

CHAPTER 6

REVENUE

Chapter		Page
6.1	Revenue and Forward Estimates	223
6.2	Taxation Reform	247

6.1 REVENUE AND FORWARD ESTIMATES

Total ACT General Government Sector (GGS) revenue is estimated to be \$4.245 billion in 2013-14 compared with a 2013-14 Budget estimate of \$4.237 billion and a 2013-14 Budget Review estimate of \$4.228 billion. This is a marginal increase compared to the 2013-14 Budget Review of \$17 million.

Total revenue is expected to increase in 2014-15 by \$166.7 million or 4 per cent compared to the 2013-14 estimated outcome. This largely reflects underlying growth in the Territory's largest revenue sources, Commonwealth grants and taxation revenue.

The 2014-15 Budget includes the Government's decision to accelerate abolition of conveyance duty fees under the Government's Tax Reform program. A new threshold will be introduced and take effect from 4 June 2014, which will accelerate the abolition of this inefficient tax. Revenue lost through this reform will be replaced through the General Rates system.

Aggregate underlying revenue across the estimates period grows at a compound average annual rate of 5.3 per cent, which is marginally above the original planning parameters of 5.25 per cent set as part of the 2009-10 Budget Plan.

2014-15 Budget and Forward Estimates Revenues

Figure 6.1.1 provides an overview of the sources of ACT Government revenue.

Figure 6.1.1
Components of 2014-15 General Government Revenue

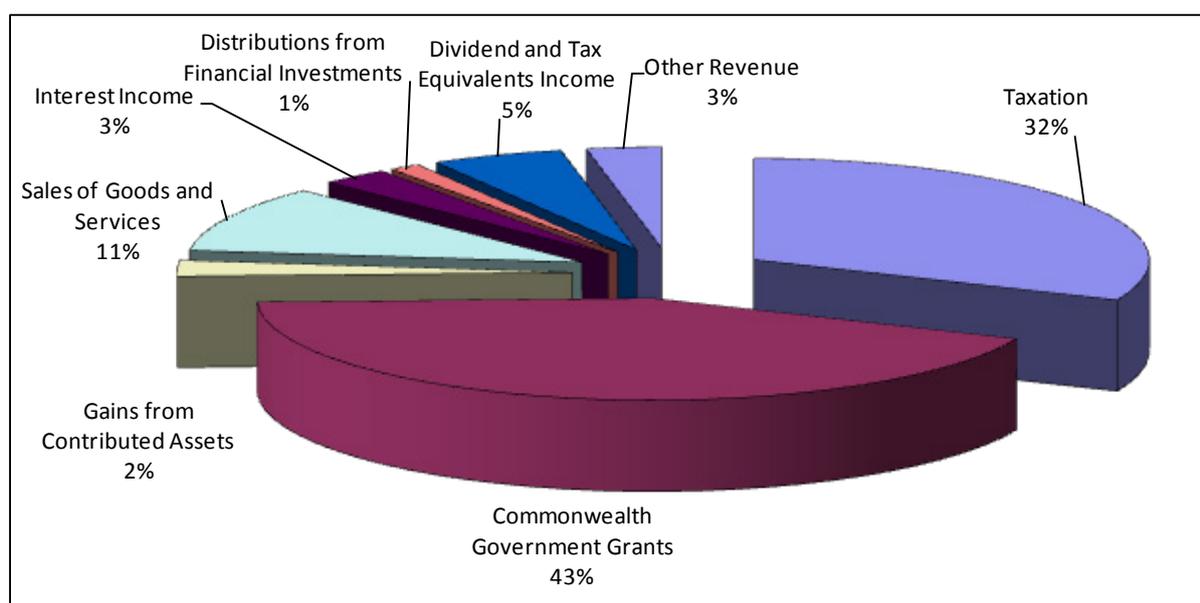


Table 6.1.1 provides a summary of 2013-14 estimated general government revenue, the 2014-15 Budget forecast and forward estimates by revenue source.

**Table 6.1.1
General Government Revenue**

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
	Revenue						
1,298,688	Taxation	1,310,267	1,390,101	6	1,481,341	1,582,168	1,688,509
1,793,539	Commonwealth Grants	1,814,200	1,892,580	4	1,956,631	2,079,457	2,150,561
135,538	Gains from Contributed Assets	100,878	110,053	9	115,650	125,661	125,671
437,792	Sales of Goods and Services	446,019	468,892	5	483,442	496,566	562,128
135,658	Interest Income	129,046	122,177	-5	127,369	134,776	135,161
-	Distributions from Financial Investments	96,366	55,566	-42	61,807	66,406	71,354
304,637	Dividend and Tax Equivalents Income	210,814	237,640	13	289,678	286,626	300,707
131,421	Other Revenue	137,530	134,845	-2	137,770	140,426	143,530
4,237,273	Total Revenue	4,245,120	4,411,854	4	4,653,688	4,912,086	5,177,621

As can be seen from this table, the majority of GGS revenue is from grants from the Commonwealth Government (43 per cent) and own source taxation (32 per cent).

The ACT has a number of revenue raising disadvantages in comparison with other jurisdictions, as a significant proportion of the Territory's economic activity is generated by Commonwealth Government expenditure within the Territory. Commonwealth employment, which drives much of the Territory's expenditure, is exempt from payroll tax.

The Territory has a moderate private employment base in the education and small scale manufacturing sectors, and wholesale trade. Employment in agricultural and mining industries, important contributors to the diversity and growth in other jurisdictions' payroll tax bases, is small in the ACT.

While the ACT is compensated for these limitations through the Commonwealth Grants Commission's assessment, it nevertheless has comparatively less capacity and flexibility to raise own source revenue than other jurisdictions.

The Territory's revenue forecasts are based on the continuation of the Government's Tax Reform program which commenced in 2012-13 and will result in the replacement of conveyance duty with general rates revenue over a 20 year period. In the 2014-15 Budget, the Government reaffirms the conveyance rate cuts announced in the 2012-13 Budget and announces a further year of rate cuts in 2017-18 as part of a rolling program. In addition, the Government confirms its commitment to abolish insurance taxes, which will be fully abolished by 1 July 2016.

The Government has decided to further accelerate the rate of reduction of conveyance duty. From 4 June 2014, the rate applying to sales of properties above \$1.455 million will be set at a flat rate of 5.25 per cent. These rates are outlined in this chapter.

Taxation

The estimated outcome for taxation revenue in 2013-14 is \$1.3 billion, which is \$11.6 million (0.9 per cent) above the original budget. The main variances are attributed to higher than anticipated commercial conveyance, partially offset by lower payroll tax collection.

For 2014-15, taxation revenue is forecast to increase by \$79.8 million (6.1 per cent). This is largely due to both indexation and new initiatives for a number of lines including payroll tax, land tax and Fire and Emergency Service Levy (FESL).

The Government has revised taxation estimates downwards in response to the measures announced in the Commonwealth Government's 2014-15 Budget. In particular, forecasted conveyance revenue has been reduced by around \$6 million per annum due to a lowering of expected price growth in the property market. Payroll tax forecasted revenue has decreased by around \$5 million per annum due to a lowering of expected employment growth. Overall, taxation revenue forecasts have reduced by nearly \$50 million over the four year Budget period as a direct result of the Commonwealth Government's Budget measures.

The land tax system is being restructured to introduce a fixed charge and marginal rating factors. This reform is estimated to raise an additional \$10 million per annum in taxation revenue. The ACT is also amending the *Payroll Tax Act 2011* to harmonise the calculation of payroll tax for employment agents. The reform is estimated to increase payroll tax revenue by around \$10 million per annum. The Government will also increase the Fire and Emergency Services Levy by \$4.774 million per annum to recover funding lost through the *Provision of Fire Fighting Services to Commonwealth Buildings National Partnership Payment*. Refer to Taxation Reform (Chapter 6.2) for further information on these initiatives.

**Table 6.1.2
Taxation**

2013-14 Budget		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
General Tax							
347,417	Payroll Tax	336,746	363,908	8	390,491	418,656	448,898
161	Tax Waivers	161	165	2	169	172	178
338,377	General Rates	337,429	379,940	13	424,853	474,275	518,978
72,888	Land Tax	75,778	89,065	18	93,238	98,786	103,970
758,843	Total General Tax	750,114	833,078	11	908,751	991,889	1,072,024
Duties							
216,493	Conveyances	236,339	226,428	-4	237,065	252,644	263,787
35,381	General Insurance	33,540	23,478	-30	12,326	-	-
1,653	Life Insurance	2,019	1,414	-30	742	-	-
29,079	Motor Vehicle Registrations and Transfers	29,079	29,876	3	30,891	31,942	33,028
282,606	Total Duties	300,977	281,196	-7	281,024	284,586	296,815
Gambling Taxes							
1,859	ACTTAB Licence Fee	1,733	1,757	1	-	-	-
35,711	Gaming Tax	34,000	34,852	3	35,723	36,616	37,531
1,943	Casino Tax	1,943	1,992	3	2,042	2,093	2,145
13,825	Interstate Lotteries	15,105	14,710	-3	15,077	15,454	15,841
53,338	Total Gambling Taxes	52,781	53,311	1	52,842	54,163	55,517
Other Taxes							
105,141	Motor Vehicle Registration	108,824	113,713	4	119,734	126,010	132,612
18,275	Ambulance Levy	18,275	19,188	5	20,148	21,156	22,212
17,674	Lease Variation Charge	15,228	14,580	-4	16,767	18,112	18,710
24,402	Utilities (Network Facilities) Tax	24,402	25,695	5	27,220	28,645	30,156
34,407	Fire and Emergency Service Levy	34,407	44,008	28	49,445	52,117	54,891
1,882	City Centre Marketing and Improvements Levy	1,882	1,871	-1	1,862	1,853	1,844
2,120	Energy Industry Levy	3,377	3,461	2	3,548	3,637	3,728
203,901	Total Other Taxes	206,395	222,516	8	238,724	251,530	264,153
1,298,688	Total Taxation	1,310,267	1,390,101	6	1,481,341	1,582,168	1,688,509

Payroll Tax

The payroll tax rate in the ACT remains unchanged at 6.85 per cent on wages and other taxable payments made by employers, where the Australia wide wages bill of the employer exceed the threshold. From 1 July 2014, the threshold of \$1.75 million per annum will be increased to \$1.85 million per annum as part of the Government's revenue initiatives in this Budget. Refer to Taxation Reform (Chapter 6.2) for further information on this initiative.

The 2013-14 estimated outcome is \$336.7 million and the forecast for 2014-15 is \$363.9 million. The expected \$27.2 million increase in 2014-15 is largely due to the payroll tax harmonisation initiative. Modest growth is also forecast in employment and wages in relevant sectors of the ACT economy, offset by the increasing of the threshold.

Tax Waivers

Tax waivers represent the amount of revenue that has been waived. The revenue forgone generally relates to payroll tax, general rates and duties. The estimated value of waivers is also reflected in expenses. The grossing up of revenue and expenses enables tax treatments to be transparent.

The estimated outcome for 2013-14 is \$0.161 million. The forecast for 2014-15 is \$0.165 million.

General Rates

General rates are levied on commercial and residential property owners to provide funding for a wide range of services for the ACT community.

The 2013-14 estimated outcome for rates revenue is \$337.4 million. This is expected to increase to \$379.9 million in 2014-15. General rates revenue from existing properties will increase in 2014-15 by WPI and revenue replacement from taxation reforms. These factors will result in an average annual general rates increase of around 10 per cent for both residential and commercial properties.

General rates revenue estimates also include expected revenue for new properties. An adjustment for the estimated amount of pensioner rebates and discounts for early payment is made.

The rating system in 2014-15 will have the following elements:

- a fixed charge of:
 - \$675 for residential properties;
 - \$145 for rural properties; and
 - \$1,915 for commercial properties.
- a valuation based charge on the Average Unimproved Land Value (AUV) for 2014 (which is the average of 2012, 2013 and 2014 land values);
- marginal rating factors applied to the AUV of residential properties (Table 6.1.3):

**Table 6.1.3
General Rates Marginal Rates**

Thresholds	Marginal Rates
0 to \$150,000	0.2547%
\$150,001 to \$300,000	0.3571%
\$300,001 to \$450,000	0.4287%
\$450,001 and above	0.4873%

- marginal rating factors applied to the AUV of commercial properties (Table 6.1.4):

**Table 6.1.4
General Rates Marginal Rates**

Threshold	Marginal Rates
0 to \$150,000	2.4134%
\$150,001 to \$275,000	2.7957%
\$275,001 and above	4.0245%

- a rating factor of 0.1468 per cent applied to the AUV of rural properties; and
- a pensioner rebate cap (for residential properties) for post 1 July 1997 applicants of \$675.

Land Tax

Land tax applies to any residential property that is rented, or any residential property owned by a corporation or a trustee, even if the property is not rented. Land tax assessments in 2014-15 will be based on the most recent AUV that incorporates the 2014 unimproved land value and a fixed charge of \$900. A new land tax rating structure will be introduced from 1 July 2014. Refer to Taxation Reform (Chapter 6.2) for further information on these initiatives.

Table 6.1.5 shows the land tax marginal rates that will apply to residential properties in 2014-15.

**Table 6.1.5
Land Tax Marginal Rates**

Thresholds (AUV)	Marginal Rates
\$0 to \$75,000	0.41%
\$75,001 to \$150,000	0.48%
\$150,001 to \$275,000	0.61%
\$275,001+	1.23%

The estimated outcome from land tax revenue is \$75.8 million in 2013-14 and is estimated to increase to \$89.1 million in 2014-15. The increase in revenue is primarily due to the new rating structure. Land values are not expected to increase to the same degree as previous years due to an anticipated softening of the property market.

Duty on Conveyances

Duty is levied on the agreement for sale or transfer of land, a Crown lease or a land use entitlement located in the ACT. The conveyance rates up until 3 June 2014 range from \$2.20 to \$7.00 per \$100, or part thereof. From 4 June 2014, the conveyance duty thresholds and rates will change. Table 6.1.6 outlines the new duty thresholds and rates.

**Table 6.1.6
Conveyance Duty Thresholds and Rates**

2012-13 %	Threshold	2013-14 %	2014-15 %	2015-16 %	2016-17 %	2017-18 %
2.4	Up to \$200,000	2.2	2.0	1.8	1.48	1.47
3.75	\$200,001 to \$300,000	3.7	3.5	3.0	2.5	2.49
4.75	\$300,001 to \$500,000	4.5	4.15	4.0	4.0	3.99
5.5	\$500,001 to \$750,000	5.0	5.0	5.0	5.0	4.8
6.5	\$750,001 to \$1,000,000	6.5	6.5	6.5	6.5	6.0
7.25	\$1,000,001 to \$1,454,999	7.0	7.0	7.0	7.0	6.75
	\$1,455,000 and above*		5.25*	5.25*	5.25*	5.25*

* Note: this is a flat rate.

A new threshold of \$1.455 million will be introduced, effective 4 June 2014. Properties valued at and above \$1.455 million will have duty determined at a flat rate of 5.25 per cent. The progressive rate scale will continue to apply to properties below \$1.455 million.

The duty rates are generally applied to the transfer value of the property. A concessional rate applies for persons qualifying under the ACT Home Buyer Concession Scheme and for pensioners qualifying under the ACT Pensioner Duty Concession Scheme. The Over 60s Home Bonus will commence from 4 June 2014. Refer to Taxation Reform (Chapter 6.2) for further information on this initiative.

The estimated outcome for 2013-14 for Conveyance Duty has increased from the original budget of \$216.5 million by \$19.9 million to \$236.3 million. This increase reflects a higher than anticipated level of commercial property activity in 2013-14. This level of commercial activity is not projected to continue in future years as economic growth slows. Revenue is estimated to fall to \$226.4 million in 2014-15. Changes to duty rates will also contribute to the lower revenue estimate.

Duty on General Insurance

From 1 July 2014, general insurance premiums incur duty at the rate of 4 per cent of the net premiums received. This is a reduction to the duty rate from 6 per cent that applied during 2013-14. The estimated outcome for 2013-14 is \$33.5 million and the forecast for 2014-15 is \$23.5 million.

Duty on Life Insurance

Duty on life insurance contracts (including term, temporary or insurance rider policies) will be calculated until 30 June 2014 at the rate of 3 per cent of the first year's premium. The duty rate will reduce to 2 per cent from 1 July 2014.

Duty on all other life insurance contracts will be calculated until 30 June 2014 at the rate of \$0.60 plus \$0.12 per \$200 or part thereof in excess of \$2,000, and \$0.60 for each contract where the sum insured is \$2,000 or less.

From 1 July 2014 duty on all other life insurance contracts will reduce to \$0.40 plus \$0.08 per \$200 or part thereof in excess of \$2,000, and \$0.40 for each contract where the sum insured is \$2,000 or less. Life insurance annuities are exempt from duty.

The estimated outcome for 2013-14 is \$2.019 million with \$1.414 million forecast for 2014-15.

Duty on Motor Vehicle Registrations and Transfers

Duty is payable on an application to register a motor vehicle or to transfer its registration.

The 2013-14 estimated outcome is \$29.1 million and the forecast for 2014-15 is \$29.9 million, reflecting forecast growth of sales activity.

ACTTAB Licence Fee

ACTTAB pays a licence fee for its totalisator and sports betting licences. Revenue from the licence fees for 2013-14 is estimated at \$1.7 million and the forecast for 2014-15 is \$1.8 million.

Gaming Tax

Gaming tax revenue incorporates gaming machine taxes and interactive gaming taxes. Gaming machines are taxed on the basis of monthly gross revenue, which is defined as monthly gaming machine revenue less amounts paid out in prize money. Estimated total gaming tax revenue for 2013-14 is \$34.0 million and the forecast for 2014-15 is \$34.9 million.

Casino Tax

The tax applying to Casino Canberra is 10.9 per cent of gross profit from general gaming operations. Estimated revenue for 2013-14 and 2014-15 is \$1.9 million and \$2.0 million respectively.

Interstate Lotteries

The ACT receives revenue based on the value of NSW and Victorian Lotteries tickets purchased in the ACT. Estimated revenue for 2013-14 is \$15.1 million and the forecast for 2014-15 is \$14.7 million.

Motor Vehicle Registration Fees

The estimated revenue from motor vehicle registrations in 2013-14 is \$108.8 million and the forecast for 2014-15 is \$113.7 million. The increase is largely driven by the indexation of fees, partly offset by changes to administrative fee components. Please refer to Taxation Reform (Chapter 6.2) for more information on this initiative.

Ambulance Levy

The Ambulance Levy is payable each month by private health insurance companies to offset the cost of providing ambulance services in the Territory. The levy is calculated on the number and type of private health insurance contributions.

The funding for ambulance services is appropriated through the normal Budget process.

The estimated revenue for 2013-14 is \$18.275 million. The forecast for the 2014-15 Budget is \$19.188 million.

Lease Variation Charge

The 2013-14 outcome is estimated at \$15.228 million, which is lower than the original budget of \$17.7 million. The lower than expected result in 2013-14 is partially due to decreased activity plus the increased remission as announced in the 6 March 2014 stimulus package. In 2014-15, revenue for the Lease Variation Charge is forecast to remain stable at \$14.6 million, reflecting in-part the effects of the Government's stimulus package, on expected activity levels in the residential and commercial redevelopment sectors.

Utilities (Network Facilities) Tax

The Utilities (Network Facilities) Tax (UNFT) applies to the owner of a utility network facility that is installed on or under land in the ACT. The tax rate for 2013-14 is \$945 per kilometre of network route length. The 2013-14 estimated outcome is \$24.4 million, with \$25.7 million forecast in 2014-15 rising slightly across the forward estimates. As part of its revenue initiatives the Government will index the UNFT by 5 per cent for 2014-15 and in each of the forward years.

Fire and Emergency Services Levy (FESL)

A FESL is charged on all rateable properties in the ACT. Revenue from the levy provides funding to offset the cost of providing fire and emergency services in the Territory. FESL revenue from existing properties will increase in 2014-15 from 2013-14 levels by 21.55 per cent overall. By sectors, FESL will increase in 2014-15 for residential and rural properties by 8.33 per cent and for commercial properties by 35.00 per cent. This will result in an increase of \$10 in the fixed charge for residential and rural properties and an average increase of \$1,030 for commercial properties in 2014-15. In addition, the 2014-15 Budget will introduce progressivity in the calculation of FESL for commercial properties.

The estimates for FESL revenue include expected revenue from both existing and new properties, and represent the net amount after allowing for pensioner rebates and discounts for early payment. The estimated outcome from FESL revenue is \$34.4 million in 2013-14, which is expected to increase to \$44.0 million in 2014-15.

The FESL in 2014-15 will have the following elements:

- a fixed charge of \$130 for residential and rural properties;
- a pensioner rebate of 50 per cent; and
- a valuation-based charge for commercial properties with newly introduced progressive marginal rating factors applied to the average of the 2012, 2013 and 2014 unimproved land values.

Table 6.1.7 outlines the new FESL thresholds and rates for commercial properties.

Table 6.1.7
FESL Thresholds and Rates for Commercial Properties

AUV Thresholds	Marginal Rates
\$1 to \$300,000	0.6097%
\$300,001 to \$2,000,000	0.7153%
\$2,000,001 and above	0.8209%

Please refer to Revenue Initiatives (Chapter 3.4) for more information on this initiative.

City Centre Marketing and Improvements Levy (CCMIL)

The revenue collected from the CCMIL is used to promote, maintain and improve the amenities of the City Centre area. The estimated outcome for 2013-14 is \$1.882 million and the forecast for 2014-15 is \$1.871 million.

The CCMIL applies to all rateable commercial properties in the City and selected areas in Braddon and Turner, adjacent to the City Centre. The collection area is divided into two zones and the levy is applied on the AUV of each property at the rate of 0.2992 per cent for the retail core and the rate of 0.2161 per cent for the non-retail core.

Energy Industry Levy

An Energy Industry Levy was introduced in 2007-08 to fund:

- the Territory's national regulatory obligations and costs for the Australian Energy Market Commission and the Ministerial Council on Energy's responsibilities under the Australian Energy Market Agreement; and
- local regulatory costs incurred by the Territory in relation to energy utility services.

The levy applies to the energy utility industry sectors of: electricity distribution; electricity supply; gas distribution; and gas supply. Introduction of the levy anticipated the transfer, over time, of agreed regulatory responsibilities for energy sector distribution and retail utilities to the Australian Energy Regulator commencing in 2007-08. From that year, agencies providing local regulatory services (the Independent Competition and Regulatory Commission (ICRC), the ACT Planning and Land Authority, and the ACT Civil and Administrative Tribunal) have received budget funding for regulatory costs. The levy was first determined for national regulatory obligations and costs in 2007-08 and for local regulatory costs in 2008-09. Until 2008-09, these activities were funded through the collection of annual utility licence fees by the ICRC. The estimated outcome and the forecast for 2013-14 is \$3.4 million and the forecast for 2014-15 is \$3.5 million.

ACT Taxes Compared to NSW

Table 6.1.8 shows the comparative rates of tax between the ACT and NSW for major taxation items. Please note that the release of the NSW Budget on 18 June may change the information below.

**Table 6.1.8
Major ACT Taxes compared with NSW**

Tax Type	ACT	NSW (as of 21 May 2014)
Payroll Tax	6.85 per cent From 1 July 2014, first \$1,850,000 exempt.	5.45 per cent from 1 July 2012. From 1 July 2013, first \$750,000 exempt
Land Tax	<p>Applied quarterly on three year Average Unimproved Value (AUV).</p> <p>Residential – applied on rateable properties that are rented, or owned by a trust or a corporation even if they are not rented (excluding land owned by a building or development company).</p> <p>From 1 July 2014, the marginal rates are as follows:</p> <ul style="list-style-type: none"> • AUV up to \$75,000 – 0.41% • AUV \$75,001 – \$150,000 – 0.48% • AUV \$150,001 – \$275,000 – 0.61% • AUV \$275,001 and above – 1.23% <p>A fixed charge of \$900 will be introduced effective 1 July 2014</p> <p>Commercial – Effective 1 July 2012, commercial properties will not be subject to land tax due to the ACT Government's Taxation Reforms.</p> <p>Land used for primary production is exempt from land tax.</p>	<p>Applied annually on aggregated unimproved land value of all property except the principal place of residence or land used for primary production.</p> <p>Rate is \$100 plus 1.6 per cent of the land value between the threshold \$412,000 (three year average) and the premium rate threshold of \$2,519,000. A further premium rate of 2 per cent applies if the land value is above \$2,519,000.</p> <p>For land owned by a trustee of a special trust, flat rate of 1.6 per cent without any land value threshold applies; then 2 per cent after the premium threshold.</p> <p>For land owned by a company, 1.6 per cent of the land value between the threshold \$412,000 and the premium rate threshold \$2,519,000; then 2 per cent in excess of the premium threshold.</p>

Tax Type	ACT	NSW (as of 21 May 2014)
Duty on Conveyances	<p>Residential Conveyance The greater of \$20 or the amount resulting from applying the rates of \$2.20 - \$7 per \$100 or part thereof for transactions dated from 5 June 2013 to 3 June 2014. The greater of \$20 or the amount resulting from applying the rates of \$2 - \$7 per \$100 or part thereof for transactions dated from 4 June 2014.</p> <p>Flat Rate The flat rate is effective from 5 June 2013 to 3 June 2014. Properties valued at and above \$1.650 million will have duty determined at a flat rate of 5.5 per cent while properties valued below \$1.650 million will continue to use the progressive rates system as indicated in residential conveyance. The new rate will be effective from 4 June 2014. Properties valued at above \$1.455 million will have duty determined at a flat rate of 5.25 per cent while properties valued below \$1.455 million will continue to use the progressive rates system as indicated in residential conveyance.</p> <p>Home Buyers Concession Scheme Existing properties The Home Buyers Concession Scheme ceased for existing properties from 1 September 2012.</p> <p>New or substantially renovated properties The Home Buyers Concession Scheme only applies to new or substantially renovated properties and vacant blocks for transactions dated on or after 5 June 2013.</p> <ul style="list-style-type: none"> • income threshold of \$160,000 (plus further allowance for up to 5 children). <p>For transaction dated from 1 July 2014:</p> <ul style="list-style-type: none"> • concession for house and land value up to \$540,000; and • concession for vacant land value of up to \$292,800. <p>The property value thresholds are determined biannually of each year, taking into account movements in the market.</p>	<p>The greater of \$10 or the amount resulting from applying the rates of \$1.25 - \$5.50 per \$100 or part thereof.</p> <p>For residential properties above \$3,000,000, the duty payable is \$150,490 plus the rate of \$7.00 per \$100 or part thereof that exceeds \$3,000,000.</p> <p>First Home – New Home Scheme The First Home – New Home Scheme provides exemptions on the transfer of new homes valued at or below \$550,000 and concessions on the transfer of new homes valued between \$550,000 and \$650,000 from 1 July 2012. With respect to vacant land, no duty for value up to \$350,000 and concessions on the transfer of vacant land valued between \$350,000 and \$450,000 from 1 July 2012.</p>

Tax Type	ACT	NSW (as of 21 May 2014)
Duty on Conveyances cont.	<p>Over 60s Home Bonus:</p> <p>For transactions dated from 1 July 2014:</p> <ul style="list-style-type: none"> • concession for house and land value up to \$765,000. • concession for vacant land value up to \$371,000. <p>The property value thresholds are determined biannually of each year, taking into account movements in the market.</p> <p>The new Over 60s Home Bonus will extend the benefits of the Pensioner Duty Concession Scheme to people over the age of 60.</p>	
Mortgages and Loan Security Duty	Not applied in the ACT.	<p>\$0 - \$16,000: \$5.00 above \$16,000: \$5.00 plus \$4.00 per \$1,000 or part thereof in excess of \$16,000 Not chargeable on advances made to natural persons for owner occupied housing or investment housing. A collateral mortgage is chargeable with a minimum duty of \$50.</p>
Duty on Motor Vehicle Registrations	<p>No green vehicle rating Valued at \$45,000 or less \$3 per \$100</p> <p>Valued at more than \$45,000 \$1,350+\$5 per \$100 or part thereof over \$45,000</p> <p>Green vehicle rating Applies to new motor vehicles not previously registered. Rates depend on green vehicle rating (environmental performance score) and value.</p> <p>Valued at \$45,000 or less A rated (16 or more) = nil B rated (14 or more but < 16) = \$2 per \$100 C rated (9.5 or more but < 14) = \$3 per \$100 D rated (less than 9.5) = \$4 per \$100</p> <p>Valued at more than \$45,000 A rated (16 or more) = nil B rated (14 or more but < 16) = \$900 plus \$4 per \$100 above \$45,000 C rated (9.5 or more but < 14) = \$1,350 plus \$5 per \$100 above \$45,000 D rated (less than 9.5) = \$1,800 plus \$6 per \$100 above \$45,000</p>	<p>Under \$45,000 = \$3 per \$100 (or part of \$100) Over \$45,000 = \$1,350+\$5 per \$100 or part thereof over \$45,000</p>
Duty on General Insurance	4 per cent of value of premium from 1 July 2014.	2.5 per cent to 9 per cent of the premium, depending on the type of insurance.

Tax Type	ACT	NSW (as of 21 May 2014)
Duty on Life Insurance	<p>Term, temporary or insurance rider policies</p> <p>2 per cent of the first year's premium from 1 July 2014.</p> <p>All other</p> <p>From 1 July 2014: Sum insured \$0 to \$2,000 - \$0.40 Sum insured Over \$2,000 - \$0.40 plus \$0.08 per \$200 or part thereof in excess of \$2,000.</p>	<p>Term, temporary or insurance rider policies</p> <p>5 per cent of the first year's premium</p> <p>Group term insurance policies</p> <p>5 per cent of the first year's premium on the policy</p> <p>5 per cent of the amount of the premium (if any) payable in any succeeding year in respect of each additional life covered by the insurance policy (that is, each life that was not covered during the previous year).</p> <p>Trauma or disability policies</p> <p>5 per cent of the premium paid</p> <p>All other</p> <p>Sum insured \$0 to \$2,000 - \$1 Sum insured Over \$2,000 - \$1 plus \$0.20 per \$200 or part thereof in excess of \$2,000.</p>

Commonwealth Government Grants

Total revenue received from Commonwealth Government grants in 2013-14 is forecast to increase by \$20.7 million from the 2013-14 Budget estimate mainly due to payments for the Majura Parkway being brought forward from 2014-15.

The increase of \$78.4 million in the 2014-15 Budget is mainly due to underlying growth in GST revenue.

The Budget includes a provision for future revenue estimate based on the sale of assets as part of the Commonwealth's Asset Recycling Initiative. The initiative aims to encourage the sale of existing assets to create capacity on the Territory's balance sheet to invest in productive infrastructure. Under the agreement, the Commonwealth will provide a financial incentive of 15 per cent of the amount of proceeds from asset sales that are invested into productive infrastructure.

The Government will be considering potential options over the coming months.

Further information on funding for Commonwealth Government grants can be found in Federal Financial Relations (Chapter 7.1).

**Table 6.1.9
Commonwealth Government Grants**

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
Current Grants							
1,021,800	GST Revenue Grant	1,032,900	1,098,600	6	1,168,000	1,239,700	1,310,500
37,495	ACT Municipal Services	37,311	37,983	2	38,629	39,324	40,032
463,140	National Specific Purpose Payments (SPPs) and Reform Payments	572,795	586,981	2	630,078	677,028	684,833
24,225	Financial Assistance Grants to Local Government	24,536	48,638	98 ¹	48,643	48,645	50,742
173,229	National Partnership Payments (NPP) – Current	52,378	38,041	-27	30,831	23,252	13,536
7,429	Other Commonwealth Government Payments – Current	7,768	9,960	28	10,396	11,454	12,154
1,727,318	Total Current Grants	1,727,688	1,820,203	5	1,926,577	2,039,403	2,111,797
Capital Grants							
66,221	National Partnership Payments (NPPs) – Capital	86,512	72,377	-16	30,054	40,054	38,764
66,221	Total Capital Grants	86,512	72,377	-16	30,054	40,054	38,764
1,793,539	Total Commonwealth Government Funding	1,814,200	1,892,580	4	1,956,631	2,079,457	2,150,561

Note: An explanation of the variation can be found under Table 7.1.5.

Contributed Assets

Table 6.1.10 provides a summary of contributed assets. Contributed assets largely relate to land development infrastructure assets transferred to the GGS from the Land Development Agency (LDA) and private developers.

Variations reflected between the 2013-14 estimated outcome, 2014-15 Budget and across the forward estimates period are mainly reflective of revisions to the land release program and the associated transfer of assets from the LDA to the GGS.

**Table 6.1.10
Contributed Assets**

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
Contributed Assets							
135,281	Gains from Contributed Assets	100,621	109,799	9	115,387	125,387	125,387
257	Resources Received Free of Charge	257	254	-1	263	274	284
135,538	Total Contributed Assets	100,878	110,053	9	115,650	125,661	125,671

Sale of Goods and Services

The sale of goods and services revenue in 2013-14 is estimated to slightly increase by \$8.2 million from the original budget of \$437.8 million. This is largely attributable to increases in cross border health receipts.

The 2014-15 forecast for sales of goods and services is expected to increase by \$22.9 million from the 2013-14 estimated outcome mainly due to the establishment of the Lifetime Care and Support Fund and growth in waste fee revenue.

Details of sale of goods and services are provided in Table 6.1.11.

Table 6.1.11
Sale of Goods and Services

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
Regulatory Fees							
850	Casino Licence Fees	850	871	2	893	916	939
9,430	Drivers Licences	9,909	10,226	3	10,621	11,018	11,429
2,411	Taxi Licences	1,924	1,982	3	2,056	2,133	2,213
70,994	Fees for Regulatory Services	75,207	90,069	20	94,316	98,410	102,690
26,802	Water Abstraction Charge	26,883	28,454	6	29,985	29,985	30,023
110,487	Total Regulatory Fees	114,773	131,602	15	137,871	142,462	147,294
Other							
19,394	Parking Fees	13,673	17,766	30	18,432	19,123	19,840
32,838	Patient Fees	31,438	34,618	10	35,417	36,206	36,646
5,088	Non-Inpatient Fees	5,088	5,144	1	5,341	5,534	5,723
3,783	Meals and Accommodation	3,783	3,873	2	3,973	4,023	4,073
76,750	Cross Border Health Receipts	86,250	84,249	-2	86,053	87,896	142,254
27,762	Sales	20,004	21,340	7	21,741	22,501	23,385
105,942	Service Receipts (Non ACT Government)	112,064	112,357	..	115,701	118,665	121,248
14,176	Rent from Tenants	14,176	13,899	-2	14,099	14,126	14,188
20,640	Miscellaneous	22,487	22,453	..	22,810	23,234	23,572
20,932	User Charges - ACT Government	22,283	21,591	-3	22,004	22,796	23,905
327,305	Total Other	331,246	337,290	2	345,571	354,104	414,834
437,792	Total Sale of Goods and Services	446,019	468,892	5	483,442	496,566	562,128

Casino Licence Fees

The casino licensee pays the casino licence fee to the ACT Gambling and Racing Commission. The Commission also collects casino employees' licence fees for licensing staff employed by the casino. The forecast for 2014-15 for the combined total of all casino licence fees is \$0.9 million.

Drivers Licences

The revenue from drivers licences in 2013-14 is estimated at \$9.9 million and the forecast for 2014-15 is \$10.2 million.

Taxi Licences

The revenue from taxi licences in 2013-14 is estimated at \$1.9 million and the forecast for 2014-15 is \$2.0 million.

Fees for Regulatory Services

The 2013-14 estimated outcome for fees for regulatory services is \$75.2 million and is expected to increase to \$90.1 million in 2014-15 mainly as a result of the establishment of the Lifetime Care and Support Fund and waste related fee revenue.

Regulatory services fees will also be indexed at 4 per cent for 2014-15 and each year of the forward estimates. Please refer to Revenue Initiatives (Chapter 3.4) for more information on this initiative.

Water Abstraction Charge

The Water Abstraction Charge (WAC) in 2013-14 is estimated to be \$26.9 million and is expected to increase to \$28.5 million in 2014-15. This increase is primarily due to revised indexation parameters and an increase by 5 per cent in 2014-15. Please refer to Revenue Initiatives (Chapter 3.4) for more information on this initiative.

Parking Fees

The estimated revenue from parking fees in 2013-14 is \$13.7 million and the forecast for 2014-15 is \$17.8 million. The decrease in 2013-14 from the original budget is mainly reflective of the timing of fee increases. In 2014-15, parking fee revenue is expected to increase to \$17.8 million, due to increases in parking fees on 1 July 2014.

Patient Fees

Patient fees and non-inpatient fees are payments for the provision of hospital and related services, which are collected at the Canberra Hospital. Patient fees relate to admitted patients, while non-inpatient fees are primarily for accident and emergency services provided to compensable and non-eligible patients.

The 2013-14 estimated outcome for patient fees is \$31.4 million, and \$5.1 million for non-inpatient fees. The 2014-15 Budget estimates are \$34.6 million and \$5.1 million respectively.

Cross Border Health Receipts

Cross Border Health Receipts are payments from other State and Territory Governments (predominantly NSW) for the provision of medical services provided to non-ACT residents at ACT public hospitals. The estimated revenue for 2013-14 is \$86.3 million, a \$9.5 million increase from the 2013-14 Budget of \$76.8 million. The forecast for 2014-15 is \$84.2 million. These increases are related to activity and price changes.

Sales

Revenues from sales include those generated from entry fees to sporting and cultural facilities, such as the Canberra Theatre Centre and hire of those venues. Sales of merchandise, programs and giftware in these venues or the rights to sell these, are also included.

The estimated outcome for 2013-14 is \$20.0 million which is a decrease from the original budget of \$27.8 million. This decrease is mainly due to the reallocation of sales revenue to service receipts.

In 2014-15 sales are forecast to slightly increase to \$21.3 million.

Service Receipts (non-ACT Government)

This item includes payments from clients for the provision of services, such as facility fees to physicians at hospitals, medical supplies, sterilising services, capital linen and commercial training.

The 2013-14 estimated outcome has increased to \$112.1 million, \$6.1 million higher than the original budget estimate mainly due to the reallocation of sales revenue mentioned above.

In 2014-15 Service Receipts are forecast at \$112.4 million.

Miscellaneous

Miscellaneous revenue is estimated at \$22.5 million for 2013-14 and the 2014-15 Budget forecast is also \$22.5 million.

User Charges – ACT Government

This item includes revenue for rent, property management, shared services and insurance that is collected from ACT agencies in the Public Trading Enterprise (PTE) sector. The 2013-14 estimated outcome is \$1.4 million higher than the 2013-14 Budget at \$20.9 million.

The 2014-15 Budget forecast is \$21.6 million.

Interest Income

Table 6.1.12 provides a summary of interest received.

**Table 6.1.12
Interest Income**

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
	Interest Received						
28,569	Interest Received from Banks	40,361	29,111	-28	29,270	29,890	27,941
75,983	Interest Received on Advances and Loans to Agencies	78,886	80,630	2	83,919	88,236	91,825
2,798	Interest Received from Private Sector	2,795	5,367	92	4,032	3,812	3,578
9,734	Interest Received – Other	5,584	4,387	-21	6,584	9,024	7,734
18,574	Interest from Financial Investments	1,420	2,682	89	3,564	3,814	4,083
135,658	Total Interest Received	129,046	122,177	-5	127,369	134,776	135,161

Interest Received from Banks

This item represents the interest income recognised by the Territory Banking Account for general government investments. Interest income from banks is interest earnings on cash, short term securities and fixed interest assets. General government investments comprise the balances of the Territory Banking Account and investments made on behalf of government directorates and some Territory Authorities.

The increase of \$11.8 million in the 2013-14 estimated outcome from the original budget is mainly due to higher levels of investment balances held during the year and a higher actual investment return than forecast.

The decrease of \$11.2 million in the 2014-15 Budget from the 2013-14 estimated outcome is mainly due to lower levels of funds expected to be held on investment during the year.

Interest Received on Advances and Loans to Agencies

The increase of \$2.9 million in the 2013-14 estimated outcome from the original budget is mainly due to higher interest received from ACTEW Corporation in relation to inflation linked bond loans.

The increase of \$1.7 million in the 2014-15 Budget from the 2013-14 estimated outcome is due to increased fixed rate medium term note loans offset by lower interest costs for inflation linked bond loans.

Interest Received from Private Sector

Interest Received from the Private Sector, being the University of Canberra, will increase by \$2.6 million in the 2014-15 budget from the 2013-14 estimated outcome due to an increase in the amount of loans provided to the University of Canberra during the year.

This interest is represented as being received from an external party as the University of Canberra is not included in the consolidated financial statements of the Territory.

Other Interest Income

Other interest income includes income mainly recognised by the Home Loan Portfolio, the Chief Minister and Treasury Directorate, the Territory and Municipal Services Directorate and the Environment and Sustainable Development Directorate. The majority of interest recognised relates to interest charged to the Land Development Agency in relation to the holding costs of land.

Other interest income is expected to decrease by \$4.2 million from the original budget of \$9.7 million mainly as a result of lower interest received from the Land Development Agency due to revisions to the land release program.

Interest from Financial Investments

Interest from financial investments comprises interest earnings on cash and fixed income investment assets of the Superannuation Provision Account.

The decrease of \$17.2 million in the 2013-14 estimated outcome from the original budget is due to the effect of reclassification of interest received in relation to cash and fixed income investments held in unit trusts to distributions from financial investments. The increase in interest from financial investment of \$1.3 million in the 2014-15 Budget from the 2013-14 estimated outcome is due to the growth in fixed income investment assets.

Distributions from Financial Investments

From 2013-14, the line item Distributions from Financial Investments has been added to better reflect distributions to the Superannuation Provision Account from investments held in unit trusts. This treatment is not reflected in the 2013-14 Budget figures where these amounts were incorporated under dividends and interest income.

Table 6.1.13
Distributions from Financial Investments

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
	Distributions						
0	Distributions from Financial Investments	96,366	55,566	-42	61,807	66,406	71,354
0	Total Distributions from Financial Investments	96,366	55,566	-42	61,807	66,406	71,354

Variations in this revenue are largely due to the reclassification of amounts from interest income and financial investment dividends.

Dividends and Tax Equivalents

The estimated outcome for total dividends and tax equivalents is expected to decrease by \$93.8 million compared to the 2013-14 Budget estimate. This is followed by an estimated increase of \$26.8 million in 2014-15. Table 6.1.14 provides a summary of dividends and tax equivalents in 2013-14, the 2014-15 Budget and the forward estimates.

Table 6.1.14
Dividends and Tax Equivalents

2013-14		2013-14	2014-15		2015-16	2016-17	2017-18
Budget		Est. Outcome	Budget	Var	Estimate	Estimate	Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
	Dividends						
99,403	Dividends – ACTEW	75,882	81,036	7	76,256	75,903	85,510
1,582	Dividends – ACTTAB	976	418	-57	-	-	-
500	Dividends – CIT Solutions	150	500	233	500	500	500
40,868	Dividends – Land Development Agency	43,059	38,990	-9	81,880	76,147	77,336
83,526	Dividends from Financial Investments	18,547	54,527	194	55,500	59,630	64,073
225,879	Total Dividends	138,614	175,471	27	214,136	212,180	227,419
	Tax Equivalents						
78,758	Income Tax Equivalents	72,200	62,169	-14	75,542	74,446	73,288
78,758	Total Tax Equivalents	72,200	62,169	-14	75,542	74,446	73,288
304,637	Total Dividend and Tax Equivalents	210,814	237,640	13	289,678	286,626	300,707

ACTEW

ACTEW's estimated 2013-14 dividend of \$75.9 million is \$23.5 million below the original 2013-14 Budget. This decrease is due to the outcome of the Independent Competition and Regulatory Commission's water and sewerage pricing review. Forecast returns to the GGS from ACTEW were revised significantly downwards in the 2013-14 Budget Review as a result.

The increase of \$5.2 million in the 2014-15 Budget from the estimated outcome is due to forecast improved water sales.

ACTTAB

ACTTAB's estimated 2014-15 dividend of \$1 million is \$0.6 million below the original 2013-14 Budget primarily due to a decline in operating profits. Across the forward estimates period no dividend revenue is forecast to be received due to the pending sale of this entity.

Land Development Agency

The LDA's 'nominal' surplus is not fully recognised as revenue in the General Government Sector Net Operating Balance, consistent with the GFS accounting principles. In general, LDA's nominal surplus comprises sale of assets (for example, undeveloped commercial land) and profit from development and marketing activities. Proceeds from asset sales (including gains from land rezoning) are treated as capital distributions and only profits from development and marketing activities are recognised as dividend revenue.

The dividend is forecast to increase marginally in 2013-14 to \$43.1 million. In 2014-15, LDA's dividend is forecast to decrease by \$4.1 million reflective of revisions to the land release program, refer to Supporting Land Supply and Land Release (Chapter 5.2) for more information.

Dividends from Financial Investments

This represents dividends from financial investment assets of the Superannuation Provision Account. The decrease of \$65.0 million in the 2013-14 estimated outcome from the original budget is mainly due to the effect of the reclassification of dividends received in relation to shares, property and private equity investments held in unit trusts to distributions from financial investments. The increase in dividends from financial investment of \$36.0 million in the 2014-15 Budget from the 2013-14 estimated outcome is mainly due to a transition of share investments during 2013-14 from being held in unit trusts to being invested through discrete portfolio structures where the share investments are directly owned.

Income Tax Equivalentents

This represents income tax equivalent payments made by the PTE sector. The estimated outcome for 2013-14 is \$72.2 million and reflects the performance forecast from the ACT agencies that are subject to the National Tax Equivalent Regime.

The decrease of \$6.6 million from the original budget forecast is largely due to ACTEW's revised forecasts as described above.

Revenue of \$62.2 million is forecast for 2014-15, a decrease of \$10.0 million from the 2013-14 estimated outcome largely due to revised forecasts of the Land Development Agency.

Other Revenue

Table 6.1.15 provides the 2013-14 estimated outcome, the 2014-15 Budget and the forward estimates for other revenue.

The 2013-14 outcome is expected to increase by \$6.1 million. Other revenue is expected to decrease in 2014-15 by \$2.7 million to \$134.8 million.

**Table 6.1.15
Other Revenue**

2013-14 Budget \$'000		2013-14 Est. Outcome \$'000	2014-15 Budget \$'000	Var %	2015-16 Estimate \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000
	Fines						
23,530	Traffic Infringement Fines	20,229	22,285	10	23,171	24,038	24,936
615	Court Fines	283	283	-	283	283	283
10,444	Parking Fines	9,385	12,392	32	14,111	14,725	15,365
410	Other Fines	375	378	1	387	393	401
34,999	Total Fines	30,272	35,338	17	37,952	39,439	40,985
	Other						
14,224	Superannuation Contribution	14,438	14,762	2	14,274	13,941	14,005
14,339	Rents and Commutation	16,033	16,191	1	16,654	16,588	17,208
18,670	Contributions	18,670	18,647	..	18,647	18,647	18,647
49,189	Other Miscellaneous Revenue	58,117	49,907	-14	50,243	51,811	52,685
96,422	Total Other	107,258	99,507	-7	99,818	100,987	102,545
131,421	Total Other Revenue	137,530	134,845	-2	137,770	140,426	143,530

Traffic Infringement Fines

The estimated revenue from traffic infringement fines in 2013-14 is \$20.2 million and the forecast for 2014-15 is \$22.3 million. The increase of \$2.1 million mainly reflects new initiatives and indexation.

Parking Fines

Parking fine revenue is expected to increase from \$9.4 million in 2013-14 to \$12.4 million mainly due to new initiatives and indexation.

Superannuation Contributions

This item represents the payment of employer superannuation contributions to the Territory Banking Account (TBA) by the PTE sector and external sector (ActewAGL). The contribution calculations are based on annual actuarially determined employer contribution rates for either the CSS or PSS membership. This item also includes the employee contributions to the TBA by those Members of the Legislative Assembly who are members of the defined benefit superannuation arrangement.

Rents and Commutation

Rents and commutation income is expected to increase by \$1.7 million in the estimated outcome from the original budget mainly due to higher rental revenue under the land rent scheme.

The 2014-15 Budget forecast of \$16.2 million is broadly consistent with the 2013-14 estimated outcome.

Contributions

This item includes voluntary contributions, fundraising and excursion funds, and revenue from hire of school buildings, which are collected by Schools and the Education and Training Directorate.

Other Miscellaneous Revenue

Other miscellaneous revenue is expected to decrease in 2014-15 compared to the 2013-14 estimated outcome by \$8.2 million mainly due to lower legal recoveries.

Table 6.1.16 below provides a breakdown of other miscellaneous revenue.

**Table 6.1.16
Breakdown – Other Miscellaneous Revenue**

	2013-14	2014-15	2015-16	2016-17	2017-18
	Est. Outcome	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Financial Investments	2,466	1,172	1,368	1,470	1,579
Donations	1,064	1,084	1,104	1,124	1,137
Sponsorships	198	203	203	203	203
Other Grants	26,225	26,074	26,487	27,187	27,545
Recoveries	19,554	13,564	13,166	13,840	14,218
Salary Packaging	1,693	1,716	1,740	1,764	1,794
Contributions	1,500	1,035	1,126	1,124	1,124
Perpetual Care Trust	2,094	1,952	2,001	2,081	2,133
Problem Gambling Assistance Fund	1,058	1,085	1,112	1,140	1,169
Regulatory Fees	1,363	1,364	1,366	1,368	1,368
Unclaimed Monies	31	32	32	33	33
Miscellaneous	871	626	538	477	382
Total Other Miscellaneous Revenue	58,117	49,907	50,243	51,811	52,685

6.2 TAXATION REFORM

The Government is committed to making the Territory's taxation system fairer, simpler and more efficient for the future. Significant reforms to the Territory's taxation system, which the Government commenced in the 2012-13 Budget, continue in the 2014-15 Budget.

The main reform initiative relates to the abolition of inefficient taxes, including conveyance duty (over a twenty year period) and insurance duty (over a five year period). The revenue lost through the abolition of these inefficient taxes will be replaced through the general rates system. This will ensure revenue neutrality overall, while preserving capacity for government services and ensuring future generations do not bear the higher economic costs of an unfair and inefficient tax system. In addition, tax reform will result in significant economic gains in the wider economy due to the improvements in efficiency. Concessions form an important part of tax reform to ensure that low income households are not unduly impacted.

Building on the 2012-13 and 2013-14 Budgets

The 2014-15 Budget continues the reforms to abolish conveyance duty and duty on insurance policies first announced in the 2012-13 Budget.

Duty on Insurance

In the 2012-13 Budget, the Government announced the abolition of duty on insurance policies over a five year period by 2016-17.

From 1 July 2014, duty rates on general insurance will reduce from 6 per cent to 4 per cent. Duty on life insurance will reduce from 3 per cent to 2 per cent.

The rates for insurance duty until 2016-17 are shown in Table 6.2.1 below.

Table 6.2.1: Duty on insurance taxes

	2014-15	2015-16	2016-17
	(%)	(%)	(%)
General insurance	4	2	0
Life insurance	2	1	0

From 1 July 2014, an ACT household paying around \$2,500 per year in insurance (property, motor vehicle) will save an additional \$50 in 2014-15 as a result of this reform. This equates to a total annual saving of \$150 in 2014-15.

Conveyance Duty

In 2012-13, the Government announced the abolition of conveyance duty over a twenty year period. This timeframe was set to ensure the reform was undertaken in a staged approach, and to allow households and the economy time to plan and make decisions with certainty as to the reform program.

As part of the 2012-13 Budget, the Government set a five year plan of conveyance duty rates until 2016-17. In this Budget, the Government has released a further year of conveyance duty rates for 2017-18 as part of a continuing rolling program (the 2014-15 rate scale will be effective for any transaction undertaken on or after 4 June 2014).

For the first time in the 2013-14 Budget, the Government established a flat rate of conveyance duty for large properties. The Government is continuing this initiative in this Budget with the flat rate reduced to 5.25 per cent for all properties (residential and commercial) with a sale value above \$1.455 million. Table 6.2.2 shows the conveyance duty rate scale.

Table 6.2.2: Conveyance Duty Rates (%)

2012-13	Threshold	2013-14	2014-15	2015-16	2016-17	2017-18
2.4	Up to \$200,000	2.2	2.0	1.8	1.48	1.47
3.75	\$200,001 to \$300,000	3.7	3.5	3.0	2.5	2.49
4.75	\$300,001 to \$500,000	4.5	4.15	4.0	4.0	3.99
5.5	\$500,001 to \$750,000	5.0	5.0	5.0	5.0	4.8
6.5	\$750,001 to \$1,000,000	6.5	6.5	6.5	6.5	6
7.25	\$1,000,001 to \$1,454,999	7.0	7.0	7.0	7.0	6.75
	\$1,455,000 and above*		5.25*	5.25*	5.25*	5.25*

* The 5.25 per cent rate is a flat rate.

Table 6.2.3 below shows the reduction in conveyance duty payable since the commencement of the reform program in 2012-13 for a range of different property values. For example, as a result of taxation reform:

- for a property valued at \$300,000, the saving is \$2,000;
- for a property valued at \$500,000, the saving is \$4,700; and
- for a property valued at \$750,000, the saving is \$6,575.

Table 6.2.3: Conveyance Duty by Threshold

Duty Payable 2011-12 (\$)	Property value (\$)	Duty Payable 2014-15 (\$)	Total savings in 2014-15 (\$)
5,500	200,000	4,000	1,500
9,500	300,000	7,500	2,000
20,500	500,000	15,800	4,700
34,875	750,000	28,300	6,575
49,250	1,000,000	44,550	4,700

The Government's reforms to conveyance duty will provide significant savings on higher value properties, which in the ACT are almost exclusively confined to the commercial sector. For example:

- for a property valued at \$2 million, the additional saving in 2014-15 is \$5,000 with a total saving of \$11,750 since taxation reform commenced;
- for a property valued at \$5 million, the additional saving in 2014-15 is \$12,500 with a total saving of \$56,750 since taxation reform commenced; and
- for a property valued at \$10 million, the additional saving in 2014-15 is \$25,000 with a total saving of \$131,750 since taxation reform commenced.

Under this reform, conveyance duty in the ACT will be lower for all property values compared with Victoria. Large properties valued at over \$6 million will pay less conveyance duty in the ACT compared with NSW.

General Rates

In the 2012-13 Budget, the Government adjusted the General Rates system as part of the tax reform program, making it more progressive. The progressivity of the General Rates system is being maintained as the reform program is progressed by increasing the marginal tax rates for higher thresholds proportionally more than for lower thresholds.

The thresholds and marginal rating factors set by the Government for the residential sector in the 2014-15 Budget are presented in Table 6.2.4 below. The fixed charge will increase to \$675.

Table 6.2.4: 2014-15 Residential General Rates

Thresholds (AUV)	Marginal Rates
0 to \$150,000	0.2547%
\$150,001 to \$300,000	0.3571%
\$300,001 to \$450,000	0.4287%
\$450,001 and above	0.4873%
Fixed Charge	\$675

On average, General Rates on residential properties will increase by around 10 per cent in 2014-15 continuing the tax reform program, by replacing inefficient taxes on conveyancing and insurance with an efficient land based tax.

The thresholds and marginal rating factors set by the Government for the commercial sector in the 2014-15 Budget are presented in Table 6.2.5 below. The fixed charge will increase to \$1,915.

Table 6.2.5: 2014-15 Commercial General Rates

Thresholds (AUV)	Marginal Rates
0 to \$150,000	2.4134%
\$150,001 to \$275,000	2.7957%
\$275,001 and above	4.0245%
Fixed Charge	\$1,915

On average, General Rates on commercial properties will increase by around 10 per cent in 2014-15.

Duties on insurance will be fully abolished by 1 July 2016, and as such, from 2016-17 onwards, general rates on commercial and residential properties will no longer need to include a revenue replacement component for insurance taxes.

2014-15 Tax Reform Measures

The Government is also introducing a number of other new tax reform initiatives in the 2014-15 Budget, including:

- the introduction of a new rating structure for residential land tax;
- an increase to the payroll tax threshold from \$1.75 million to \$1.85 million; and
- payroll tax harmonisation.

These new tax reforms are outlined below.

Land Tax

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	Total \$'000
Revenue	10,000	10,000	10,000	10,000	40,000

Land tax is levied on residential property when held for investment purposes.

The Government will introduce a new rating structure for land tax in the 2014-15 Budget. This structure will comprise a fixed charge component and lower marginal rating factors, in the calculation of land tax. This fixed charge of \$900 will help to ensure equity within the land tax system and more appropriately spread the burden between houses (with generally higher AUVs) and units (with generally lower AUVs). The proposed marginal rates for 2014-15 are shown in the Table 6.2.6 below.

Table 6.2.6: 2014-15 land tax marginal rates and fixed costs

Thresholds (AUV)	Old Marginal Rates	New Marginal Rates
0 to \$75,000	0.60%	0.41%
\$75,001 to \$150,000	0.70%	0.48%
\$150,001 to \$275,000	0.89%	0.61%
\$275,001+	1.80%	1.23%
Fixed Charge	\$0	\$900

This reform will change the amount of land tax investors will pay for all land values. For example:

- an investor who owns a property with an AUV of \$50,000, will pay land tax of \$1,105.72 in 2014-15;
- an investor who owns a property with an AUV of \$150,000, will pay land tax of \$1,568 in 2014-15;
- an investor who owns a property with an AUV of \$250,000, will pay land tax of \$2,178 in 2014-15; and
- an investor who owns a property with an AUV of \$350,000, will pay land tax of \$3,257 in 2014-15.

Payroll Tax

New Threshold

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-2,100	-2,255	-2,422	-2,602	-9,379

The Government will accelerate the reform agenda for payroll tax, by increasing the payroll tax threshold from \$1.75 million to \$1.85 million in 2014-15. The rate of payroll tax of 6.85 per cent will remain.

This initiative will support local businesses. For example, businesses with a payroll of \$2 million will benefit under this reform, by paying \$6,850 less in payroll tax per annum. In addition, the Government estimates that 39 businesses will leave the payroll tax system entirely.

Harmonisation of exemption

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	10,000	10,000	10,000	10,000	40,000

The ACT is the only jurisdiction where a *genuine employer* exemption exists in the calculation of payroll tax for employment agents. Under current legislation, the criteria for establishing a *genuine employer* for this purpose are not clear, which has made the tax legislation complex and difficult to interpret in this respect.

The *Payroll Tax Act 2011* will be amended to remove the *genuine employer* exemption to bring the ACT more into line with other jurisdictions. The ACT will continue to offer six other exemption categories that employment agents may claim. This amendment will provide more certainty to Canberra employment agents and to the contractor community with regards to their payroll tax liabilities.

Concessions

The Government is making a number of changes to various concessions offered in the Territory to ensure that concessions remain fair and well targeted.

Over 60s Home Bonus

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-2,200	-3,100	0	0	-5,300

In the 2014-15 Budget, the Government will extend the current *Pensioner Duty Concession Scheme* to people over the age of 60 years, providing the opportunity to benefit from a concession on the conveyance duty associated with the purchase of a house or land. The new *Over 60s Home Bonus* will run for two years commencing on 4 June 2014.

This expansion will provide assistance to non-pensioners who have previously been unable to access the scheme and who may find conveyance duty an impediment to downsizing and moving to accommodation more suited to their needs. This initiative may also free up larger housing stock for families, bringing broader flow-on benefits to the property market and in particular to housing affordability.

Water and Sewerage Rebate

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-484	-500	-518	-536	-2,038

The ACT Government currently provides the water and sewerage rebate at a maximum rate of 68 per cent of the service charge per quarter. Under the current scheme, to be eligible you must be the primary holder of a Centrelink Pensioner Concession Card, a Centrelink Low Income Health Care Card, a Veteran's Affairs Pensioner Concession Card, a DVA Gold card holder or be an asylum seeker. However, while a water rebate is available to Low Income Health Care Card holders, currently the sewerage rebate is not.

In 2014-15, the Government will expand eligibility for the sewerage rebate to those on a Low Income Health Care Card. This will ensure that all Canberrans on a Low Income Health Care Card are able to benefit from the concessions provided, improving the broad equity of these concession arrangements.

Spectacles Subsidy Scheme

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	107	109	112	115	443

In the 2014-15 Budget, the Government will cap the rebate for the Spectacles Subsidy Scheme at \$200 every two years. The Government will spend \$1.9 million on the Spectacles Subsidy Scheme.

Taxi Subsidy Scheme

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-137	-145	-153	-161	-596

The Government will increase the Taxi Subsidy Scheme by 9 per cent from \$22.50 to \$24 for ordinary taxis and from \$34.50 to \$37 for wheelchair accessible taxis in 2014-15. This change reflects increases in taxi fares since 2011, the last time the rate was increased.

ACTION off-peak Concession Scheme

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	253	524	864	921	2,562

The Government will realign the MyWay off peak single concession fare, increasing it over a three year period, to establish the concession fare at the level of 50% of the standard fare by 2016-17.

Motor Vehicle Registration

The Government will reduce the administration fee for motor vehicle registration, from \$25 to \$15 per transaction, for those motorists who choose to pay their motor vehicle registration quarterly or half yearly.

Under this new structure, on average, motorists who choose to pay their motor vehicle registration quarterly will be better off in real terms by around 5.5 per cent, and those who pay half yearly will be better by around 1 per cent.

Motorists who pay their motor vehicle registration annually will be rewarded through a 2 per cent annual discount.

To offset these reforms, motor vehicle registration will increase by 6 per cent in 2014-15.

