



What's wrong with the GAIC Draft Legislation?

- All landowners will have a notice registered on the Certificate of Title warning purchasers they will be liable for the tax if they purchase. This is a blight on the title.
- Purchasers have the option of paying the tax upfront or deferring the liability and incurring interest on the tax which is also indexed annually. The only purchaser interested in exposure to such a liability will be a developer acquiring land with short term development potential.
- The price a landowner receives when selling their property will be reduced by the amount of the tax. Certainly the tax will not be added on to the sale price as the purchaser has the obligation to pay the tax and so won't pay it twice.
- The GAIC leads to a massive reduction in property equity and borrowing capacity now – considering mortgage obligations some landowners may owe more than the value of their property, yet they will have no right to Hardship provisions.
- A property owner with 2.02 hectares or less pays no tax. However a few extra square metres of land will levy \$192,850 in tax on the purchaser.
- Lending institutions will only lend against a property's market value, not the value plus the GAIC liability. A loss of borrowing capacity will impact both the current vendor and the purchaser.
- In effect the GAIC tax freezes personal land assets until development is imminent (which could be decades away) but landowners will be hit with immediate council rate rises, leading to them ultimately becoming distressed sellers.
- It effects inheritance – if a will directs that a property be sold the tax applies to which the purchaser will deduct the GAIC.
- It applies if a marriage breakdown requires the family home or other marital property to be sold – as above.
- The proposed legislation permits Landowners intent on developing property to delay the GAIC payment until a Statement of Compliance is issued. The government is prepared to delay receiving revenue from the development industry until the very last stage of the development cycle yet families and the elderly incur the tax as soon as the land is sold.
- It alters the whole concept of land ownership – an estate in fee simple. The highest form of private property ownership in the country means nothing if the value of property can be eroded through Government intervention.
- The same type of property can be sold in any other part of Australia without paying the tax.
- The same type of property can be sold outside the UGB and no tax is payable.
- The same type of property inside the UGB before November 2005 does not pay the GAIC.
- No other form of infrastructure tax in this country targets private citizens.

- For the developer the tax is a cost of doing business and therefore a tax deduction.
- The current proposal has required the GAA to announce the establishment of a hardship committee to oversee the complex problems caused by the tax however the provisions only extend to the Purchaser who bought in full knowledge of the liability.
- Landowners inadvertently caught with a blight on their title and who suffer a loss have no recourse for Hardship provisions.
- The GAIC applies an arbitrary and discriminatory trigger point associated with land size of 2.03 hectares with dwellings, and vacant land over 4100 sqm.
- Subdivision to exclude the principle place of residence from the GAIC is in conflict with the Urban Growth Zone provisions.
- No other part of Australia has a hardship committee associated with an infrastructure charge. New South Wales has a similar charge that is not linked to land transfer and therefore it has no impact on vendors selling, or purchasers, inheritance, marriage breakdown or borrowing capacity. This NSW approach does not require a hardship commission.
- Almost all landowners are currently liable to pay Capital Gains Tax to the Federal Government for any uplift in property value.
- A different trigger point such as planning permit approval removes all problems associated with the GAIC and will negate the need for a hardship committee.
- Under the current proposal the GAIC will be paid by the purchaser and capital gains will be levied on the seller. Both taxes derive revenue from uplift in property values from the one transaction.

Taxed Out have three major concerns with the Growth Area Infrastructure Contribution as proposed, those are:

- 1. Failure to acknowledge the market value of lifestyle property.**
- 2. Failure to acknowledge the market value of property with long-term development timelines.**
- 3. Failure to properly understand the impact levying the GAIC at the first point of sale would have on families and the elderly.**

The following organisations agree with Taxed Out Inc. that the GAIC should only be charged at the point of development:

Mitchell Shire Council, Hume City Council, Melton City Council, Casey Shire, Cardinia Shire, Housing Institute of Australia, Victorian Farmer's Federation, Seniors Australia, Urban Development Institute of Australia (Victoria), Australian Property Institute, Property Council of Australia, Housing Institute Association and the Law Institute of Victoria, Green Wedges Coalition, Protectors of Public Lands Victoria.