

INQUIRY INTO ZONAL TAXATION

Organisation: Broken Hill City Council
Name: Councillor Wincen Cuy
Position: Mayor
Date Received: 2 June 2016



Broken Hill City Council

...a safe, vibrant, prosperous and culturally rich City achieved through community leadership and sustainable management.

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Ask For Mayor Wincen Cuy

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May 25, 2016

Mr Kevin Humphries MP
Member for Barwon
1/142 Argent Street
BROKEN HILL NSW 2880

Dear Kevin

Zonal Tax Inquiry

Reference is made to your Media Release, 'Zonal Tax Inquiry Could Benefit Barwon' dated April 12, 2016. The Broken Hill City Council wishes to extend its support towards the inquiry and offers the following information for consideration.

Broken Hill is currently experiencing a gradual population decline and faces challenges as its mining lifecycle continues to wind down. The effects of this mining decline have placed pressure on economic prosperity and job creation. Indigenous populations are increasing, the population is ageing and it is hard to attract and retain young people and families.

Broken Hill finds itself in the same position as many rural and remote towns in Far West NSW, having many vacant commercial premises in Argent, Oxide and Patton Streets, being our main shopping high streets. It has been suggested that this, in part, is due to the increased take up of online shopping; and the Broken Hill's Chamber of Commerce has been running a "Buy Local" media campaign in an effort to bring customers back into our local shops.

Broken Hill is also working towards being prepared for the future decrease in mining in the region and the impact that this will have on Broken Hill's economy. In doing this, Council has been successful in gaining funding under the Government's Resources to Regions funding program, and has also received a very generous donation from BHP Billiton towards reinvigorating our Central Business District through the implementation of stages of the "Broken Hill Living Museum + Perfect Light Project".

Council has also recently resolved to move its Library Services into vacant premises in the main street (Argent Street). This is due to both financial and social reasons and Council believes this will be another link in reinvigorating our high streets.

Council supports the inquiry with the anticipation of removing some of the barriers that are faced out west through remoteness, higher start-up costs and higher unemployment and urges the Government to consider the following amendments:

Commonwealth Amendments

Possible amendments to the Income Tax Assessments Act (1936 and 1997) including:

- The removal of the provision to offset business losses for untenanted commercial properties against other income. This provision would have to be tightly defined to untenanted commercial properties and not to properties undergoing redevelopment.
- Toughening up the definitions and criteria on property being "available for rent" – i.e. bring in time limits on how long a property is unoccupied. Alternatively, stipulate specific requirements defining the steps required to be undertaken to make the property available – e.g. benchmarked rental pricing, advertising spend to attract tenants, etc.
- Tighten up the Tax Act to hold that the long-term (say greater than 3 years) untenanted property is not being held on income account, rather, it is being held on capital account (i.e. the property is being held purely for the purposes of sale). Hence, the tax deduction available to these businesses for rates, losses, etc would no longer be available.
- Make the "margin scheme" (s75-5 Goods and Services Tax Act 1999) unavailable for use in commercial property supplies if the property has been untenanted for a specified period of time (say 2 years etc). Broadly, the margin scheme effectively (in limited circumstances) reduces the GST payable on the supply of real property so that GST is levied on the margin rather than the sale price.
- Remove the GST on the sale of untenanted properties. Under current rules the sale of commercial property that is untenanted is subject to GST. Whereas, if the property is tenanted, then the "going concern" (subdivision 38J GST Act 1999) principle applies, meaning that the transaction is not subject to GST. Removal of these and other disincentives could encourage the sale of untenanted properties.

State Amendments

Amendment to the Local Government Act 1993 including:

- Provision for differential rating (e.g. Special Rate) for tenanted and untenanted commercial properties. In support, the Henry Review of Australia's Taxation System in 2010, stated that "States should allow local governments a substantial degree of autonomy to set the tax rate application to property within their municipality".
http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_2/chapter_g3.htm.

Changes to Stamp Duty and to Land Tax Legislation, including (but not limited to):

- Removal of Stamp Duty on the sale of high street commercial properties and on conveyances conditioned upon the property being "fully occupied" with a specified time period e.g. 12 months and remaining tenanted for a defined period (say 5 years). In support, in 2010, the Henry Taxation Review found that Stamp duties on the transfer of commercial and residential land and buildings are "poor taxes" it found that "Stamp duties on conveyances are inconsistent with the needs of a modern tax system".
http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_2/chapter_c2.htm.

- Amend the Land Tax Act 1956 to provide for the possible imposition of a premium rate on commercial properties that remains untenanted for a defined period of time (e.g. 3 years).

Further to the above, consideration should be given fuel and wage incentives for citizens interested in starting up businesses within Far West NSW. The tyranny of distance proves to be a deterrent for those considering making the commitment to relocate and build profitable and successful businesses. There are many opportunities for existing residents of coastal NSW and beyond who appear to be asset rich and cash poor. Incentives such as this would provide encouragement to sell lavish properties and experience a tree change in a relaxed, rural setting.

I trust that these suggestions are considered favourably as part of the Parliamentary Inquire. If you have any further questions, please do not hesitate to contact General Manager, Mr James Roncon on [REDACTED]

Yours faithfully,

[REDACTED]

COUNCILLOR WINCEN CUY
MAYOR