Speech by

Michael Crandon

MEMBER FOR COOMERA

Hansard Thursday, 16 September 2010

LAND VALUATION BILL

Mr CRANDON (Coomera—LNP) (8.26 pm): The Land Valuation Bill 2010 relates to a shift to site value for non-rural land. I oppose this legislation. How can I vote for this bill when I have no idea how it will affect my constituents? There are 101 categories in the Gold Coast City Council list of rates. That is for residential land. A large proportion of the residential land in the southern part of my electorate is canal estates and, contrary to popular belief, not all owners are millionaires who can afford an increase in their rates. In 2008, the postcode 4212, which includes Hope Island, had the second highest incidence of mortgage defaults in Australia. That was in 2008, and I would suggest that on the Gold Coast today right here, right now, it could be a lot worse.

The government will significantly increase rates on top of the escalating water costs, the rising electricity costs and the fuel tax we now pay. How much will this increase be? We have no idea. We have no idea but, in answer to a question put by the member for Cleveland during a briefing, the indication is that canal estates could increase by between 20 and 30 per cent. If the rates increased similarly, that could be the end of the tether for so many of my constituents. In fact, I did a few comparisons just to see what the result may be. I based my calculations on varying property values and I based them on a 20 per cent increase, a 25 per cent increase and a 30 per cent increase in those values. I also used different rate amounts for those values to distinguish between blocks actually on the canal and dry blocks in a canal area or adjacent to canals.

With a 20 per cent increase in the valuation of a block of land, I estimate that the rates would increase by over $750 a year. A 25 per cent increase on a cheaper, dry block of land would result in an increase in rates of over $430 a year. Finally, my estimate on a more expensive block of land that is less than 500 square metres is a rates increase of $1,400 a year. A block of land in excess of 500 square metres would result in an increase of almost $1,900 per year. As I said, it could be the end of the tether for people under financial stress and at breaking point.

It could be argued that the Gold Coast City Council could vary its methodology for calculating rates. That is all very well to say, but, let us face it, this government has already gouged the councils by reducing funding. I can see the day when more funding pressure is placed on councils so that they have no option but to maintain the current methods of rates per valuation dollar. In the end, although the government has not collected the tax directly, it gains a benefit by forcing councils to increase rates when it withdraws funding.

A further concern is that two properties sitting side by side could have substantially different rates. That in itself immediately forces a differentiation in the value of the properties, and I will discuss that a little later. There are some provisions for phase-in based on two scenarios. The one I am focusing on here is the cost of improvements being able to be discounted from the valuation. First of all, we need to understand that this is based on the current value of the improvements and is only able to be used for a maximum of 12 years. If the work was done 10 years ago, there are only two years left in which to apply the discount. If the land is sold, the discount disappears. It is my view that this is the sting in the tail: if people sell, the new owner loses the value of the discount. That is going to have the effect of reducing the value of that land on the open market. The discount lost has capital value attached to it. The value is going to hit on two levels: an instant increase in land tax if it applies and an instant increase in rates. So here we have the situation of a development of an industrial estate. There is a cost associated with the development that adds a value to the land. That is discounted for the purpose of land tax and rates in the developer's hands. That will be lost to the new owner, the client of the developer. As I said, this loss of the saving of land tax and rates has a capital value attached to it. What effect will this have on the value of the land? Will the development be a viable development under this scenario?

Regarding the annual revaluation of property, other members on this side have questioned the viability of revaluing 1.6 million properties each and every year. That is what I and my colleagues on this side have been told will happen. My question is simply this: how?

I now turn to the commercial sector proper. Once again, I have no idea of the effect of this change in methodology on rates or land tax. Once again, there are many commercial properties in my electorate that sit on land that was filled and levelled. The Coomera marine precinct is one example and the Steiglitz marine precinct is another. The marine industry has been in the doldrums for some time. Although there are signs of recovery, this could be a severe blow to those businesses. What effect on land valuations will these changes have, and will the businesspeople be able to absorb the increases? I am convinced that we will see a significant increase in land tax and, I would argue, a significant increase in rates.

I turn briefly to farmland. I understand that the methodology will not be changed. As outlined by the member for Southern Downs, the valuation system is full of discrepancies and anomalies. The increase in valuation on leasehold land used for rural purposes, which I am told makes up more than 70 per cent of rural land, does have a significant effect on the rates and rent of that land. In fact, as I have said before in this House, there is a thriving business in Queensland in disputing the valuations of leasehold land with a view to reducing these not-insignificant costs.

In summary, land tax as a proportion of state revenue has more than doubled in the past decade. It beggars belief that this government will walk away from this drug. So 'trust us' just does not cut it. One way or the other, directly through a land tax grab or indirectly by starving local governments of funds, cutting contributions to council coffers forcing them to increase rates to balance their budget, this government will continue with the cash grab from property valuations. That is a great concern to me because it has a high probability of adversely affecting mums and dads and small business people in the state seat of Coomera. We just do not know how much it will affect them. For that reason, on behalf of the constituents of the Coomera electorate, I oppose this legislation.