
The Hon Wayne Swan MP
Treasurer of the Commonwealth of Australia
PO Box 6022
Parliament House
CANBERRA, ACT 2600

12th August 2008

Dear Mr Swan

Re Major Tax Review.

Enclosed is a contribution for the major review of tax.

I hope it can at least be considered because it serves to illustrate the difficulties with three levels of administration that could be better carried out by a single better resourced facility.

For too long we have limped on with some out of date tax.

Accompanying my two pages "Tax Review" I have included a recent submission on Free parking Permits I took to Pittwater Council in June 2008 and two rates submissions that went to Pittwater Council in May/June 2007. These provide a lot of detail that staff at Pittwater Council helped make available for me.

Yours sincerely

John Swainston

Tax Review

Tax on Land all needs careful consideration. Tax on land and on share investments should be much more closely aligned. My proposals could lead to closure of the Valuer Generals activities.

Land Tax.

Land Tax is at its worst when only applied to some land. Land Tax is a tax on business and a tax on rental accommodation. There are better ways to tax these enterprises. It would be less of an issue if this revenue was collected from all land owners. But that gets to be an issue when people living off their savings or on the pension are subject to high land tax because the property that has been their home for decades is fortunate to have gained in value by more than average amounts. This capital gain is far removed from any cash flow and these people should not be burdened with the costs of borrowing to pay these taxes and the worry over whether there was going to be enough to last them out and leave something for the children. The Premium Property Tax in NSW was disturbingly inequitable when applied to properties acquired before the tax became applicable.

Stamp Duty on land purchases.

Stamp Duty appears reasonably manageable but it is a significant added cost when there is a need to move home for employment. Some of these moves are part of life's decisions but some are consequences of redundancies or marital breakdowns. The added tax burden in these difficult times is hurtful and Government should not exploit such opportunities. Besides labour mobility helps the economy so a tax on mobility is counter-productive for society.

Local Government Council Rates.

I gather Local Government Rates are only about 3% of Australia's total tax. This is not much however rates impinge on all households more or less. Because there are so many serious inequities I recommend that the money now collected based on Land Values be provided to local government bodies from Federal Government Tax sources. The ATO best knows what people can and cannot afford by way of tax. Waste Services and other Council fees and charges should still apply.

I think a lot more money should be collected from car owners by both more tax on fuel and annual registration fees and more tax on the purchase of new cars especially the purchase money over say \$20,000. The fact is cars and their needs for fuel and roads are very harmful to our environment and health. Government should ensure motorists meet all these costs and I think extra tax should be applied to help us find better things for the future. It is wrong that our cars have become such important status symbols and serves to illustrate the extent we have been exploited by marketing pressures.

The fact is that all residents have access to similar benefits which are mostly also available to all visitors. Currently Local Government has shown quite remarkable ability to be inequitable sometimes and Councillors have even said such decisions were integral to their electoral support.

The above recommendation is based on personal experiences in Pittwater Council as follows.

There are emotional connections with home and tax should be respectful of such matters. This home was given to my wife's parents by a relative more than 80 years ago. It was my wife's childhood home and given to my wife about 32 years ago. We were living elsewhere and had just one tenant in it for about 23 years. I had been made redundant three times which spoiled my CV. I had already moved home twice for work and been diagnosed with MS and choose to give up job hunting and make do with

casual and part time work. However Land Tax and rates here were so high we were better off both giving up our part time work to retire here and thereby stopping paying Land Tax. We moved here in October 1997. There was no way my wife would contemplate selling up this her family heritage. She feels honour bound to leave it to our children. Besides it enjoys one of the best positions in Palm Beach, NSW.

In 2006 the Valuer General brought "Land Values" much closer to market values by comparison with the old UCVs. The value here on 1075 m² jumped from \$1,470,000 to \$3,050,000. Our rates went from \$3,694 to \$5,487. These include flat charges of \$298 and later \$350 for Domestic Waste and Storm Water. These changes in rates are the consequences of our Councillors continuing with the very old 1916 system of applying ad valorem rate based solely on Land Value.

The Palm Beach and Whale Beach Association have applied to Council to adopt the more equitable 25% or even better 50% "Base Rate" recommended when the 1916 Act was amended in 1993. This year I have asked the Councillors to reduce the numbers of free parking permits they issue. One councillor dismissed my submission as offensive, another said his wife would kill him and another said yes do it so more money could be made available for bike tracks. This is a further example of the councillors preferring to take from the rich to continue to subsidise about 70% of rate payers who saw their rates reduced as a consequence of the changes in land values in 2007/08 and continuation of the old ad valorem basis.

Rates in Pittwater, averaged over all residential properties in 2007/08 were close to \$1,130. This ranges from the bottom 20% who paid the \$603 minimum through to the top 10% who paid an average of \$3,522. However the inequities go very much deeper. One property owner was a pensioner in a nursing home while her lifetime husband, a pensioner, war veteran was paying the nearly \$8,000 in rates. It took him more than four years to get Council approval to subdivide the block and then sell part. They qualified for the \$250 pensioner's concession. Property owners vary enormously in their ability to pay rates, some have only their pension or savings, others have incomes of hundreds of thousands a year. Some properties are rented to tenants, some land holders have no car, many have only one car. However, all properties are issued two free parking permits and can buy up to three extra free parking permits for only \$48 each for a whole year of free parking. Visitors have the same access to local services as rate payers but if they live outside the Pittwater area they would need to pay \$208 for a free parking permit for a year. Those free parking permits are worth more.

People's attitudes towards beneficiaries of the escalating land values that have occurred vary. Some people seem to think these properties should be heavily taxed, even forcing owners into debt or selling. Those people seem to want to disregard the fact that these properties have been people's family homes for generations. This wealth is an unrealised wealth far removed from cash flow. It is not wealth that can be used for paying bills or paying the interest on debts. This sort of wealth is far removed from the sort of wealth that spends up big on a car or who comes asking to buy our home because they would like to own the views. This wealth is different from the lucky people whose shares rise enormously in value: these lucky owners can sell some shares and keep what they want. Land Tax can in some instances appear justifiable and has even been justified to discourage owners from failing to develop and exploit their land. But Land Tax is also adding to the costs of supplying rental accommodation.

Attachments

4 page Rates submission by John Swainston amended 21 May 2007

2 page Rates submission from Palm Beach & Whale Beach Association Inc (May 2007)

2 page submission on Free Parking Permits by John Swainston June 2008.

Summary of submission on review of residential rates.

All people in Pittwater have quite similar benefits from the services of Pittwater Council. This is true for visitors as well as rate payers. Thus the most equitable standard for all comparisons should be an equal rate of \$1130 for each rate payer. Thus the current 2006/07 rate is inequitable and should not be used as the primary basis for comparisons. The changes to land values (from extremes of reductions of 30% up to increases over 200%) have added considerably to problems with peoples opinions on the options before Council. I assert that the 50% Base option goes half way to the most equitable \$1130 and should be the preferred option. As a compromise I suggest that a base rate of 40% (\$452 with ad valorem 0.10321%) would be more equitable than the current 2006/07 rates and also more equitable than both the Ad Valorem subject to a minimum and the Base Amount 25% plus Ad Valorem options for 2007/08.

I write further to my concerns regarding the long history of inequities with rates at Pittwater Council.

I have been trying to be rational and objective and offer the following.

Attached (Rate review 2 Columns70517.doc) is a draft submission that I helped prepare for Palm Beach and Whale Beach Associations to submit to Council. I support the 50% Base rate.

The fact is that we all get much the same benefits from Council even for the non rate payers here in Pittwater. The only option Council has offered to go half way to the fair \$1130 flat rate is the 50% Option where we still get left with the other 50% on the anachronistic and outdated old ad valorem system. Once recognition can be given to this fact that the 50% Base option is the most equitable then it should be recognised that comparisons between the current 2006/07 rates and the options offered is a flawed process. It is even more flawed when comparisons are made between suburbs. These flaws are added to by recent variations of Land Values.

Attempts to examine changes in Land Values defy comparisons when based on groups of properties. The changes have been enormous and really serve to illustrate how out of date land values had become. Those latest land values were presented with a right of appeal to the Valuer General. Pittwater Council have no part in this process but these changes of valuations have had enormous impact on people's individual situations regarding rates for next year. The individual variations far exceed the variations shown by average figures.

This decision about rates is supposed to be based on some "motherhood statements" viz Council "enhancing the value of private property"; the "benefit principle"; the "ability to pay principle" and "Ethics viz equality, and Council decisions will be fair and equitable". These motherhood statements sound really good but they are out of date and in need of making appropriate to today's reality where the main basis is "user pays" and everyone, even

outsiders, get to enjoy the public resources. (Roads, car parks, parks and reserves, storm water management, the library etc). I suggest that a better basis for rates might include the value of car residents normally use.

People’s resourcefulness at finding excuses to not have to pay and the self interest and jealousy they reveal and the misinformation they put about to justify their arguments knows no bounds. Viz Manly Daily 18th April and a letter on 16th May. This leads to that saying: “Don’t confuse me with more information because I’ve already made up my mind.” With all this in mind and the “heat in the kitchen” as Council meet and have to arrive at a decision I offer a compromise. It is not the most equitable but I think it would allow us all to move forward with something that could be respected by all as a compromise leading hopefully to more equality in future. I’ll call it the Compromise with 40% Base amount + 0.10321% ad valorem rate.

This table shown below uses the same new land values with all rate payers shown in 10 groups of 2174 properties with similar values as the slides 26, 27 and 28 shown on one table attached. (Rate review deciles70517.TIF)

2007/08 Residential Rates			
40% Base Amount (\$452) + 0.10321% Rate			
Highest LV to lowest	Average land value \$	Average rate \$	Group % contribution to total rates
Top 10% properties	2,162,129	2684	23.75%
2nd	927,958	1410	12.48%
3rd	657,150	1130	10.00%
4th	567,596	1038	9.18%
5th	524,820	994	8.79%
6th	493,353	961	8.51%
7th	459,818	927	8.20%
8th	400,624	865	7.66%
9th	263,772	724	6.41%
10th	122,349	578	5.12%

In the tables shown, all five variations earn Council the same residential rate income. This is to facilitate comparisons and none of them make allowance for the 3.3% increase in rates which has been estimated.

The attractions of this way of looking at the options are that each of the ten groups has the same number (2174) of rate payers and all rate payers are represented. These same sized groups helps make this way of looking at groups more equitable and simple. Looking at the contribution each group make to the total residential rates collected it can readily be seen how each group compares with the 10% average for all rate payers. Thus from the attached file (Rate review deciles70517.TIF):-

All ratios are based on the contribution made by each 10% group (2174 properties) to the total residential rates collected.			
	Ratio Top 10% properties vs. Average \$1130 per property	Ratio lowest 10% properties vs. Average \$1130 per property	Ratio top 10% to lowest 10%
Current 2006/07 ad valorem 0.23103 with \$603 min	257%	53%	486%
Option A 2007/08 ad valorem 0.16289% with \$603 min	312%	53%	584%
Option B 2007/08 Base 25% (\$282) + ad valorem 0.12895%	272%	39%	697%
Option C 2007/08 Base 50% (\$564) + ad valorem 0.08605%	214%	59%	362%
Compromise 2007/08 Base 40% (\$452) + ad valorem 0.10321%	238%	51%	464%

Looking at the number of times the highest contribution is greater than the lowest shows the impact of the larger increase in valuations for the top group. This multiple also shows that the lowest ad valorem rate delivers the smallest multiple. I assert the smallest multiple is the most fair and equitable. I assert that for too long there has been an unfair and inequitable structure for rates in Pittwater. It is high time rates were made more fair and equitable not less as would happen with the ad valorem with minimum and the 25% Base with ad valorem.

Increases in land valuations for each of the groups from highest percentile group down to the 10th have been:-

Top 72%
 2nd 43%
 3rd 33%
 4th 27%
 5th 23%
 6th 22%
 7th 24%
 8th 26%
 9th 33%
 10th 34%

The above increases clearly show that the lower 20% of property owners have also been quite significantly impacted by increases in land value like the 3rd percentile group though less so than the top 20%. Thus it makes nonsense to think that the lower valued properties somehow deserve increased rate relief. Note we know little of the range of increases contributing to each of the above values except some went down by up to around 30% and others had increases of 100% and more right up to 212% increase. (See Council Slide 11 from public presentation Wed 9th May.)

Limitations with analysis of the 10% decile groups

Each line represents an average and this may contain considerable variation.

Top 10% range from over \$27,000,000 (retirement villages are amongst the highest) down to \$1,280,000.

2nd group \$1,280,000 down to \$730,000.

9th group \$344,500 down to \$185,680.

10th group \$185,680 down to less than \$49,000

The actual difference in land value separating each 10% group could be none or \$100 or more. Thus the revaluation of properties is likely to cause a property that was in one grouping to shift up or down to a different group following the revaluations. Thus an individual property could vary by larger changes than the averages shown. (See Council Slide 11 from public presentation Wed 9th May.)

Conclusion.

We all get much the same from Council and this should get recognition. Now is the time to resist temptations to appeal to the majority and contain inequities rather than escalate them. The option with the 50% Base is the most equitable. With the other two options the Council could no longer comply with the "ethics statement" on being "fair and equitable" as per the management plan. A compromise is offered.

Yours faithfully

John Swainston

Self funded retiree in property owned by [my wife](#). [Her family has owned this](#) more than 80 years. [We feel obligated](#) to maintenance of the family heritage.

Reviewing options for Residential Rates for Pittwater Council for 2007 to 2012.

There's a saying: "Don't confuse me with more information because I've already made up my mind." That message seems to be conveyed in the article in the Manly Daily 18 April 2007.

Members of Palm Beach and Whale Beach Association (PB&WBA) represent over 270 of the properties in Palm Beach and Whale Beach. This association asks Pittwater Council to accept the following review to be soundly and equitably based.

PB&WBA much appreciated the information evening on Wednesday 9th May when Council staff presented a mass of information very effectively and then opened the meeting to questions and comments.

Many people seem to be either shocked or confused by all the information and have been having difficulty accepting the magnitude of some of the changes and working out what will be best and fair and equitable.

This submission is an attempt to offer sound information and advance the job of sorting out priorities for arriving at the best way forwards. PB&WBA think it important that there is recognition at this stage for the need to be forward looking rather than hanging on to the past.

There is no way of escaping some hard facts. Firstly the revaluations imposed on both us and Council as from 1/7/2006. Secondly Council needs to collect \$24.563 million from 21742 residential households. That averages \$1,130 per household. That is equitable and the more variation from that the greater the inequities.

Once the \$1,130 average rate is accepted as the most egalitarian then it can be seen that comparisons between what each household is currently paying with what they could pay under Option A, B and C is a flawed process. Such comparisons are flawed by comparing one inequitable solution with another inequitable solution. In addition such comparisons are burdened with the complication of the wide differences in changes to land valuations. Comparisons should only be between current rates and the \$1,130 average for the future.

Of the options presented, Option C with the 50% base (\$564) and ad valorem of 0.08605% is the most equitable. This is a matter of fact because the departures from the \$1,130 average are smaller.

Looking at Option C in more detail needs doing for each property owner but best here is to look at Slide 28 shown on Wed 9th May. This slide divides all residential rate payers into ten groups each with 2174 properties. This shows the contribution each group make to the total rates collected. This allows a comparison to be made between of the top 10 % of properties with the bottom 10% of properties and it shows that 70% of properties pay less than the average \$1,130 and 10% pay about the average. The top 10% group of 2174 properties are on an average new land value of \$2,162,129 and paying \$2,424 rates. The lowest 10% have an average new land value of \$122,348 and are paying \$669 rates. Thus the top 10% of properties would be paying 21.4% of the total rates collected by comparison with 5.9% being paid by the lowest 10%. Thus the top group are paying 2.14 times the average and the bottom would be paying 59% of the average. On average the top 10% group would be paying 3.62 times more than the lowest 10% group. With Option C the top 20% pay 33.5% of the total rates. If a comparison was made between the top 1% and the lowest 1% of land valuations more figures are needed but slide 30 shows the top 118 properties (i.e. 0.54%) contribute 2.83 % of all rates which is more than 5 times the average and 9.8 times the average for the lowest 1%.

Other flaws also deserve comment.

1. Slide 7 on the "**Basis of Rates**" states that local "government ...routinely providing public services which retain or enhance the value of private property (such as local roads, garbage disposal, parks, footpaths)." This is riddled by flaws. Many services including garbage disposal are paid for on a user pays basis. Otherwise services are for the public. Council normally gets private property owners to pay for services and improvements to private properties. Lots of road and other reserves are neglected by Council and depend on volunteers. Many of the most highly valued blocks are without footpaths and curbing and guttering and these rate payers are acceptant that most of the lower valued blocks have footpaths and curbing and guttering. Council seem to do more to close the public footpath from Northview Road to Ocean Road rather than do maintenance work: how many rate payers have been involved in this decision making process? Not long ago residents of Whale Beach strenuously resisted Council's desire to improve Whale Beach, but this has not done much to

contain the recent increases to land values for Whale Beach.

2. **Benefit principle.** Most benefit is actually for the public rather than land owners. Land values are the result of market forces and here location, land area and terrain, views and access to open water are the main drivers. Amenities provided by Council have very little influence on land values. Even the library and all its services are available to all including people from anywhere. Free parking stickers are much valued by rate payers but then some rate payers think there should be higher charges for extra tickets to help alleviate shortages of parking spaces. PB&WBA are not aware of differences in Council services between different valued properties.
3. **Ability to pay principle.** This would need a means test and PB&WBA are not aware of a means test being used. It is a fallacy to imply that higher valued properties are owned by more affluent people. This assumption is reasonable for the recent purchases but what about properties owned by the same family for decades with some owned by pensioners some of whom are financially stressed due to impaired health? Council willingly allow the accrual of rates and interest on the rates and make a good profit on it. That is offered to people with difficulties with big rate bills. This solution seems to be ignored when the other below average rate payers are being asked to pay their fair share. What about the lower valued properties occupied by double and triple income households? I know financially stressed situations where resolution is burdened by time consuming bureaucracy which is not seen as good enough reason for rate relief.
4. **Rebates for pensioners and concession holders.** No changes to these are under consideration. These rebates have been unchanged for years. These property owners occupy land from the top 1% of values right through to the lowest values. All have been affected more or less by land revaluations and the decisions on rate options will impact pensioners much the same as other rate payers. However PB&WBA strongly support Councils efforts to secure increases for these 11% of Pittwater's rate payers.

The other options.

Option A The present system with the ad valorem rate subject to the \$603 minimum has served Pittwater Council well in the past largely because the minimum has been quite high and the range of land values used to be smaller than it has become with the latest revaluations. Currently the top 10% of properties contribute 25.7% of Council residential rates and the lowest 10% are all paying the minimum and this group contribute 5.3% of the rates. Next year Option A would cause the top 10% to contribute 31% of

residential rates while the lowest group would continue on 5.3%. Currently the top 20% contribute 39% of the rates and next year with this option A the top 20% of ratepayers will contribute 44.6% of all residential rates. Increasingly Australian society has been applying the "user pays" principal so such dependence on the ad valorem system is being phased out. I understand that just over half the Councils in NSW have now adopted the 50% Base Amount Option C.

Option B This has a 25% Base Amount (\$282) and the balance ad valorem. Because this has no minimum the lowest 10% group contribution to rates drops to 3.9% and because every property pays the base \$282 the top 10% benefits with the highest group contribution of 27.2%. Option B will cause the top 20% of ratepayers to pay 40.3 % of all residential rates. The disparity between top and bottom 10% blows out to nearly seven fold.

Alternative compromises.

In view of the past comfort with the current \$603 minimum this could be achieved for the lowest 10% group by using a base amount of 42.78% (\$483) with an ad valorem 0.098439%. Currently the two lowest groups amounting to 20% of residential rate payers contribute 10.6% of rates and this amount could be achieved with a base amount of 39.47% (\$445) and ad valorem of 0.104112%. It is likely Council would prefer to settle for a compromise of say a Base Amount of 43% or 40%. All of these would be more equitable than Option A (the current system) or Option B with only 25% Base Amount.

It should be noted that this lowest 10% group with an average land value of \$122,348 ranges in land values from \$185,680 down to less than \$50,000. Thus this should be considered when considering Option B and C and the alternative compromises offered here.

Conclusion.

We all get much the same from Council and this should get recognition. Now is the time to resist temptations to appeal to the majority and contain inequities rather than escalate them. The option with the 50% Base is the most equitable. With the other two options the Council could no longer comply with the "ethics statement" on being "fair and equitable" as per the management plan.

Free parking permits. (Parking stickers for cars)

Submission to Pittwater Council 18th May, revised 16th June 2008 by John Swainston,
[removed for privacy reasons]

Free parking permits are much appreciated and valued. They make parking so much easier, that is when one can find a parking spot.

I recommend that these stickers should continue to be available but the numbers of free and discounted stickers should be reduced.

Before rejecting my proposal, I ask that the following points be considered.

1. Society is becoming increasingly aware of the escalating damaging effects of cars and roads in our environment. Motor vehicles also sometimes injure and kill people. Thus it seems very wrong, to me, that ratepayer's money is used to pay for roads and road services and to subsidise car parking expenses.
2. Because most properties get two free parking permits each year there is serious inequity because some properties have only one or no car while some properties finish up extra parking permits for only \$48 each.
3. Roads, traffic signs, and parking management represent a major cost of about \$8 million to Pittwater Council each year. It would be more appropriate for car owners to be contributing to this rather than the property owners bearing all of this expense.
4. Currently there are so many free parking permits issued that income from parking metres is lower than it could be.
5. Currently two free stickers are issued to each of the 23,765 rateable properties. If \$208 was paid for each of these stickers then this would bring in nearly \$10 million. This added income could reduce rates by 33%.
6. If the issue of free parking stickers to rate payers was reduced from two stickers to only one and if all additional stickers cost \$208 then I would expect these fees to earn \$4 million or \$5 million and I would expect more money to be collected from parking metres. This could lead to rates being reduced by about 15%.
7. If car owners were paying more of the expenses of provision roads and parking they would be better equipped to make their decisions about car ownership versus other alternatives.
8. If car owners paid for their parking then Pittwater Council and land holders would be better able to make decisions about the economic merit of providing parking for cars.
9. If all parking permits were paid for it would put an end to the current situation where parking permits are given away and are acquired at discount prices thus adding to the numbers of cars expecting to use available parking spaces.
10. These parking permits are probably worth more than \$208 to most people that have them. If more was charged for them then more revenue could be raised and a few less free parking permits might be issued and a little more parking space could become available either on our streets or in off street parking. Property Rates could be further reduced.
11. The public need to be better informed about all of these matters.

Parking to facilitate more use of public transport should be provided free. This benefits everyone and is a worthy expense for Council to meet. I would not include parking such as at Palm Beach Wharf and at Church Point in this category.

Conclusion.

I ask that this whole matter of fees for parking should be set aside for further consideration. I think the "Staff

Response” to my submission is part of the details that will need close attention. Other Councils manage parking in a variety of ways and with all the changes in Pittwater it seems to me that it would be timely, to soon consider in more detail, how these matters can be improved.

People are only just now starting to become aware of some of the major lifestyle changes people will need to come to terms with in the next 5, 20 and 80 years. “Peak oil” is now upon us so we should expect oil supplies to shrink and get more expensive. Food prices are rising and shortly we will start seeing how carbon trading will affect us. We are likely to see major changes to our cars and to our roads; that is what happened in the twentieth century.