



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

1 February 2019

Mrs Vicki Dunne
Chair
Standing Committee on Public Accounts
ACT Legislative Assembly

By email: LACCommitteePA@parliament.act.gov.au

Vicki
Dear Mrs Dunne

Inquiry into commercial rates

We welcome the review into issues surrounding commercial rates in the ACT. Also thank you for your invitation to appear before the committee, which I have accepted.

The issue of commercial rates is very important to the small business sector. Small business is impacted both as building owners paying rates and also as tenants absorbing the additional cost as rate increases are passed on. And we need to be clear, most commercial leases have clauses allowing increased statutory charges to be passed to the tenant.

There are several issues causing concern:

- The ACT Government's 2012 tax reform agenda has shifted the weight of revenue raising from duties to rates. The quantum of the commercial rate increase over this period is a matter for the Committee to consider.
- The process for determining rates must be more transparent. Business needs certainty. In other jurisdictions there are independent bodies undertaking this work. In the ACT the Independent Competition and Regulatory Commission performs this role for services such as electricity and water and could perform a similar role for rates.
- The methodology and timing of property valuations is also a cause of concern. Commercial property revaluations have seen significant increases in property values with resultant rates increases. While businesses might budget for increases that reflect CPI, increases have been reported that are up to 3 times the previous rate. For increases of this magnitude a staged introduction should be considered.
- The increased valuations impact rating values for future years which means that the current soft commercial property market is still impacted by previous high valuations. In other jurisdictions this can possibly be overcome by requesting a variation to the independent assessing body. However, in the ACT if the Revenue Office reject a request for a variation, for the matter to proceed it would need to go to ACT Civil and Administrative Tribunal, with the time and expense that entails.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Jill Lawrence on 02 6263 1558 or at jill.lawrence@asbfeo.gov.au.

Yours sincerely

Kate Carnell AO
Australian Small Business and Family Enterprise Ombudsman