EMERGING TRENDS OF STATE LAND TAX AND LOCAL GOVERNMENT RATE REVENUE IN AUSTRALIA

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ABSTRACT

Australia is one of the few jurisdictions internationally that imposes a recurrent tax on land by two distinct levels of government. As one of the more visible and salient taxes, the challenge now facing government is understanding and managing taxpayer perceptions towards these taxes. This paper examines the emerging trends in revenue collected from land tax by State and local government across Australia over the past decade. It further examines the diverging rationale for its imposition and how taxpayer perceptions are to be managed by government as it increases in importance as a source of tax revenue over the next decade.

Australia has capacity to increase revenue from state and local government land taxes, while reducing less efficient transaction taxes in the form of conveyance stamp duty on property. The objective of this paper is to measure recurrent land tax collected by state and local government across Australia and monitor emerging trends in the relativity of tax revenues collected between these tiers of government over the past decade. In undertaking this analysis, land tax revenues have been sourced from the Australian Bureau of Statistics between 2001 and 2012, with trends measured at the beginning, middle and end of this period.

Keywords: recurrent land tax, land property tax trends

INTRODUCTION

Recurrent land tax is defined as a tax on capital and is divisible into two broad categories of state land tax and local government rating in Australia. Recurrent taxation exists in contrast to other forms of taxes levied on property transactions in the form of conveyance stamp duty imposed by the states. Australia's Future Tax System, AFTS (2008), makes the distinction between conveyance stamp duty taxes and land taxes as shown in Figure 1, in which land tax is a composite of state land tax and local government rates. Figure 1 sets out the relativity of revenue from recurrent land taxes as a percentage of total tax collected within Australia, which represent 5.5 per cent of the total tax revenue collected and is an amalgam of state land tax and local government rating as at 2009/10 (ABS 2011-12).

In contrast to other OECD countries which impose recurrent land tax at the local government level, Australia levies land tax at both the state and local government levels. Further, Australia is one of the few OECD countries which levies this tax on land in contrast to other bases of value including income and improved value. Australia, in contrast to the United States, United Kingdom, New Zealand and Canada, has capacity to increase tax revenue from recurrent land tax. This capacity was further identified by AFTS (2009), though it was not stated as to which level of government (state or local) it should be assigned. It is suggested that the States broaden their base of state land tax by including the principal place of residence, currently exempt from land tax in each state of Australia (AFTS 2009).

Despite capacity to increase recurrent land tax revenue, Table 1 shows that in many OECD countries land tax has decreased as a percentage of the total tax collected and also as a percentage of GDP. Since 1965, tax revenue sources have moved towards consumption based

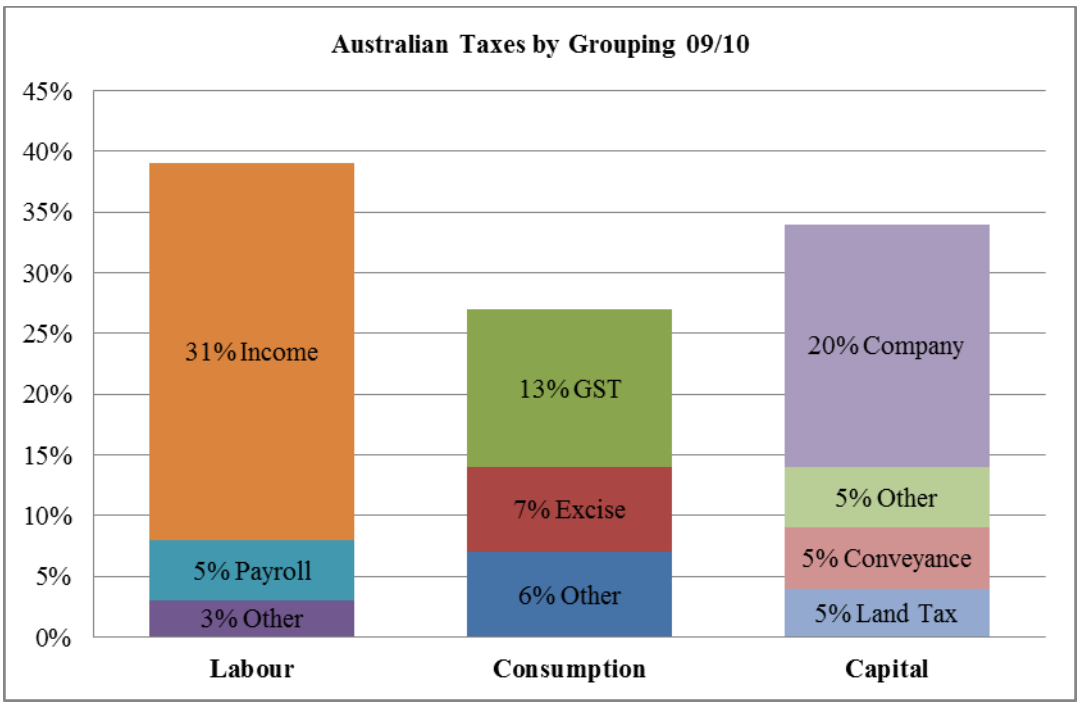
taxation, including the Goods and Services Tax (GST) in Australia and Value Added Tax (VAT) in the United Kingdom and United States (Warberton and Hendy 2006). The percentages used to measure taxes are defined by Bird and Slack (2004) as fiscal benchmarks for measuring the tax efforts of countries. Table 1 shows that between 1965 and 2010 as a percentage of total tax collected Australia's revenue from land tax reduced by 18.5 per cent, however over the same period has increased marginally by 1.1 per cent as a percentage of GDP.

	Percentage of total tax				**Percentage of GDP**			
	1965	**2010**	**% change**		**1965**	**2010**	**% change**	**Rank in OECD countries**
Portugal	0	1.9	…		0	0.6	…	20
Italy	1.7	1.5	-16.5%		0.44	0.62	40.4%	19
Finland	0	1.9	…		0	0.65	…	18
Netherlands	1.02	1.8	77.3%		0.334	0.7	109.6%	17
Korea	…	3.2	**...**		…	0.79	…	16
Sweden	0.025	1.7	-6868%		0.008	0.793	9812%	15
Ireland	12.2	3.2	-74.2%		3.05	0.87	-71.5%	14
Spain	0.45	2.7	511%		0,066	0.88	1235%	13
Poland	…	3.7	**...**		…	1.2	**...**	12
Belgium	0.027	2.8	10363%		0.008	1.229	15262%	11
Denmark	4.9	2.9	-41%		1.5	1.4	-6.2%	10
Australia	**6.8**	**5.5**	**-18.5%**		**1.4**	**1.42**	**1.1%**	**9**
Iceland	1.7	5.2	212%		0.4	1.9	320%	8
New Zealand	8.3	6.6	-20.9%		2.0	2.1	4.4%	7
Japan	5.2	7.7	49.3		0.9	2.1	131.6%	6
Israel	-	7.2	…		-	2.3	…	5
France	1.9	5.7	200%		0.7	2.5	268%	4
United States	13.7	12.2	-11%		3.4	3.0	-10.4%	3
Canada	11.9	10.1	-15.5%		3.0	3.1	2.1%	2
United Kingdom	11.2	9.8	-13%		3.4	3.4	-0.4%	1
Unweighted average								
OECD-Total	**3.8**	**3.25**	**-15.4%**		**0.95**	**1.05**	**9.9%**	**Ranking**

Global Trends in Real Property Tax Revenues
Source: OECD Revenue Statistics 1965-2010
Table 1

Unlike the United States, Canada and United Kingdom, where the land tax is imposed and retained by local government, in Australia this tax is collected by states and local government. In the case of state land tax, the exemption of the principal place of residence and thresholds expended by each state, result in less than 15 per cent of all property owners in Australia who pay local government rates being dually subject to state land tax (NSW Treasury 2005).

In addition to the comparison made with international jurisdictions in Table 1, Figure 1 further distinguishes the grouping and division of taxation into the three categories of Labour, Capital and Consumption. This grouping of taxes is in contrast to individual bases of taxation as viewed by taxpayers and is important to government, particularly central government, in maintaining taxation equilibrium across Australia. In addition to the traditional and historic economic rationale for taxing land due to its limited supply, neutrality and visibility as defined by Tideman (1994), an important rationale has emerged for its resurgence.



Tax Revenue in Australia by Labour Consumption and Capital
Source: Australian Bureau of Statistics 2010
Figure 1

A factor impacting on tax revenue under the category of Labour, as shown in Figure 1, results from Australia's aging population as is the case in many OECD countries. This has resulted in governments maintaining taxation on income steady and where possible reducing taxes on labour to retain Australians in the workforce longer and to attract labour from abroad. The impact of Australia's ageing population is summarised in Table 2 and highlights the need to maintain internationally competitive taxation on labour. This factor has further impacted on the need to increase taxes on consumption and capital, whilst retaining competitive taxation on labour.

Year	No working : No over 65
1970	7.5 : 1
2010	5 : 1
2056	3 : 1

Ratio of Working Australians to Number Over 65
Source: ABS Cat. No. 3222.0
Table 2

Since the beginning of the Global Financial Crisis 2007/08, the emerging importance of taxing land coupled with the question as to which tier of government should levy, collect and control this tax has become a priority in shaping Australia's fiscal policy (AFTS 2008). This is particularly important at the sub-national level of government by increasing tax effort from land taxes which have room to increase in Australia as shown in Table 1. The analysis of tax revenues from state land tax and local government rates provides insight into how land tax revenue has trended over the past decade. Further it provides insight into which tier of

government and specific tax (state land tax or local rates) is the preferred option for increasing revenue from this tax source.

LITERATURE REVIEW

The literature review focuses on two key factors which demonstrate the challenges confronting tax administrators in the management of land tax and taxpayer perceptions. This commences with the structure of government and the evolution of tax revenue across the tiers of government and where land tax sits within Australia's tax framework. It demonstrates the diverging rationale for land tax pre and post federation and the progression of tax hypothecation as a means of linking land taxes to specific services in contrast to its imposition as a consolidated revenue tax.

Structure of government and operation of recurrent land taxation

This section reviews the fiscal arrangements in Australia which set the foundations for the review of revenues from land taxes raised by state and local government. It examines the evolution of government and recurrent land taxation in Australia and defines the challenges confronting two tiers of government which, in essence, share the same tax base (Comrie 2013).

Land tax commenced in Australia in 1884 (Smith 2005) and continues to predominantly operate in the form of a tax on land. Australia is one of the few countries that impose a recurrent tax on land and more specifically a land value tax at state government level, without any financial cap or limit on the amount of revenue that it raises. Despite there being no limitation on the amount of revenue this tax raises, it was demonstrated in Table 1 that, among advanced OECD countries, Australia is ranked ninth in its tax raising effort from total land tax collected.

Land Tax (Recurrent Tax)		
State	**State Gov't Land Tax**	**Local Gov't Council Rates**
New South Wales	Land Value	Land Value
Queensland	Site Value	Site Value
Victoria	Site Value	Improved Value
South Australia	Site Value	Improved Value *
Western Australia	Site/Unimproved Value	Gross Rental Value *
Tasmania	Land Value	Gross Rental Value *
Northern Territory	N/a^	Unimproved Capital Value
ACT	Unimproved Value^	Unimproved Value
Perceived Revenue Objectives	General purpose or consolidated revenue tax	Quid pro quo tax for local services provided

* Denotes the option of assessing council rates on more than one basis across different LGA's.
^ ACT and Northern Territory are not states and are governed by the Commonwealth, each with local government.

Bases and Premise of Value Used to Assess Recurrent Land Taxes
Source: State Valuation of Land Legislation Across Australia
Table 3

A review of the legislation governing state land tax and local government rates highlights the definition of bases on which land tax is assessed by state and local government in Australia, as shown in Table 3. AFTS (2009) have noted the differences in the labels used to define the base on which land tax is assessed and raised the need for greater harmonisation of the

definitions and labels of the base of these taxes across Australia. While merit exists for harmonisation in principle, the Productivity Commission (2008) identify structural differences in the charter of local government, which is mirrored in the following review of the evolution of state land tax and local government rates and how they are perceived today.

Land tax was introduced to fund the establishment of towns and associated infrastructure, including roads and community facilities (Brennan 1971), which supports the rationale of its imposition as a service or benefits tax directly linked or earmarked to services provided (McCluskey and Franzsen 2005). Table 4 sets out the evolution and structure of government in Australia, the evolving uses of land, planning law which governs its use and the taxation of land which facilitates its development. In the last column of this table, the rationale is important as it sets out the least defined but often most controversial aspect, the rationale for land tax.

In the top half of Table 4, (Australia between 1788 and the late 1880s), land tax was administered by the states which was the initial single tier of government. This was a simple structure in which the land tax was established as a means of providing revenue for services and the settlement and expansion of Australia's colonies (Daly 1982). In the mid-1880s legislative provisions were enacted for local government to be formed under the Municipalities Act 1884, which resulted in the advent of local administration of which the rating of land by local government soon followed.

Pearson (1994) highlights that local government was created as an operational arm of state government, to which Twomey (2013) defines the limited powers assigned to local government by the states. Attempts to assign local government autonomy resulted in two failed national referenda held to establish local government as a constitutional level of government in Australia in 1974 and 1988, with each referenda opposed by the states (Pearson 1994).

Following Federation in 1901 land tax was levied by the three tiers of government (Smith 2005). In the second part of Table 4 the purpose, mechanisms and rationale for land tax across the tiers of local and state government in Australia are set out. Whilst the overriding purpose of land tax is as a source of revenue, a different taxpayer rationale emerged for the imposition of these taxes when imposed by state and local government. The evolution of the benefits received principle of taxation emerged from the 1950s which facilitated the progressive introduction of the category of special rates which were used for specific services in the community (Productivity Commission 2008).

From Federation, both federal and state government collected income tax until 1942, when the federal government became the sole collector of income tax. It did this by passing laws which raised the federal tax rate and gave some of the proceeds back to the states on the condition they drop their income tax (Simpson and Figgis 1998). States receive this money in the form of funding grants. Technically a state could still collect its own income tax but this would mean its people would be taxed twice and the state would forfeit its funding grants Warren (2004). During this period, the Commonwealth handed the collection of land tax back to the states which now collect this tax revenue with local government.

Fiscal own source revenue across the tiers of government in Australia is set out in Table 5, which highlights the relatively small percentage of total taxation raised by state and local government, this concentration is known as fiscal imbalance (Warren 2004). This fiscal imbalance is further set out later in Table 5, in which it is shown the states provide the

majority of services and infrastructure in Australia and account for 55.2% of all expenditure, while collecting 16% of total tax revenue.

Gov't			Period	Purpose	Mechanism / Base	Rationale
State			**(1788 – 1850)** Initial use and development	Promote initial development / subdivision and break-up of large estates	Planning laws permitting development Taxation mechanism (Land Value Tax) Reflects potential highest and best use)	Neutral facilitation of land use change Encouragement of development and land use
			(1850 – late 1800s) Stable settlement	Finance provisions for existing and new services	Benefits tax	Earmarked to services
Commonwealth	State	Local	**1884 Local Gov't Formed under municipalities Act 1884** **(1901 – Present)** Federation Redevelopment / re-urbanization and expanding city	Redevelop and changes in land use patterns	Planning laws permitting changes in use and re-development Taxation mechanism (Land Value Taxation Highest and best use)	Neutral facilitation Transition Distorted force land use change
			Stable Settlement	Finance Provisions for existing & new services	Benefits Tax (Council Rates)	Earmarked to services

Evolution and Structure of Government and Land Tax
Source: Author
Table 4

Year	Commonwealth	State	Local
1990-91	79.1%	17.4%	3.6%
2000-01	81.9%	15.2%	3.0%
2010-11	80.5%	16.2%	3.5%
Total tax-funded own-purpose expenses (B)	40.3%	55.2%	4.5%
Degree of VFI (=A/B)	2.03	0.27	0.71

Percentage Share of Taxation Revenue by Sphere of Government Past Two Decades
Source: ABS Cat. No. 5506.0 Taxation Revenue Australia;
Access Economics Cited by Comrie 2012
Table 5

Further, Table 6 highlights the relative importance of the land tax to state and local government across Australia. While comprising a higher proportion of own source revenue for local government, its importance is nonetheless for the states, who are under pressure to reduce revenue from less efficient conveyance stamp duty and to minimise taxes on labour in the form of payroll taxation (AFTS 2008). With tax sources generated from consumption and labour being the domain of the Commonwealth, state and local government are largely confined to land taxes as own source revenues (Warren 2004).

Own Source Revenue	NSW	Vic	Qld	WA	SA	Tas	NT	Total
Rates %	33.6	43.7	27.0	41.3	55.2	32.7	17.1	35.6
Land Tax %	12	8.6	11	8.4	15	10.4	N/a	10.6

Local Government Rates as a Percentage of Total Revenue, 2008-09
Source: 2008/09 Local Government National Reports Cited by Comrie 2012
Table 6

Perceptions and taxation hypothecation

Among the recommendations of Australia's Future Tax System (AFTS 2009), is the expansion of state land tax to apply to the principal place of residence, a recommendation strongly opposed by the Local Government Association of Australia (2010). The imposition of any kind of levy imposed on the principal place of residence by state government in Australia is complicated by two factors. The first being that local government in Australia already collects a recurrent tax in the form of council rates on the principal place of residence. The second is closely aligned with the first being that ratepayers inherently relate rates paid to local government with services and hence perceive council rates as a quid pro quo tax for services provided (Bird and Slack 2004).

On these two points, the entry of state government imposing a tax on the principal place of residence is complex in managing taxpayer perceptions. In most jurisdictions, imposing a recurrent tax on the principal place of residence by far causes most concern (Fisher 1996). In justifying the imposition of a further tax on the principal place of residence, international experiences are used in linking the tax to the home, which is in its infancy in Australia. In the United States, Kenyon (2007) states that the land tax has been linked to school funding since the 1970s. This has resulted in litigation by taxpayers over equity and quality of education across communities in 17 states (Fischel 1998). The argument used against this levy in the United States is the variability of taxation rates, values and tax systems existing across local jurisdictions, which have rendered the tax unconstitutional (Ibid).

In Australia, Warren (2004) suggests that tax hypothecation has progressively emerged with the Medicare Levy and Higher Education Contribution Scheme (HECS). While not popular with tax economists, politicians are able to sell new taxes when specifically linked to services. While a degree of perceived linkage exists between local government rates and local services, what is less clear in Australia is which services are perceived to be linked to council rates. Sansom (2008), in contrast, states that rates should be seen as a general revenue tax and not closely linked to benefits. Despite the dangers of earmarking revenue to specific services and the provision of infrastructure, this form of taxation is gaining momentum in Australia, with local government as the tax collection agency for higher tiers of government (Municipal Association of Victoria 2012).

In the case of local government rates, arguments have been mounted against the use of value in fast evolving suburbs where values have outpaced inflation and surrounding lower value suburbs. This argument is based on the 'ability-to-pay' principle resulting from variability of income within and across local government areas, also known as vertical equity. This further amplifies the case against using value as the basis of determining rates used to fund the provision and quality of services, which are often compared with those in adjoining locations (Ogilvie 2012).

Musgrave and Musgrave (1976) define two strands of thought for defining equity in the application of a tax system as being the benefits-received and capacity-to-pay principles. As one of the more visual taxes imposed annually, debate remains as to whether recurrent land taxes are consumption / benefits-received or capital / capacity-to-pay taxes. Under a strict application of benefits received, each taxpayer would be taxed in line with their demand for specific public services. This demand varies from taxpayer to taxpayer and as highlighted by Musgrave and Musgrave (1976) "For the benefits principle to be operational, expenditure benefits for particular taxpayers must be known."

The benefits received principle is respected in most tax systems, however it is tainted with difficulty as it attempts to rationalise a relationship between rates paid and services provided by local government (Productivity Commission 2008). It is even more tenuous when attempting to draw a relationship with rates against services actually used by ratepayers, of which there is little research to support a proportional connection. It is more commonly aligned and better correlated with user pay charges in which a more direct link can be made between the two. In more recent years, local governments have used the benefits received principle in charging for street parking.

In geographic isolation, the arguments of vertical inequity are mounted. However Fischel (1998) highlights that many local wealthy residents are particular about the development of non-residential uses in their locations. Alternate business uses provide a stronger recurrent property revenue base but, in the same argument whilst arguing for restraint of increases in land taxes, wealthier residents also argue against more intense and diverse land uses within their locations (Fischel 1998). At the local government level, land taxes and the broader issue of local government management are stated to be thwarted by certain weaknesses of the structure of local government with Hague, Harrop and Breslin (1998) stating:

> *"….local government represent natural communities, remain accessible to their citizens, reinforce local identities, act as a political recruiting ground, serve as first port of call for citizens with a problem and distribute resources in light of local knowledge and needs. Yet local government also have characteristic weaknesses. They are often too small to deliver local services efficiently, they lack financial autonomy and they are easily dominated by local elites."*

In response to this and in particular local fiscal management, local government rating is overseen by the states in Australia in achieving, and where necessary recalibrating, local government tax policy (Twomey 2013). However as highlighted in Table 4, the objectives of state government in the oversight of local government rating is duplicitous. This is evident from the fact that whilst state land tax makes up a smaller percentage of own-source revenue compared with local government, state government vertical fiscal imbalance is greater than local government as shown in Table 5. To this end, there is demand for recurrent land tax revenue by both state and local government across Australia.

In contrast to local government rating, the rationale for state land taxation is detached from any service provision being a consolidated revenue tax. State land tax is largely seen as a non-earmarked tax and is strongly opposed by many who pay it (Nile 1998). This opposition is founded on two bases, the first being the select and limited application of the tax resulting in less than 15 per cent of property owners in Australia being liable (Ibid). This underpins the second reason, being that the tax is perceived to be targeted at the wealthy, rather than at all property owners (Ibid). It is at this juncture that the current structure of recurrent land taxation in Australia is faulted, because of its narrow application by state government and the reluctance to expand the tax to all property owners, as recommended by AFTS (2009).

Both AFTS (2009) and IPART (2008) have recommended states increase recurrent tax revenue from land, with this tax to be collected by local government as tax agents for the states. While discussion has centred on increasing land tax revenue by the states, a review of the current land tax sharing arrangements between state and local government across Australia follows. This provides an important starting point for monitoring trends in revenue collected by both tiers of government as well as opportunities for reforms and the sharing arrangements between these tiers of government. While not the primary focus of this paper, it further highlights state land tax and local government rates against revenue from conveyance stamp duty, which is identified as a mobility tax and barrier to home ownership (Productivity Commission 2004).

RESEARCH METHOD

A qualitative research methodology comprising grounded theory and phenomenological research is used in undertaking the review of tax revenue collection from state land tax and local government rating. Kumar (1996) defines the application of qualitative research where "the purpose of the study is to describe a situation, phenomenon, problem or event." Creswell (2003) elaborates on the use of phenomenology to develop patterns and identify the relationship of meanings. Further, grounded theory is used for constant comparison of data with the objectives of maximising similarities and differences in information, which span a 12 year review of land tax revenue across Australia.

In monitoring trends in tax revenue collected by state and local government across Australia over the past decade, data has been sourced from the Office of State Revenue Annual Reports and tax revenue statistics compiled by the Australian Bureau of Statistics between 2001 and 2012 inclusive. The three sources of tax revenues examined are state land tax, local government rates and conveyance stamp duty. These are compared over 12 years from 2001 to 2012 with the percentage change in revenue at 2006 and 2011. These results are set out in Table 7, with each state revenue from these three taxes. Table 7 is further supplemented by graphs of each source of land tax revenue in each State and for the whole of Australia (Appendix 1).

The objectives of this comparison and analysis are to first identify the apportionment of recurrent land tax revenues to each of the states and local government at the beginning of the study period of 2001. Secondly, to monitor any change in trends of this revenue between these two tiers of government over the following 12 year period to 2012.

Observations and commentary

The overall trend across Australia shows stamp duty is an important source of revenue for state government and in the main, with the exception of South Australia, is the dominant source of tax revenue derived from property. Further noted from trends in stamp duty is the

volatility of revenue from this tax compared with revenues from local rates and land tax across each of the states. As the volume of revenue generated from stamp duty is significant, it is not replaceable with revenue from the other two taxes in the short term and will require a progressive phase/in phase out over a significant period of 10 to 20 years.

State land tax produces the lowest total revenue from all three sources, however it is the narrowest in its application applying to less than 15% of property owners in Australia. The narrow application of the tax is attributable to the exemption of the principal place of residence and the investment threshold applied in each of the states. The total land tax revenue derived from residential property is less than 30 per cent of the total tax revenue collected from this source across Australia. Despite being the lowest tax revenue generated of the three taxes, the revenue is closely aligned to movements in land or site values of non-residential property where land/site values are reassessed annually or bi-annually by the states.

Local government rates, in contrast to land tax, are paid by over 98% of all property owners in Australia having the broadest base and lowest tax exemption. Revenues from council rates are the least volatile of the three revenue sources, while tied to value they are also impacted by rate pegging in New South Wales and the increases in revenue are largely aligned to the movement in wages across Australia. As operational arms of the states, the rates applied to land, site or improved value across local government areas may be varied annually to ensure rate revenues remain steady or in most cases does not exceed taxpayer's ability-to pay.

A further level of contrast is now made between state land tax and local government rates across the states. Analysing the relative changes in revenue between state land tax and local rates at the beginning, middle and end of the 12 year period examined, it is noted that over this period, in each state, with the exception of Western Australia, state land tax has increased as a percentage of revenue collected from local government rates. Between 2001 and 2006 this trend was noted across all states with the exception of Western Australia and Victoria. The largest increases in revenue from land tax as a percentage of local rates across the 12 years are noted in the states of South Australia and New South Wales. Western Australia in contrast shows a steady similar revenue trend between state land tax and local rates.

It is clear from this analysis that increases in revenue from recurrent land taxation across Australia over the past 12 years has been in favour of state land tax over local government rates, with the exception of Western Australia. This trend will likely continue over the next decade in states where increases in local government rates are tied to income and in particular in New South Wales which remains pegged. This trend is likely to increase further in favour of the states if hypothecated taxes are applied by the states through local government rating, a factor which has yet to impact trends in these two taxes.

While the trend from Table 7 shows that state land tax revenue is increasing at a faster rate than local government rate revenue, and in particular this trend is noted between 2006 and 2012, the question is whether this trend is sustainable in favour of state land tax revenue. The complexity of this question is further compounded by the fact that the states, while expected to reduce inefficient conveyance stamp duty revenue, are to replace this revenue with recurrent land tax as suggested by AFTS (2009). In contrast, while local government rates are perceived as a hypothecated tax and viewed as more closely aligned with local services, the option remains as to whether additional land tax revenue may be collected by local government as agents for the states.

CONCLUSIONS

It was highlighted that recurrent land tax revenue in Australia is low in contrast to the advanced OECD economies in Table 1 and that Australia has scope to increase revenue from this tax while reducing inefficient taxes on conveyance stamp duty, as recommended by AFTS (2009). It is clear that increases in recurrent land tax revenue will need to largely be funded from the principal place of residence. While some contribution could be made from removing the land tax threshold, such a move would need to be applied by each state to avoid tax competition which may impact on investment at the bottom end of the residential investment market.

It is clear that under Australia's highly centralised tax system, the states have the highest vertical fiscal imbalance and that increases in own source revenue are of the highest priority. The impact of reform for the states is further complicated by the need to reduce revenue from conveyance stamp duty while increasing revenue from land tax. It is highly unlikely that broadening the existing state land tax net to include the principal place of residence will be understood or acceptable to property owners under the rationale as a consolidated revenue tax.

As a result, under the emerging taxing arrangements, it is likely that increases in land tax revenue will further expand if hypothecated taxes are imposed by local government and collected on behalf of the states. This will particularly be the case if additional revenue is to be derived from the principal place of residence. A hypothecated state land tax collected by local government as a fire service levy is one option however, given the level of revenue required for infrastructure projects needed in each state, the opportunity to improve recurrent land tax revenue could be better coordinated nationally with revenue increases from land tax earmarked to infrastructure.

If local government does not maximise opportunities to broaden its revenue from land taxation, it may have little choice but to allow the states to broaden their revenue streams further from this source. Either way, a move by state or local government would allow the total tax revenue collected from land, as a percentage of GDP and total tax collected, to be brought into line with the advanced OECD economies. Further, if increases in recurrent land taxation are to move in line with these economies, in which the land tax is predominantly the domain of local government, local government in Australia will need to re-examine its rating policy in arguing for greater control and income from this tax source.

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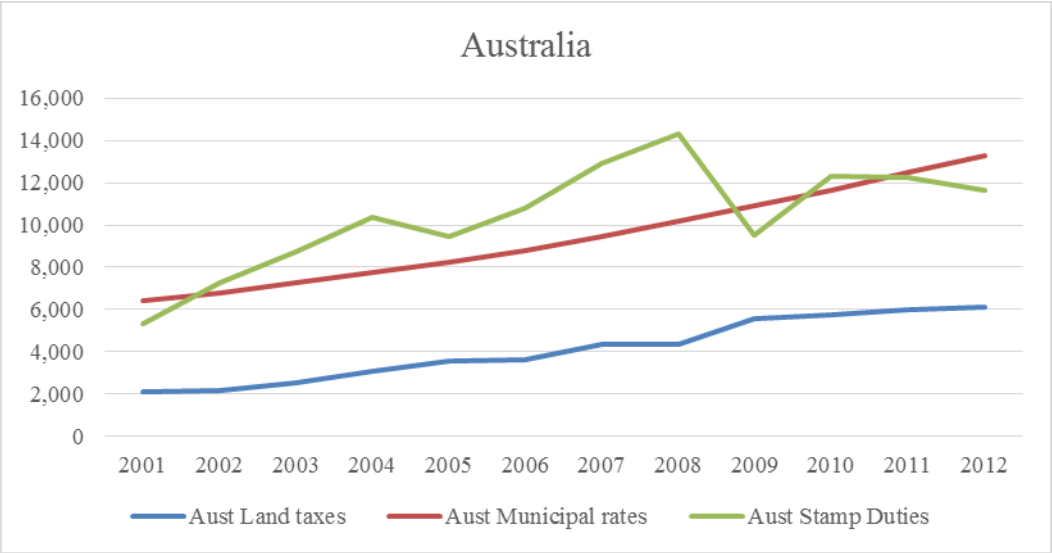
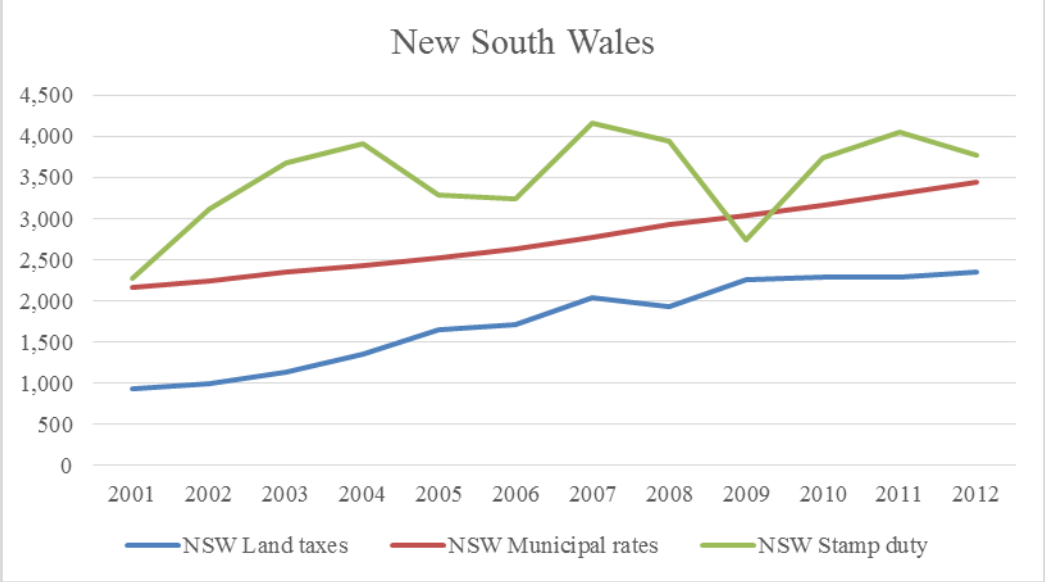
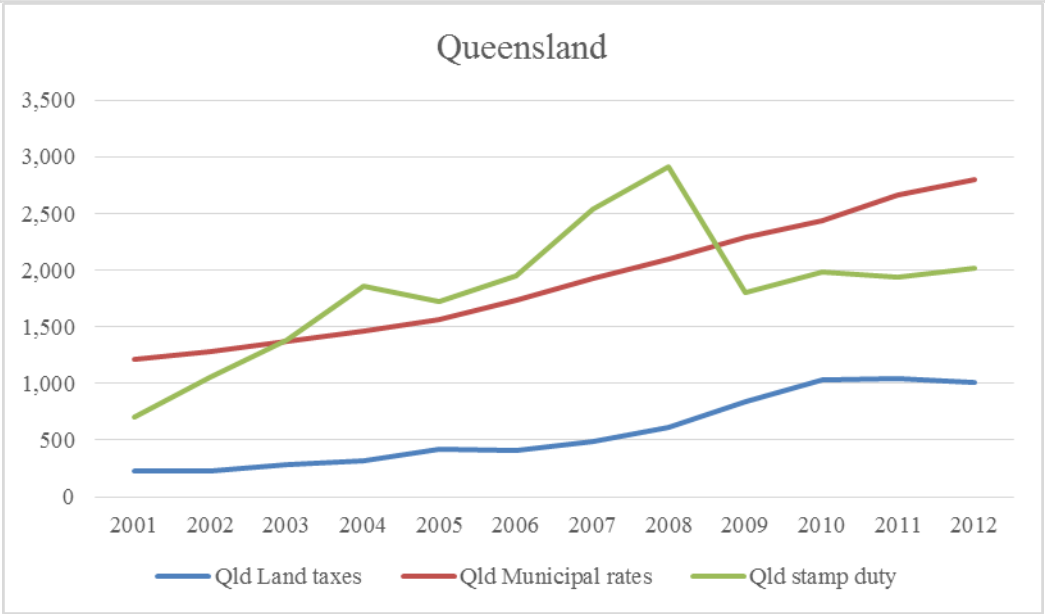
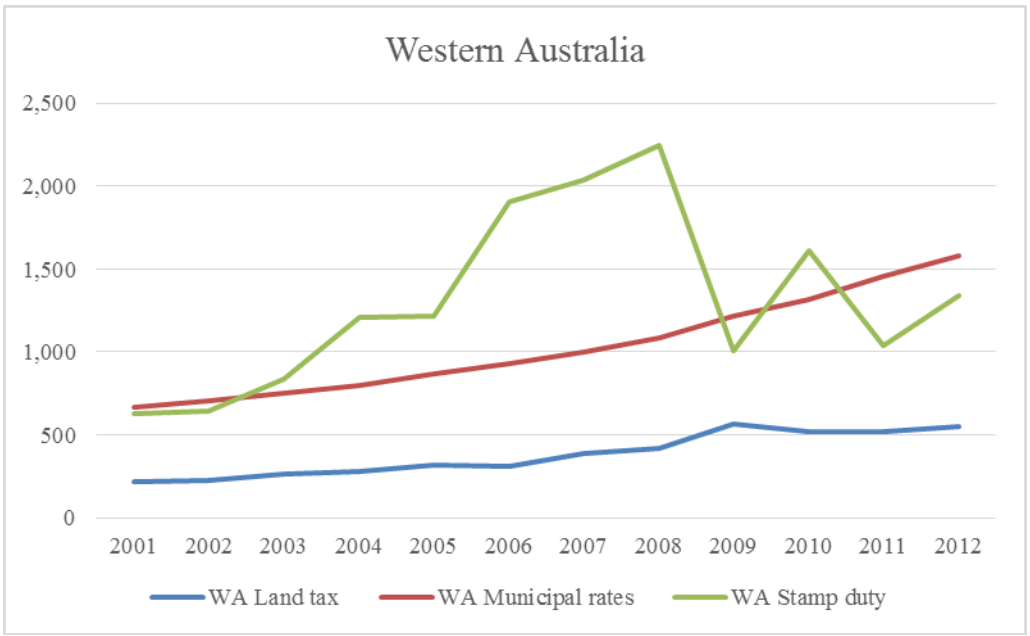
Land Tax Revenue State Comparative Figures Australia
(NSW, Vic, Qld, SA & WA Combined)
Source: Author
Appendix 1

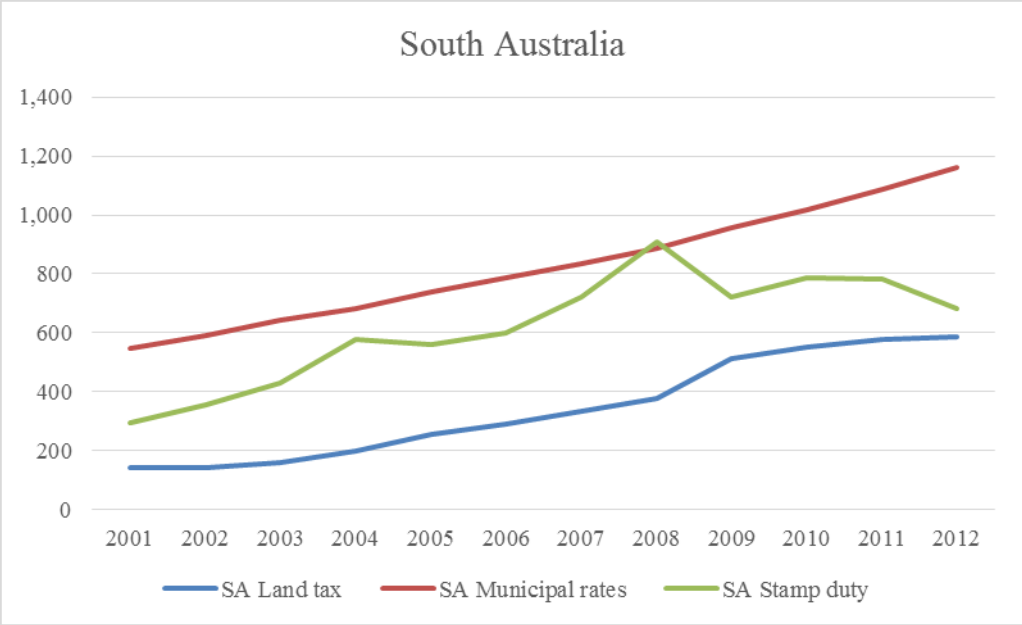





Victoria
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Vic Land taxes
Vic Municipal rates
Vic stamp duty


Queensland
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Qld Land taxes
Qld Municipal rates
Qld stamp duty


Western Australia
2,500
2,000
1,500
1,000
500
0
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
WA Land tax
WA Municipal rates
WA Stamp duty


South Australia
1,400
1,200
1,000
800
600
400
200
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
SA Land tax
SA Municipal rates
SA Stamp duty

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Qld stamp duty	700	1,056	1,382	1,863	1,728	1,949	2,542	2,912	1,806	1,978	1,933	2,023
Qld Land taxes	230	231	279	313	419	404	485	610	838	1,033	1,042	1,013
Qld Municipal rates	1,210	1,281	1,369	1,461	1,559	1,736	1,925	2,096	2,285	2,438	2,666	2,805
% change in revenue	**19**					**23.3**						**36**
Vic stamp duty	1,284	1,885	2,116	2,446	2,337	2,671	2,961	3,706	2,801	3,604	3,910	3,379
Vic Land taxes	525	515	655	837	848	780	989	865	1,238	1,178	1,398	1,401
Vic Municipal rates	1,543	1,676	1,827	2,001	2,170	2,294	2,500	2,724	2,927	3,159	3,416	3,656
% change in revenue	**34**					**34**						**38.3**
NSW Stamp duty	2,267	3,119	3,677	3,918	3,282	3,237	4,166	3,938	2,736	3,739	4,045	3,764
NSW Land taxes	929	1,001	1,136	1,355	1,646	1,717	2,036	1,937	2,252	2,296	2,289	2,350
NSW Municipal rates	2,168	2,236	2,347	2,424	2,521	2,638	2,776	2,935	3,030	3,166	3,303	3,445
% change in revenue	**43**					**65.1**						**68.2**
WA Stamp duty	624	647	833	1,207	1,218	1,906	2,037	2,243	1,008	1,615	1,039	1,340
WA Land tax	221	226	260	280	315	313	386	415	562	519	516	548
WA Municipal rates	669	705	754	801	869	928	1,001	1,088	1,220	1,317	1,454	1,581
% change in revenue	**33**					**33.8**						**34.6**
SA Stamp duty	295	354	428	578	561	600	721	909	721	787	784	683
SA Land tax	140	140	157	198	256	291	332	375	510	553	576	588
SA Municipal rates	545	589	641	683	738	785	834	886	958	1,019	1,086	1,161
% change in revenue	**26**					**37.1**						**50.6**
Aust Stamp Duties	5,340	7,283	8,745	10,388	9,472	10,788	12,923	14,289	9,526	12,294	12,229	11,657
Aust Land taxes	2,103	2,172	2,553	3,059	3,583	3,613	4,358	4,346	5,565	5,767	6,005	6,103
Aust Municipal rates	6,441	6,808	7,276	7,726	8,237	8,788	9,476	10,194	10,938	11,645	12,506	13,265
% change in revenue	**32.7**					**41**						**46**

Percentage Change in Land Tax Revenue as a Percentage of Local Government Rate Revenue Across Australia 2001 – 2012
Source: ABS Taxation Statistics 2001-2012
Table 7