300	0	0	0	0
<b>COVID-19 support</b>					
Construction sector remission	-	-	-	-	0
<b>Total</b>	<b>3,375</b>	<b>16,878</b>	<b>9,236</b>	<b>26,644</b>	<b>4,072</b>

a – Actual costs.

### Affordable rental development concession<sup>13</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 2019-20.

### Economic stimulus – residential lease variations – extra 30 per cent remission<sup>14</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>13</sup> See Disallowable Instrument DI2019-229. This instrument took effect on 1 October 2019 and will expire on 30 June 2022.

<sup>14</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>15</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>16</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.

## **Environmentally sustainable development<sup>17</sup> / Economic stimulus – sustainable or adaptable building design<sup>18</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.

## **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.

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<sup>15</sup> See Disallowable Instruments DI2011-318 and DI2018-93.

<sup>16</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>17</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>18</sup> This stimulus measure was announced along with the *Economic stimulus – 25 per cent remission* and ceased on 6 March 2018.

## **Childcare centres**

Lease variations associated with childcare centres receive 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 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. There was no take-up for the remission in 2019-20.

This stimulus measure has been extended by six months to 30 June 2021 at a lower remission rate of 25 per cent, with the requirement to commence construction by 30 September 2021.

## 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 2018-19, the Water Abstraction Charge rate for non-potable water (surface and ground water) was \$0.287 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 below shows that the Territory's tax expenditure on the Water Abstraction Charge was \$536,000 in 2018-19, a decrease of 2.5 per cent from 2017-18. The decrease in Water Abstraction Charge was due to a decrease in the volume of water usage for agricultural purposes.

**Table 13: Water Abstraction Charge – tax expenditures**

	Revenue forgone (\$'000)				
	2015-16 <sup>a</sup>	2016-17 <sup>a</sup>	2017-18 <sup>a</sup>	2018-19 <sup>a</sup>	2019-20 <sup>a</sup>
Golf Clubs - Market Equity Scheme	152	98	193	193	161
Golf Clubs - Infrastructure Offset Scheme	150	100	190	190	160
Agriculture - Competition Equalisation Payment Scheme	95	154	167	152	116
<b>Total</b>	<b>397</b>	<b>352</b>	<b>550</b>	<b>536</b>	<b>438</b>

a - Actual costs.

### Golf Clubs - Market Equity Scheme

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

This discount brings the cost of non-potable water for ACT golf clubs down to a level that is comparable to that of the NSW golf clubs operating in the surrounding region.

### Golf Clubs – Infrastructure Offset Scheme

Under the scheme, ACT golf clubs can claim an offset until the end of 2020 on their 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 is greater than its Water Abstraction Charge bill, the liability will be fully offset, with no charge 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.

### Agriculture – Competition Equalisation Payment Scheme

Under the scheme, eligible ACT irrigators receive a rebate on Water Abstraction Charge incurred in relation to the extraction of non-potable 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>19</sup>

In 2019-20, 10 tax waivers were granted under section 131 of the FMA, totalling around \$140,000 (Table A1 below).

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

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Payroll Tax <sup>2</sup>	5	2,164	4	1,716	3	1,500	4	1,820	0	0
Conveyance Duty	0	0	2	93	1	8	0	0	0	0
Land Tax <sup>3,4</sup>	5	19	3	42	0	0	7	235	8	33
General Rates	9	22	2	28	0	0	3	89	1	100
Land Rent	0	0	1	12	0	0	1	45	0	0
Lease Variation Charge	0	0	0	0	1	394	0	0	1	7
<b>Total</b>	<b>19</b>	<b>2,205</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>

<sup>19</sup> As of 2018-19, 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.

**Source:** ACT Government

**Notes:**

1. There were no waivers for Conveyance Duty and the Lease Variation Charge in 2018-19.
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. The number for land tax waivers represents the number of signed waiver instruments, not the number of taxpayers being granted the waiver.
4. 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.

## Waivers of fees and charges

Additionally, Tables A2 and A3 below show the waivers granted under section 131 of the FMA for major fees and charges in 2019-20.

Table A4 below 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 2019-20, the ACT Government provided 123 waivers of fees and charges in total, at the cost of \$868,000.

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

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Extension of Time fee <sup>1</sup>	3	33	8	132	1	9	5	17	3	742
Waiver for Application fee to register and withdraw a Homes for Homes caveat <sup>2</sup>	0	0	0	0	405	106	40	6	0	0
<b>Total</b>	<b>3</b>	<b>33</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>

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. In 2019-20, one of the waivers was granted to a commercial 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.

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

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Licence application fee	0	0	1	1	0	0	0	0	0	0
De-concessionalisation of lease fee <sup>3</sup>	1	1,660	0	0	0	0	0	0	0	0
Development application fee	4	604	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>2,264</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>

3. A fee waiver was provided to Hockey ACT in 2015-16 to enable the organisation to become self-sustaining in the future, as well as facilitating a development that will benefit the wider community.

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

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Courts and Tribunal transcript fees <sup>4</sup>	68	13	63	25	80	30	63	23	0	0
Courts and Tribunal fees <sup>4</sup>	119	313	115	120	97	116	96	155	120	126
<b>Total</b>	<b>187</b>	<b>326</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>

4. 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.

It should be noted that 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 below outlines the social concessions and supports that result in revenue forgone, at a cost of \$196.9 million in 2019-20.

Table B2 below further details the social concessions and supports that were provided by way of direct expenditure, at a cost of \$29.3 million in 2019-20.

The total cost of social concessions and supports was \$226.2 million in 2019-20, an increase of \$2.6 million from 2018-19 (\$223.6 million)<sup>20</sup>.

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<sup>20</sup> Care should be taken when interpreting the total cost of \$226.2 million. The cost of concessions that involve revenue forgone (\$196.9 million) is estimated, while the cost of concessions that involve direct expenditures is an actual figure (\$29.3 million). They are two different measures and may not be like for like.

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

Social Concessions and Supports	2015-16		2016-17		2017-18		2018-19		2019-20	
	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>	195	15,840	211	15,972	211	15,972	204	13,718	236	14,941
COVID-19 rent relief <sup>3</sup>	-	-	-	-	-	-	-	-	3	12
<b><i>Public housing</i></b>										
Public housing rental rebate <sup>4</sup>	11,250	142,226	11,314	142,151	11,279	144,847	11,188	144,297	11,246	149,366
Public housing water consumption costs	-	6,838	-	6,719	-	7,303	-	7,102	-	7,045
Stimulus payments for public housing tenants <sup>5</sup>	-	-	-	-	-	-	-	-	10,555	2,639
<b><i>Targeted assistance concessions</i></b>										
Water and sewage rebate <sup>6</sup>	5,691	11,157	5,435	11,051	-	-	-	-	-	-
ACTION bus concession <sup>7,8</sup>	8,400,000	8,245	6,600,000	9,039	7,200,000	10,245	7,144,500	11,078	5,005,087	7,395
Light rail concession <sup>7,8</sup>	-	-	-	-	-	-	285,759	443	1,179,333	1,742
Special Needs Transport Program	400	5,804	476	6,214	394	5,991	353	5,874	363	6,162
Driver licence fee concession <sup>9</sup>	8,065 <sup>r</sup>	1,085 <sup>r</sup>	8,280 <sup>r</sup>	1,183 <sup>r</sup>	8,132 <sup>r</sup>	1,736 <sup>r</sup>	8,418	1,993	8,083	1,849
Good Driver Discount <sup>10</sup>	22,817	744	23,683	1,004	24,746	1,322	27,104	1,905	30,218	2,039

Social Concessions and Supports	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Ambulance transport fee exemption <sup>11</sup>	3,200	2,696	3,327	2,728	4,295	3,522	3,816	3,227	3,794	3,315
Green Waste Bin Concession <sup>12</sup>	-	-	4,888	244	4,279	214	15,882	794	2,743	137
Hail storm rebate payments <sup>13</sup>	-	-	-	-	-	-	-	-	3,331	247
<b>Cost of social concessions and supports - revenue forgone</b>		<b>194,635</b>		<b>196,305</b>		<b>191,152</b>		<b>190,431</b>		<b>196,889</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 2019-20, 144 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. Rent rebate is also reported in the Community Service Directorate Annual Report 2019-20.
5. In response to COVID-19, the ACT Government provided a one-off \$250 payment to public housing households to support Canberrans most in need.
6. 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 2017-18 and 2018-19. See Table B2 below for this new concession.
7. 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.
8. The revenue forgone figures for concessions provided for bus and light rail trips are estimated based on the corresponding share of trips, given concessions are provided per eligibility, not transport form.
9. Driver licence fee concession – eligibility criteria: pensioners; Veterans Affairs Gold Card holders; and Centrelink Health Care Card holders who are unemployed.
10. 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.
11. Ambulance transport fee exemption – eligibility criteria: school students; pensioners; and people who are injured in certain circumstances, e.g. motor vehicle accidents.
12. 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); or Department of Veterans' Affairs Pension Card. Pilot program for Green Waste Bin collection was launched in December 2016 and rolled out to Tuggeranong only. The program was extended to Belconnen in 2017-18 and to whole of Canberra in 2018-19.
13. The hail storm rebate payments are provided to people whose vehicles were impacted by the hail storm occurred in January 2021. 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.

Table B2 below 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	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000	Number	\$'000
Energy and Utilities Rebate <sup>2</sup>	28,700	13,892	31,500	14,595	-	-	-	-	-	-
Utilities Concession <sup>3</sup>	-	-	-	-	29,932	27,117	29,809	26,338	29,921	22,749
Life Support Rebate	2,342	285	2,394	291	2,714	330	2,911	354	3,180	392
Home Haemodialysis Rebate	75	21	69	19	64	18	61	18	63	19
Taxi Subsidy Scheme	91,000	1,851	95,183	1,604	101,196	2,383	104,532	2,214	94,576	2,122
Funeral Assistance Program	52	248	47	253	34	272	33	162	39	281
Spectacles subsidy <sup>4</sup>	11,500	1,803	10,057	2,135	13,252	2,465	10,838	2,088	8,292	1,999
ACT Secondary Bursary Scheme <sup>5</sup>	907	681	868	649	795	676	838	619	970	711
Solar for Low Income Program <sup>6</sup>	-	-	-	-	221	658	228	634	108	395
Interstate Patient Travel Assistance Scheme	2211	620	2305	628	2414	659	2477	719	2,085	625
<b>Cost of concessions and supports - direct expenditures</b>		<b>19,401</b>		<b>20,174</b>		<b>34,578</b>		<b>33,146</b>		<b>29,293</b>

**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. 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.
5. 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.
6. 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

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Chief Minister, Treasury and  
Economic Development

ACT Treasury

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