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THE PARLIAMENTARY JOINT STANDING COMMITTEE ON SUBORDINATE LEGISLATION MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY 26 JUNE 2020

INQUIRY INTO NOTICE UNDER SECTION 23 COVID-19 DISEASE EMERGENCY (MISCELLANEOUS PROVISIONS) ACT 2020 (WAIVE LAND TAX IN 2019-20 FOR LAND TAX LIABILITIES UNDER \$150).

TONY FERRALL, SECRETARY, AND **JONATHON ROOT**, DEPUTY SECRETARY, DEPARTMENT OF TREASURY AND FINANCE MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Rattray) - Good morning. Thank you very much for joining us.

On my right is Nic Street, John Tucker, Tania Rattray, Ruth Forrest, Meg Webb and Alison Standen. Julie Thompson, our secretary is at the back there.

I welcome you to the public hearing and they are being broadcast. All evidence taken at this hearing is protected by parliamentary privilege. I remind you that any comments you make outside of the hearing may not be afforded such privilege.

The committee is looking at the notice under section 23 of the COVID-19 Disease Emergency (Miscellaneous Provisions) Act 2020 (Waive Land Tax in 2019-20 for Land Tax Liabilities under \$150).

I invite you to give the committee an overview of this particular Notice.

Mr FERRALL - Thank you. I will make a few introductory comments and then I am happy to take questions from the committee.

Under the COVID-19 Disease Emergency (Miscellaneous Provisions) Act 2020, the notice simply relieves the land tax obligations of the owners of low value land who might otherwise have had a land tax bill of up to \$150. The majority of the affected taxpayers won't have to do anything. Effectively, the State Revenue Office will not issue notices to that cohort, but there are a small number of taxpayers who may seek a refund, i.e. some of those who have already paid their tax obligation for 2019-20. There will be a process that is facilitated by our revenue office to ensure that those refunds get passed as well.

The affected properties are those land values above the current tax-free threshold of \$25 000 and less than \$43 190. Often they're properties in regional and rural areas. These are not significant properties in terms of value. These are at the very low end. There's a relatively small number of individuals or properties that are affected. From a revenue perspective it is of the order of about \$300 000 plus, depending on the refunds, would probably push that to about \$350 000 in terms of revenue loss.

I'm happy to take questions. As I said it is a relatively simple and straightforward Notice and it's dealing with a small cohort of taxpayers at the lower end in terms of tax paid.

CHAIR - Do you have anything to add to that?

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(FERRALL/ROOT)**

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Mr ROOT - No, I am happy to take questions.

CHAIR - Thank you. Over to you, Ruth.

Ms FORREST - Thanks, Tony. I'm interested in how the decision was made to contain it to this cohort of people who are obviously paying a land tax. You said they are low value properties. Why and how was that decision made?

Mr FERRALL - Land tax notices are put out progressively through the year. When the COVID-19 emergency started this cohort hadn't been issued, and so they're a late issue. From, I guess, a government perspective, the Government's position was effectively at that point announcing a range of supports across the community in terms of refunds, waiving revenues, in various areas. The thought process was that this was a very small number, a small cohort, and it is quite inconsistent to be pushing out these demands at that point in time. So the decision was made to effectively hold the demands and then put the notice through to waive them.

Ms FORREST - How was the threshold of under \$150 considered a liability?

Mr FERRALL - They were the ones that hadn't been issued.

Ms FORREST - Okay, right. So, with regards to the others that had been issued, there would be no refunds for them?

Mr FERRALL - Only if they fall within that value.

Ms FORREST - So how was that limit determined then? You could have made a decision that was up to a \$300 liability, and then maybe have to pay a few more back because they had already been issued. Or am I misunderstanding what you're saying?

Mr FERRALL - Look you could have, but effectively we had the last cohort to be issued which did have that threshold, they were the ones that hadn't been issued, and so they were the ones that at that point the Government said that they would waive. We also recognise, though, given that threshold, that some taxpayers had already paid who were under that threshold. The threshold was really driven by the cohort that hadn't had a land tax notice issued to. That is how the threshold was reached.

Ms FORREST - Okay. When these were due to be issued, this cohort of customers, if you like, or people with a tax liability, it was apparent by this time that a lot of people were experiencing financial hardship because of COVID, whereas prior to that the ones that had been issued before possibly weren't and could have paid. Is that the thinking here? Am I not quite sure what the thinking was in terms of who are we trying to help here?

Mr FERRALL - These are relatively low value and low dollars, so it wasn't necessarily, I suppose, a consistent program of trying to identify right across the land tax base who we may or may not target. This is a very small group, low numbers -

Ms FORREST - How many are there do you think?

Mr ROOT - In this cohort?

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Ms FORREST - Yes.

Mr ROOT - There's a little over 3000 total, and that's out of an account base of about 65 000 across the land tax base, of which, by this time, over 90 per cent of it had been paid already. We commenced the issue in October, so this was right at the end by the time the emergency hit and the restrictions came in.

Ms FORREST - This is the total annual liability? You can pay it quarterly, can't you?

Mr ROOT - No, accounts over \$1000 are issued in three instalments. Below \$1000 it is just a one-off.

Ms FORREST - Okay.

Ms WEBB - Just to clarify, say the 3000 or so that will come into this category, although you have described that the land that's relevant is of low value and therefore the tax liabilities is at that lower level, we don't know anything about the cohort of the people who own the land who are having this amount waived. We don't know whether they are in the at risk or vulnerable categories during COVID-19 for financial difficulty. Would that be fair comment?

Mr FERRALL - It would be a fair comment. We don't know the characteristics -

Ms WEBB - So we are providing the relief -

Mr FERRALL - of those individuals.

Ms WEBB - of the people who will benefit from this?

Mr FERRALL - No.

Ms FORREST - So, correct me if I'm wrong here, but primary production land is zero. A primary residence is zero. Investment properties are ones that pick this up. So we're talking about giving relief to people who have a tax liability because they have assets beyond a primary residence, and are not in primary production.

Mr FERRALL - Possibly, yes, in some cases. They're low value properties as well, they're not -

CHAIR - They are a block at South Mt Cameron.

Mr FERRALL - Could be, yes.

Ms WEBB - That could be part of a portfolio of many properties in a sense. The owners of these properties, we have no particular way, I presume, of knowing what their characteristics would be in terms of income, in terms of wealth, in terms of property portfolio, and the need for relief?

Mr FERRALL - That is correct. When you look at the support measures across the board, you always have those challenges. There's no doubt that some support measures that have been introduced support people who really need support, because they are done as a program, as a

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standard across a whole group of people. There would be some people in other areas who didn't need the support for some of the reasons you've outlined.

Mr ROOT - Just to pick up on one point. There are grouping provisions within the Land Tax Act, so someone with multiple properties, they would be grouped in most cases. It would be very unusual to have someone with multiple properties the cumulative value of which were less than \$43 000.

CHAIR - Would it be expected that most of the ones that this would apply to would be just blocks of land? You wouldn't get very many properties worth less than \$43 000 with something on it.

Ms FORREST - You would in my electorate on the west coast.

Mr FERRALL - It's the value of the land, so the capital improvement is not included, places in the north-west, the west coast and so on.

CHAIR - Yes, I suppose.

Ms STANDEN - The discussion about investment properties answered my questions, thank you.

Ms WEBB - This may be not something you can answer because it maybe that it is a political question rather than a question that relates to the technicalities of this. But in some other instances the relief that's been provided through particular measures, or the assistance that's been provided has been linked to demonstration of need, in some sense. I'm thinking around the commercial rents and those sorts of arrangements, so a case can be made that there's been a particular impact, and difficulty faced and therefore the initiative or the measure applies. Was that sort of approach contemplated in terms of land tax? Knowing that if that was the beginning point, has there been a detriment to that person, a broader category of people and perhaps a better targeted category of people may have been captured through this sort of assistance?

Mr FERRALL - I think it is into that political area so I can't really comment in terms of what the Treasurer's broader consideration was in terms of identifying this particular group. As I said, it was quite literally a timing issue in one sense, and they hadn't been issued, and we literally got to the point where the State and the Commonwealth were introducing a whole range of supports, and it was quite incongruous to be sending out these relatively low-dollar value demands for land tax. So the broader considerations were things, I guess, the Treasurer may have had in mind. But I cannot comment on -

Ms FORREST - Just on that, and you may not be able to answer this; I imagine Jonathon might, if anyone can. In terms of these roughly 3000 properties, how many of them would be incoming earning properties like housing that is being tenanted and things like that? Do you have any idea?

Mr ROOT - No, it would very difficult to say. We would have to do some pretty deep analysis to pull that out.

Ms FORREST - It would be fair to say there would be some?

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Mr ROOT - There would be some, yes, certainly -

Ms FORREST - Who may still be getting the income that they were accustomed to? This is going back to the point that Tony made that there are winners and losers in all of this.

Mr ROOT - There would be some who will, and there would be others who wouldn't. You might have some tourist accommodation for example, maybe strata titled-type properties that are at that lower value that obviously wouldn't be getting income. It would be variable. Some of these properties would be things that wouldn't have a commercial income either. They may be blocks that people are holding speculatively, or whatever.

Ms FORREST - They should build on them then.

Ms STANDEN - Going back to the question that Meg asked, I was aware of a document that ACOSS put out in early or mid-April, I think. It was an interesting assessment across jurisdictions of various hardship provisions. I think land tax relief was delivered in most jurisdictions. I'm interested whether you know whether this emerged from a National Cabinet-type decision, or whether it was a case of Tasmania entirely kind of acting?

Mr FERRALL - This didn't emerge from a National Cabinet decision. It was a Tasmania-specific issue, this decision.

Ms STANDEN - Okay. Are you aware of whether or not it was roughly consistent with other jurisdictions approach to land tax?

Mr FERRALL - I can't comment across other jurisdictions on where they're at.

Ms STANDEN - Okay. Thanks.

CHAIR - Are there any other questions, members?

Ms FORREST - I just want to understand the rationale behind this.

CHAIR - We thought it was such a low base that we were really interested in who it was going to help and where it came from.

Thank you very much, gentlemen.

THE WITNESSES WITHDREW.