Reference: Add ref no here

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1 June 2015  
  
  
Tax White Paper Task Force

The Treasury

Langton Crescent

PARKES, ACT, 2600

Dear Sir/Madam,

**Re: Relationship between State and Local Government Taxation bases**

The City of Greater Dandenong wishes to express its concern over the views expressed in the White Paper in regard to the potential expansion of State Government taxation bases by way of a more broadly based land tax regime.

As noted in the White Paper, municipal governments are almost totally reliant on land based taxation as their principle form of revenue – and only taxation based revenue. Virtually all other forms of revenue are in the form of grants which are directly tied to certain service provisions or fees which are a consumption charge that typically only offset in part the cost of certain services.

It is only through the property based taxation levied by local government that there is no direct correlation between the amount paid by individuals and the services provided, where Councils can fund its community service obligations and the need for renewed and future infrastructure.

There already exists considerable community confusion in regard to the application of property based taxation between the State Government and Local Government. A broad based land tax levied by the State Government with few exemptions would be viewed by the general community as a doubling of taxation that applies to the primary residential property.

A key difference between the current State Government approach to land tax and the property rates levied by Local Government relates to the fact that the State Government has a fixed percentage rate which doesn’t move, but which relies on increases in valuation as its growth factor. Local Government on the other hand continually moves its percentage rate to ensure that overall rate growth matches only the set % increase endorsed by Council in each year.

To this end the White Paper is incorrect in that it expresses concern about how land values are determined and which valuation base is applied by Local Government. Whilst the valuation is extremely important in terms of State Land Tax, for Local Government its relevance is only linked to how individual valuations compare to each other.

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For example property values could increase by 50% but local Council rates will still only increase by the amount set by Council. But where one section of a Council increases above the average and another falls below the average increase, there will be movements in the amount of Council rates paid in both cases. It is therefore a comparative valuation model rather than one which is reliant on the true valuation of the property.

This is in stark contrast to the current land tax model within State Government which uses the pure valuation figure to set a levy on all properties which are not the primary place of residence.

This leads to considerable community confusion who still believe that Councils have a windfall (like State Government) when property values increase.

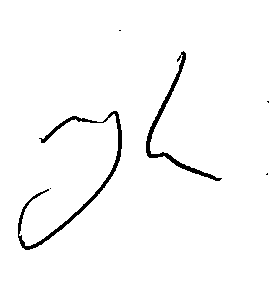
The growth of land tax in Victoria has greatly outstripped increases in Council rates over the past. In the seven year period between 2006/07 to 2013/14, the State Revenue Office in Victoria had increases collections in land tax of 47.8%. This is despite the Victorian Government expressing concern in regard to the raising of local government rates over this same period.

Due to the current basis of local government rates, there is no natural growth component to this taxation base with each and every increase being debated annually by the elected representatives. Potentially local government would be better served by a similar system to the State Government where property rates are fixed and increase in accordance with property valuations.

Having a strong and vibrant and well resourced tier of local government in Australia is vital to local community well-being. Council’s work directly with local communities and therefore have a close understanding of the needs for services and facilities at this very local level. Any basis of taxation changes that dilutes Council’s ability to perform this role would be very disappointing and detrimental to local communities.

Thank you for your consideration of this submission.

Yours sincerely,



**Mick Jaensch**

**Director Corporate Services**