

22 March 2018

Dear Public Accounts Committee

Following please find my submission to the Committee's *Inquiry into the methodology for determining rates and land tax for strata residences*. My submission indicates the reasons for my opposition, as a strata residence owner, to increases in General Rates and Land Tax for strata residences

In just two years, the Land Tax on my one-bedroom strata unit has increased from \$1092 pa, through \$1462 pa to \$1602 pa, while General Rates have increased from \$939 pa through \$1251 pa to \$1372 pa, constituting a 46% pa increase in EACH of these charges. In addition, my Unit Levies (which reflect increases costs resulting from inflation, itself brought about by higher charges, taxes and expenses for materials and living expenses) from \$3566 to \$4015 an almost 12% increase. Overall, these expenses associated with my rental property have risen at a rate far above the ACT CPI for either of the last two financial years (2015-2017).

While government charges on my strata unit have risen by almost 50%, I am unable to recoup any of this extra cost incurred through increasing the rent on my unit (in fact, it is almost the opposite – rental income for my strata unit in the most recent financial year actually decreased from \$22,950 to \$21,154, a drop of 8.5%) due to the increasingly number of units being built (this also being a result of government policy, see below). In any case, even if I were to raise the rent, this would impact on groups the government is supposedly trying to attract into the unit rental market, in particular students, who are least able to afford such increases.

When I purchased my strata unit back in 2002, I was subject to high stamp duty on the purchase. As such, I was not able to benefit from the government's current policy of reducing stamp duty in exchange for increasing General Rates and Land Tax. At the same time, as indicated above, General Rates for strata residences have escalated exponentially. Being slugged twice by having to pay high stamp duty and massively increased General Rates is grossly unfair.

I am not a wealthy property investor with multiple properties earning a steady income stream. I have one small strata unit, a unit I used to live in before being transferred on work assignment overseas where I currently reside. My current income not only has to cover my rent where I currently live, it also has to supplement the shortfall that has arisen between my rental income and rental property-related expenses because of the sharp and excessive increase in government charges on strata residences.

This above situation has resulted directly from ACT Government policy aimed at pushing more unit and apartment living, particularly in town centres, ostensibly to reduce land pressure, maximize infrastructure usage and increase efficiencies by reducing waste removal and utility costs. At the same time, the government has disproportionately increased land tax and rates for strata residence owners, a policy seemingly at odds with this push to increase living density in town centres.

Indeed, there is a lack of consistency and transparency to the ACT government's entire approach to this revenue stream. The government should explain clearly how much revenue is collected in terms of the fixed amount per strata residence and rates and taxes on the Unimproved Value of the Land (not the market value) and how this revenue is expended, i.e., services provided, recognizing that almost half of the ACT's revenue flows from Federal GST/Grants distribution that is largely intended for functions such as education and health that fall under the jurisdictions of State/Territory governments.

Finally, there is the issue of simple parity. Why should an ordinary ACT resident, owner of a

single strata residence (not multiple properties) be treated differently to other ACT home owners simply on the basis of the type of home (strata unit vs free standing home on a single block)? In addition, why should all strata unit owners have their general rates and land taxes calculated on the basis of the highest rating tier factor, when different units have very different values, even within a single complex? I wonder whether changes in the calculation method are even legal, as these rules were changed retrospectively and affect many who bought into strata under (and on the basis of) the previous rules. The ACT Government's excessive increases in General Rates and Land Tax for strata residences is nothing more than discrimination, and a greedy revenue grab by the government to fund questionable pet projects benefitting relatively few Canberrans, and should cease immediately.

I call on the ACT government to immediately review and amend general rates and land tax charges for strata residences to restore parity of government charges amongst all residential property owners.

Yours faithfully

Catherine Wallace

Owner [REDACTED], Barton, ACT, 2600