



## **LAND TAX RIP OFF**

**1 March 2004**

Member for Flinders Liz Penfold is alerting constituents to check that they are not paying Land tax on their principle place of residence.

“Calls to my office and to the Liberal Party land tax hotline indicate that many South Australians, in particular pensioners and self-funded retirees, have been paying land tax on their principal place of residence not realising that it is exempt. I am advising them to apply for an exemption and ask for a refund,” she said.

“Treasurer Kevin Foley’s attention was brought to these same errors a year ago, and he gave his assurance that he would look into it with Revenue SA.

“A year later, problems are still occurring and still causing considerable financial difficulties and anxieties,” she said.

Mrs Penfold said one letter from Revenue SA advised that the computer now deals with Post Office Box addressed properties as business’s or investments on the assumption that owner occupied properties will have a residential address.

The letter states that the computer “has been programmed to automatically remove any principal place of residence exemption when properties are transferred to an ownership and the postal address no longer matches the property address.”

“This explains why rural properties that don’t have the luxury of home deliveries have so many of these incorrect notices and I particularly urge people who have a post box or a mail bag or are over the \$50,000 threshold to check land tax accounts to ensure their home is not included.

“If this practice of automatically charging for something that is not owed, was undertaken by private enterprise it would probably be considered fraud,” she said.

She said the land tax assessment notice should carry prominent advice on the front that land tax is not payable on the principal place of residence.

It seems that every other state has modified its land tax calculations to take into account the booming property market except South Australia. The Liberal Party has called for a review of the progressive scale of charges as well as a review of the \$50,000 threshold that now applies.

This year the State Government is expected to rake in \$202 million from land tax, an increase of \$45 million since last year.

**ABC Radio Precise 1/3/04**

**Liz Penfold, Member for Flinders (639ABC) Land tax**

*(Thomsen: To land tax ...and calls to reform the way land tax is calculated...one thing that nobody wants to do is pay land tax at all when you in fact don't have to ...and it seems that some people have been doing just that because of the way the Revenue SA computer interprets addresses ...Liz Penfold is Member for Flinders ...Liz says many of her constituents are getting caught ...Liz Penfold, this address confusion is coming about because of post office box numbers)*

Yes ...evidently when there's a transfer of a property the ...if the box number is put there instead of the residential address ...it could be a mailbox ...then it's automatically considered by the computer to be an investment ...taken off the principle place of residence which of course is exempt ...and put onto the property that's for investment ...for business ...

*(Thomsen: Are locals getting caught by this?)*

Yes we've had a number of phone calls ...some of them really irate ....saying what's this now ...but of course it compounds with any other property that a self funded retiree in particular might own ...or just a farmer who owns a shack ...the shack might be under the \$50,000 exempt zone ...and then ...if accidentally their home is put on top of that it puts them over and the two are added together ...which means that the cost is quite significant ...the land tax ...and then they're getting hostile before reading the fine print that's on the back of the land tax bill ...tells them that their place of residence is exempt ...but ...nobody's looking on the back of the bill...so my suggestion is for heaven's sake print a bill with it on the front ...

*(Thomsen: ...so ...the computer is looking at something like a post office box address and automatically calculating that that is another eligible separate property from the principle place of residence?)*

Yes ...and of course that hits country people much more often that it would hit a city person because their residential place would remain as a residence ...a box out the front on the gate post ...where of course in the country regions there might be a transfer to another house or a land transfer ...it's natural that it's a box or a post bag on the side of the road ...so it's hitting us a little bit more heavily that perhaps it is in the city ...which is probably why it's not being mentioned much ...but I'm saying for heaven's sake those people out there that think that this is another big increase and they have to pay it, have a look at your bills and make sure that it's actually not on your principle place of residence ...because you might be able to get a big refund ...

*(Thomsen: ...you mentioned the shacks and shack owners ...can you give us an example of one of the stories that you've heard already?)*

Oh that was just the person that had a property and a shack and ...the shack was under the \$50,000 threshold ...but when their property was ...the home was transferred, they shifted houses ...it became a box number ...not a residential address ..it was put in as part of the taxable ...land tax bill ...added to the round \$50,000 for their shack ...which made around the \$400,000 bill ...that it was accounted on ...and when that was worked out in land tax ...that was a significant amount ...they screamed first and then looked at the back of the bill second ...people just aren't aware that the principal place of residence is tax exempt ...

**Mike Walker, Commissioner, State Taxation Department (891ABC) Land Tax**

*(Thomsen: Mike Walker, who is Commissioner with the State Taxation Department ... good afternoon ... Mike, your computer's getting confused?)*

No I don't think they are ... the point that Liz Penfold makes is accurate but where you have got 360,000 principal places of residence exemptions each year, and where you've got 70,000 or so changes of ownership, if in the details that are put into the Government system ... if the two addresses don't correspond exactly, that can happen ... obviously then as soon as it's brought to our attention, we'll change it ... but it's important for the conveyancer or solicitor acting for the purchaser to make sure they get them right ... equally too it is possible for us, Government, to make a mistake ... we are though examining the front of the notice to see if we can ... put something on there ...there is only so much we can put on the front but we are examining the front of the notice to see if we can do what Liz Penfold is suggesting ... it's a good idea that she makes.

*(Thomsen: The point that you make is a good one too ... there only being so much room on the front of a bill and ... all the bills we get these days it's just about like programming a video recorder ... to decipher what they mean sometimes ... what sort of information would you be able to put on the front as regards to clarifying this situation for people do you think?)*

We are examining how we can do it ... but just a simple statement ... principal place of residence is exempt and so just check details carefully ... there is as Liz Penfold said ... information elsewhere either on the notice or on a separate accompanying sheet ... there are so many of these when you've got 360,000 and 70,000 of those are being changed in a year ... it's possible but if one of a number of a range of people including outside of Government or inside Government makes a data entry error, then the computer, if it doesn't match the two up, is going to not recognise it as a principal place of residence.

*(Thomsen: What happens to people that are in this boat ... they do pay an amount that they don't need to pay ... it's*

over an above what they needed to pay because of the way the land tax is calculated there ... **do they have to discover that fault or do you discover it for them at some stage down the track and refund them?**)

We do have an ongoing program of trying to make sure that we have got all principal places of residence recorded precisely but given that it is a computer based system and the total number of properties in South Australia which are on our system are something like 780,000 ... only 150,000 of those are liable to tax but when you've got so many it's not possible unless you had huge numbers of people and then you'd have less people for health and education ... unless we had giant numbers of people here, we can't physically do that so it does need to be ... it pays for all of us to check any bill we get, whether it's from the Government or otherwise to make sure that it is accurate ... the point that Liz Penfold made is right, we are going to be examining it particularly if there principal place of residence.

*(Thomsen: That's a bit of a concern though ... that if people have unduly paid land tax they didn't need to, they have to discover the mistake themselves otherwise it's not going to be corrected.)*

If a computer based, invoice based system such as the one that we run doesn't have it recorded as a principal place of residence because the addresses are different, that makes sense ... that is the way we know that most investment properties aren't principal places of residence ... so if we change the system around the other way, we'd suddenly have all sorts of big areas of people who are properly liable to tax suddenly falling out and not paying tax.

*(Thomsen: If you do discover that you were eligible for an exemption here as far as your land tax payments go ... what do you do from that point on to apply for a ... refund that you have overpaid?)*

It's applying for a refund from us and the money will be refunded as soon as we can. *(Thomsen: Mike, thanks very much for your time this afternoon.)*