

## **Fire Services Levy**

**As SCA (Vic) has advocated over a number of years, Victoria will abolish the unfair and inequitable insurance-based fire services levy (FSL) and replace it with a fairer system for funding state fire services through a property-based levy, which is great news for owners corporations.**

The transition period commences 1 July 2012 with full implementation 1 July 2013. The Department of Treasury and Finance released an Options Paper that outlined a range of levy design and implementation issues - from the most appropriate tax base on which to apply the property levy, to the most effective and efficient method to transition.

In our submission SCA (Vic) noted owners corporations are often overlooked when developing policy thus disadvantaging a quarter of all households who do not live in standard detached housing. Owners corporations have a unique operational environment which will impact the design and implementation of the Victorian Fire Services Property Levy.

Owners corporations are made up of 'lots' and common property. Lots can be separately owned and sold. Of particular note is the issue discussed below of common property, which may comprise of stairs, driveways, visitor parking, roofs, pathways, gardens, main gates, garbage areas, walls, lifts, fences, as well as recreational facilities such as gym, sauna, spa, swimming pool, tennis court, meeting room or a golf course that are part of the property.

The options paper included a number of proposals. SCA (Vic) agrees with all the proposals, subject to an important caveat on one proposal to impose the levy on real property, including non-rateable property. The caveat, that is not clear from the proposal, is that the common property of owners corporations should not be captured in the definition of non-rateable property. SCA (Vic) recommends common property should remain excluded.

The current situation is that, separate from owners, owners corporations do not have to pay rates for common property. An owners corporation that does not own land is not a rate payer and hence does not have to pay rates. In saying that if an owners corporation owned or leased other land then they would most likely have to pay rates. If the single holding of the owners corporation is common property then there are no rates payable. Note under the owners corporation laws the owner of the common property is not the owners corporation rather the owners of the lots themselves as tenants in common. As owners hold the common property as tenants in common, the levy will and should be duly reflected in the charge made on individual owners.

The options paper included a number of options where questions were asked.

One related to whether the property levy should be assessed on the site value, improvements value of real property or on the capital improved value. SCA (Vic) recommends the most appropriate valuation base is capital improved value [ie the value of land and buildings]. A capital improved valuation base would be more consistent with local councils existing practice levying rates, which may reduce administration costs. And a levy on improved values [ie the value of the buildings only] would also have a higher impact on properties with high improved values relative to land value, such as high density office and apartment buildings and retail complexes.

Another question related to the respective costs and benefits of a single state-wide levy and separate levies for areas served by the CFA and MFESB. SCA (Vic) recommends the property levy should not be set at a single state-wide rate. Rather, SCA (Vic) recommends there should be separate property levies imposed within and outside the MFD [served by the MFESB and CFA respectively]. Separate levy rates reflect the cost and quality of fire services provided within and outside the MFD. Separate levy rates would be consistent with the preferred principle of 'user pays'.

One question was about the potential for different property levy rates for different property types. SCA (Vic) recommends that different levy rates apply to different property classifications – if the use of fire services differs across property types. Applying differential rates by broad property type would be desirable on equity grounds if the use of fire services differs across property types. If, for example, residential and commercial properties differ in their use of fire services, then a \$1 million residential property and a \$1 million commercial property, both located in the same area, should make different annual contributions to the fire services.

Victoria's move to a property-based levy is consistent with recent reform, predominantly over the last 12 years, in other states and territories.

Tasmania levies residential property owners, while retaining an insurance-based levy on businesses.