



Property Council of Australia
ABN 13 00847 4422

Level 7, 136 Exhibition Street
Melbourne VIC 3000

T. + 61 3 9650 8300
E. vic@propertycouncil.com.au

propertycouncil.com.au
@propertycouncil

Australia's property industry

Creating for Generations

1 November 2019

Dr Kathy Alexander
Chair
Ministerial Panel for the Victorian Local Government Rating System Review

By email: rating.review@delwp.vic.gov.au

Dear Dr Alexander,

Local Government Rating System Review

The Property Council of Australia (Victorian Division) (**Property Council**) welcomes the opportunity to make a submission to the Local Government Rating System Review (**Review**).

Chapter Five of the Review's Discussion Paper sets out certain questions for consultation. The key question is: what type of properties (if any) should receive rating exemptions? With respect, this question is impossible to answer without an indication as to alternative sources of rates funding.

We consider it unlikely that the Review will suggest any outcomes where total rates revenue falls across Victoria. If this is the case, exempting certain types of property will create winners but losers are likely to end up paying for it.

The Discussion Paper says that over \$5 billion will be raised by councils from rates levied on 3 million Victorian properties in 2019-20. It also says that "fairness and equity are central to the Terms of Reference".

Table 1 in the Discussion Paper is replicated below, which shows example differential rating categories:

Residential Land	0.00250	\$1,500
Commercial Land	0.00500	\$3,000
Farm Land	0.00125	\$750

The Property Council warns against recommendations that would serve to tilt the favour of different rating categories further towards farm land at the expense of residential or commercial land.

Increasing the rates burden for residential or commercial land is counter to the Review's Terms of Reference. When commercial rates, in particular, are seen as a bottomless pit and subject to increase at the expense of farm land, this creates unfairness for tenants and small business and,

ultimately, consumers. It should be noted, in particular, that this review comes at a time of constrained consumer confidence and low wages growth – both of which pose particular challenges to retail growth. Any increase in business costs for retailers would place further pressure on that sector.

If changes are to be made that alter the balance between differential rates, then consideration must be had to what changes will have the greatest economic impact. In one municipality alone, the City of Melbourne, Melbourne's CBD provides \$67 billion in annual economic output, houses 82,000 residents and supports 317,500 jobs.¹ Changes to benefit residential and / or commercial landowners are far more likely to boost Victoria's economic output than changes to benefit the owners of farm land. In this respect, we note that the Brisbane City Council is providing a one-year 50 per cent rates discount for first homeowners.²

The Property Council of Australia

The Property Council is the leading advocate for Australia's property industry — the economy's largest sector and employer.

In Victoria, the property industry contributes \$45.1 billion to Gross State Product (12.4 per cent), employs more than 331,000 people and supports more than 400,000 workers in related fields. It pays more than \$21 billion in total wages and salaries per year, employs one in four of the state's workers either directly or indirectly, and accounts for 57.5 per cent of Victorian tax revenue (state and local government).

In Victoria, the Property Council has more than 500 members. They are architects, urban designers, town planners, builders, investors and developers. These members conceive of, invest in, design, build and manage the places that matter most — our homes, shopping centres, office buildings, education, research and health precincts, tourism and hospitality venues.

Next Steps

If you require further information or clarification, please contact Matthew Kandelaars, Deputy Executive Director, at mkandelaars@propertycouncil.com.au.

Yours sincerely,



Cressida Wall
Executive Director, Victoria

¹ *Unlocking Melbourne's CBD*, Urbis, 2018.

² <https://www.brisbane.qld.gov.au/about-council/council-information-and-rates/rates-and-payments/discounts-remissions-and-exemptions/owning-your-first-home-is-easier>