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MEDIA RELEASE

Uncertainty and tax reform greatest risk: Property Council calls for delay of next phase of rates increases

The Property Council's ACT Executive Director, Adina Cirson, has called on the next ACT Government to halt the next phases of tax reform until the full impacts of COVID-19 are known.

Ms Cirson said there was great concern amongst business and commercial property owners and investors that they are being asked to disproportionally shoulder the burden of the COVID-19 induced recession, with rates set to increase by 15 percent over the next 5 years, despite the cap announced today.

"Whilst we acknowledge the efforts of the government in recent months to provide direct stimulus measures and support to the business community through rates relief, payroll tax and stamp duty waivers, LVC remission, and fee and charge holidays, our members remain concerned that the worst is yet to come as the long tail effect of economic uncertainty comes to bear," Ms Cirson said.

"In the Government's fiscal outlook also released today, it recognises that a prolonged period of heightened uncertainty could dampen scope for investment to recover due to a loss of capital, or general unwillingness to undertake the risks associated with beginning a major project or business venture.

"We are particlulary concerned about impact to the building and construction industry – which we note currently has the highest number of businesses currently claiming *JobKeeper* – almost 2,000 of the 11,800 businesses in Canberra.

"It is for that reason, that we urge the government to monitor carefully the impact on business and respond accordingly – and a key part of this making sure the tax settings are right.

"When you have a closer look under the hood of the ACT tax engine, it's business and commercial property which is really carrying the load of tax reform. Commercial rates are nine times higher than residential rates, stamp duty receipts have stayed the same, and commercial rates collections are at $599m annually.

"While the benefits of reform for individuals and households are obviously welcome, we need to be doing more to support those businesses which create and support the jobs that Canberrans depend on for their economic well-being, particularly as we rebuild from COVID-19.

"The lived experience of my members and the community is very different from the economic analysis provided to government.

"What we know is that on the ground, increases to rates, particularly at this time will potentially mean less investment, less office, retail and mixed use developments, resulting in a narrower tax base as businesses drift over the border.

"It is our concern that moving to the next stage of the ACT's tax reform program only adds to the tax burden for small business, commercial property owners and investors at a time of immense uncertainty," Ms Cirson said.

The Property Council also pointed out that the government's own analysis shows the number of rateable properties and their average unimproved values (AUV), WPI, property growth, property turnover and property prices are based on the assumption that tax reform has not had a significant effect on economic activity. This is despite the burden for commercial property increasing since 2012.

"This is an important oversight in a review of the biggest reform program ever undertaken by the ACT Government – and as such the impact to business of tax reform simply hasn't been measured. It disguises the fact that much of the tax burden has really been shifted to business and commercial property through higher rates and ongoing stamp duty liabilities, Ms Cirson said.

Whilst the switch from revenue collected from stamp duty to rates – the underlying principle of tax reform - has seen around 80 percent of smaller transactions benefit, the Property Council has also urged the government to hasten its move to lift the stamp duty exemption threshold from $1.5 million to $2 million.

"The threshold must be lifted well before 2025/26 –so that commercial building projects of scale that are the real drivers of job creation and economic growth in our city are delivered, Ms Cirson said.

Ms Cirson said the next ACT Government needs an ambitious plan to stimulate economic growth and investment to help the ACT recover and rebuild from the impact of COVID-19.

"The infrastructure investment plan set out in the Government's Jobs and Recovery Plan today is genuinely welcome, but needs to go further than annual budget allocations as we front the greatest economic challenge in our community," Ms Cirson said.

"COVID-19 has had a profound impact on our economy – we need to act swiftly to set up our city to be a world class destination, attractive and affordable to live, study, work, invest and do business in.

"Business as usual is not simply not enough right now, and we are call on the next government to remain open to adjusting their settings in real time, in line with the very real threat of the economic cliff that is coming," Ms Cirson concluded.

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