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Why the Brumby-Madden Development Tax is Flawed Legislative Assembly 26th November 2009

Mr MORRIS (Mornington) — The statement of compatibility for the growth areas infrastructure contribution (GAIC) bill says it all. It states:

This scheme will establish a simpler, fairer and more flexible system for funding the state infrastructure needed by new communities in growth areas.

The bill could not be more complex if the government had tried. It is grossly unfair. It is entirely inflexible except to the extent that it seems to give the minister the power to make any variations he likes. Most of all, it is indeed a scheme. The dictionary definition of a scheme is ‘a secret or underhand plan; a plot’, or if you are using it as a verb, it is to ‘make plans in an underhand way; plot’. That is exactly what this legislation is all about.

The bill is indeed underhand, and it is underhand in a number of ways. It is underhand in the way it seeks to fund infrastructure via a flat charge. This is a government advocating a flat tax. Whatever happened to the socialist dream of redistribution of wealth? Sorry. I forgot we are dealing with and hitting land-rich land-holders, which I guess is an approach that gives the government some pleasure.

We have seen a stream of legislation containing pejorative terms. We have had hoon drivers and hoon boaters and we now have land-rich land-holders. It sets the tone for the legislation.

The bill is underhand in the manner in which a taxation measure is dressed up as a planning matter. This is a tax. We are not dealing with planning; we are dealing with tax. Despite that we are inserting provisions in the Planning and Environment Act. A tax measure in a planning act is what we are dealing with today.

The bill is doubly underhand in the way that the Minister for Planning has linked the GAIC charge to his massive changes to the urban growth boundary. We are linking this tax to an enormous expansion of the metropolitan area — taxation and planning are being inextricably linked together. It is grossly dishonest.

Perhaps the most underhand aspect of the bill is the way it provides the minister with power to reduce or exempt payment of the GAIC. The minister will have the power to choose who pays in full and whether you pay at all. If nothing else that power is totally unpalatable but, as I said, the scheme is entirely unacceptable.

It is not unreasonable to expect some contribution from those seeking to develop their land. The shire council on which I had the privilege of serving was a leader in this area. It pioneered the concept of developers contributing to recreational land when housing subdivisions were done. It is a tried and proven measure. I am not saying it is the wrong thing to do. It is simply the manner in which this scheme is proposed to be applied that is totally wrong.

I suggest that any plan to do this sort of thing needs to meet a few basic tests.

First, it needs to be without complexity — you should not need a team of accountants, legal advisers, tax consultants to understand it.

Second, it needs to be fair in its application. If you are trying to capture the uplift in value achieved by rezoning, then the rate charged needs to accurately reflect the gain. You will have differential gains if the land is zoned residential, commercial or industrial or whatever the use is. You cannot simply have a formula.

The third point is about the timing. It is pointless and unfair to apply an arbitrary GAIC and arbitrary triggers to these things; the GAIC needs to be timed to coincide with when the development approval is issued and the development is actually occurring, not at some other point. It needs to be levied when, for example, farmland is being turned into residential lots. That is the time it needs to occur

Fourthly, the rate needs to be compatible with what is happening across Australia. If we do not want to lose investment to New South Wales, Queensland, South Australia or Western Australia, we should not up the cost of developing land in Victoria. The government seems to think that land prices have infinite elasticity, and that is simply wrong.

Lastly, Victorians need to understand the extent of the impost of this tax on the cost of new homes. They must know what impact the Brumby-Madden tax is going to have on cost, particularly for first home buyers.

This is bad legislation. It is a scheme in the worst sense of the word, and it deserves to go down in a big way.