



**NORTHERN TERRITORY VIEWS ON
2010 REVIEW DRAFT REPORT
ATTACHMENT 8**

OTHER REVENUE

September 2009

Key Points

- Given that it would be material for four states, the Northern Territory considers that fire services levies should be assessed within the land tax category rather than on an equal per capita basis in Other Revenue.

Introduction

This submission details the Territory's views on issues raised in the Commonwealth Grants Commission's (the Commission's) 2010 Review Draft Report, Attachment 8, *Other Revenue*. It focuses on the treatment of fire and emergency services levies, which the Territory believes should be assessed differentially.

The Commission propose to treat Other Revenue as a residual revenue category and assess its components equal per capita (EPC). These comprise revenues for which a reliable and material assessment could not be constructed, those raised from taxes which are not part of average revenue raising policy and a budget balancing item to ensure parity of the Commission's total revenues with the ABS' government finance statistics.

Fire and emergency services levies

The Commission has included fire and emergency services levies in the Other Revenue assessment on the basis that it was unable to establish a reliable and material assessment for these levies. However, the Territory believes that there is both a strong conceptual case for a differential assessment of fire and emergency services levies, and an appropriate assessment methodology.

The Territory notes that the case for a differential assessment of fire service levies has also been supported by Queensland, South Australia and Tasmania. In the 2009 Update, the Public Safety User Charges category (which included fire service levies) was material because it distributed more than \$30 per capita to the Northern Territory. Given fire services levies comprise 87 per cent of this revenue, the Territory believes that it is valid to impute that at present there remains a differential capacity to raise fire and services levies.

The Territory acknowledges that jurisdictions impose fire services levies in different ways - through insurance companies, municipal rates or land owners by reference to premiums for certain types of insurance, to the capital value of a property, unimproved values or a flat amount per property. However these methods predominantly relate to property values in each jurisdiction, rather than to a state's population size.

The inclusion of fire services levies within the land tax category would enable a more valid assessment of this revenue. This has been previously articulated by both the Territory and Queensland. The Territory believes that Queensland's proposal to add the revenue raised from the levies to the land tax revenue to determine the assessment category average revenue has merit given it is simple and more consistent with equalisation than the currently proposed EPC assessment.

There is a material difference from EPC when this proposal is tested using the land tax assessment outlined in the Draft Report. Table 1 shows that it is material for two states at the \$30 per capita threshold, and for four states at the \$10 per capita threshold.

Table 1. Comparison of assessment of fire services levies (FSL) in the land tax assessment with an EPC assessment

	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>WA</i>	<i>SA</i>	<i>TAS</i>	<i>ACT</i>	<i>NT</i>
U2009 FSL EPC	65.42	65.42	65.42	65.42	65.42	65.42	65.42	65.42
FSL Assessed in Land Tax	73.29	60.06	64.19	90.91	38.74	21.01	56.14	25.83
Per Capita Difference	-7.86	5.36	1.24	-25.49	26.68	44.41	9.29	39.60

Data derived from Commonwealth Grants Commission 2010 Review and 2009 Update

Given the materiality of this proposal, the Territory believes that it should be considered as part of the Commission's further deliberations on the land tax assessment.