Land Tax Amendment Bill 2005

Explanatory Notes

General Outline

Policy Objectives
To amend the Land Tax Act 1915 to implement measures announced in the 2005-2006 State Budget.

Reasons for the Bill
The 2005-2006 State Budget proposed that the Land Tax Act 1915 be amended for the 2005-2006 financial year and later years to:

- replace the existing land tax rate scale with separate rate scales for natural residents, and companies, absentees and trustees which provide fewer and broader taxable value bands, rate reductions, increased thresholds and the incorporation of existing statutory deductions, thresholds, rebates and the minimum tax payable amount; and

- introduce a new land tax exemption for land used predominantly as a moveable dwelling park within the meaning of the Residential Tenancies Act 1994 and on which more than 50% of the total number of sites are occupied, or solely available for occupation for residential purposes, for periods of more than six weeks at a time.

The Bill implements these measures.

Achievement of Objectives

General Measures
Land tax is payable by the owner of any interest in freehold land in Queensland if the taxable value of all such interests exceeds the relevant threshold.

The current scheme for determining an owner’s taxable value and the resulting land tax payable is complex. The taxable value of land for an owner is calculated by deducting any deductions or exemptions from the aggregated unimproved value of an owner’s freehold interests. Land tax is
then calculated by applying the relevant land tax rate to the taxable value, following which any relevant rebates are deducted. Different deductions and rebates apply depending on the type of land owner.

In addition to any exemptions which may apply, taxpayers who are natural residents receive a $220,000 statutory deduction in calculating the taxable value of their land.

An exemption threshold applies to land owned by taxpayers who are companies, trustees and absentees. If the taxable value of land owned by these taxpayers is below this amount, the land is exempt from land tax. If the taxable value is above this amount, land tax is payable on the full value of the land holdings. A phasing-in rebate alleviates the impact of the value being just over the exemption threshold. Currently the exemption threshold is $170,000, and the phasing-in rebate cuts out when the taxable value reaches $235,000.

All natural residents are entitled to a general rebate equal to 15% of the land tax payable. In addition, land tax assessments are generally not levied for tax liabilities of less than $350.

The current land tax rate scale applies equally to all land taxpayers. However, the application of the various deductions and rebates effectively results in two separate land tax regimes, one for natural residents and another for companies, absentees and trustees.

The changes, as announced in the 2005-2006 State Budget, will alleviate the complexity surrounding the calculation of land tax. In particular, the Land Tax Act 1915 is to be amended by removing the existing land tax rate scale and replacing it with two separate land tax rate scales; one for natural residents and one for companies, absentees and trustees. The new land tax rate scales will provide fewer and broader taxable value bands, rate reductions and increased thresholds for all taxpayers. The new land tax rate scales also incorporate the existing statutory deductions, thresholds, rebates and the minimum tax payable amount which currently apply.

In addition, the application of the deduction for land used solely for primary production purposes is to be brought into line with the current principal place of residence exemption. Currently, if a natural resident owns primary production land, the resident cannot claim the benefit of the $220,000 statutory deduction as well as a deduction for the primary production land. The deduction is also available for an absentee who is an Australian citizen, a relevant proprietary company, an exempt charitable institution or a trustee.
In contrast, residents may claim the principal place of residence exemption in all instances where the qualifying conditions of the exemption are satisfied as well as the statutory deduction. With the incorporation of the statutory deduction into the new land tax rates, the primary production deduction will now apply in the same manner as the principal place of residence exemption, that is, as a separate exemption.

Moveable dwelling park exemption

Section 13(1) of the Land Tax Act 1915 lists various types of land which are exempt from land tax. Neither caravan parks nor residential parks for manufactured homes currently receive any specific concessions for land tax purposes.

The Land Tax Act 1915 is to be amended to provide a land tax exemption for land used predominantly as a moveable dwelling park within the meaning of the Residential Tenancies Act 1994 (that is, caravan parks and residential parks) and on which more than 50% of the total number of sites are occupied, or solely available for occupation for residential purposes for periods of more than 6 weeks at a time.

Alternatives to the Bill

The policy objectives can only be achieved by legislative enactment.

Estimated Cost for Government Implementation

Implementation costs are not expected to be significant.

Consistency with Fundamental Legislative Principles

This Bill raises no fundamental legislative principle issues.

Consultation

Consultation on the amendments was not appropriate as the measures are a Budget initiative. However, the amendments are beneficial for taxpayers.
Notes on Provisions

Clause 1 cites the short title of the Bill.

Clause 2 states the date on which the Bill is taken to commence.

Clause 3 states that the Bill amends the Land Tax Act 1915.

Clause 4 amends section 9 by omitting the existing land tax rate scale and flat rate of tax and makes provision for two land tax rate scales; one for individuals (otherwise than in the capacity of trustee) who are not an absentee and one for companies, absentees and trustees.

Clause 5 omits section 9A which provides for the 15% general rebate and the phasing in rebate.

Clause 6 amends section 11 to remove the $220,000 statutory deduction whilst maintaining the deduction available to individuals (otherwise than in the capacity of a trustee) who are not absentees for land used solely for the business of agriculture, pasturage or dairy farming.

Clause 7 amends section 13 as follows.

- Clause 7(1) omits section 13(1)(i) which provides an exemption threshold for land owned by companies, section 13(1)(j) which provides an exemption threshold for land owned by absentees (otherwise than in the capacity of trustees) and section 13(1)(k) which provides an exemption threshold for land owned by trustees.

- Clause 7(2) inserts new section 13(1)(o), which provides a new land tax exemption for land used predominantly as a moveable dwelling park, where the majority of sites in the park are used for long-term residential purposes.

- Clause 7(3) renumbers section 13(1)(l) to (o).

- Clause 7(4) inserts a new section 13(5), which contains the definitions for the new moveable dwelling park exemption in section 13(1)(o), renumbered as section 13(1)(l). These definitions are drawn from, or based on definitions used in the Residential Tenancies Act 1994 and Manufactured Homes (Residential Parks) Act 2003.

Clause 8 amends section 16 to reflect the effect of the new tax thresholds on taxpayers’ obligations for the lodgement of returns.

Clause 9 amends section 18 to omit the minimum tax payable amount for which the Commissioner need not levy an assessment.
Clause 10 amends section 62 to provide that the amendments made by this Bill apply to land tax levied for the financial year beginning 1 July 2005 and each later financial year.

Clause 11 amends Part 9 of the Act to insert a savings provision in respect of section 18(4) of the Act. Section 18(4) will continue to apply in respect of levying land tax payable for a financial year prior to 1 July 2005.

Clause 12 inserts schedule 1 in the Act which contains the new land tax rates for particular individuals and schedule 2 which contains the new land tax rates for companies, absentees and trustees.