



ASSOCIATION OF INDEPENDENT RETIREES (A.I.R.) LIMITED
ACN102 164 385

.....working for Australians in Retirement

**Western Australia Division
PO Box 37 BULL CREEK WA 6149**

A.I.R. WESTERN AUSTRALIA DIVISION

SUBMISSION 2017 WESTERN AUSTRALIA ELECTION

INTRODUCTION

The Association of Independent Retirees (A.I.R) Limited trading as "Australians in Retirement." A.I.R is a not for profit organisation limited by guarantee. A.I.R. is the peak body representing the views of fully and partly self-funded retirees in Australia. It advocates particularly on behalf of its members but generally for the interests of retirees committed to funding as far as possible their own retirement. A.I.R has 48 Branches throughout Australia including 9 in Western Australia. There are 5 branches in the metropolitan area and 4 in regional areas.

The Association's policies aim to achieve justice, equality and freedom of choice for all retirees and those in transition to retirement while recognising there is a diverse range of individual circumstances. It advocates on policy positions to advance and protect their interests and independent lifestyles across the four core areas of Financial; Aged Care; Health Care; and Social Wellbeing matters.

Self-funded and partly funded retirees expect Government policies to be fair and non-discriminatory between all age groups, to provide choice to meet individual circumstances and to ensure financial security for retirees as they age. In WA, A.I.R freely acknowledges the value of the provisions in the WA Seniors Card, which in most cases are superior to other states. However it is most concerned that over the last two or three years the benefits of the card are being slowly eroded. While we realise the need to minimise the impact on government expenditure as the proportion of retirees compared with people of working age will steadily increase over time, existing benefits must be grandfathered

Our view is that rather than increasing taxes and charges; eroding existing benefits; and denying legitimate requests for financial assistance for people as they age, both State and Federal Governments of all political persuasions must in 2017 consider broader tax reform opportunities, including State tax reform (including a Land Value Tax). A more simple system then be implemented to ensure the maximum percentage of taxes and charges levied directly benefits the population and seniors in particular.

The following issues reflect these expectations

SUMMARY OF REQUESTS

1. WAIVER OF STAMP DUTY ON THE PURCHASE OF A PRINCIPAL PLACE OF RESIDENCE BY A RETIREE

Retirees, who have reached pensionable age and are holders of a Pension Concession Card or a Commonwealth Seniors Health Card in conjunction with a W.A. Seniors Card, be exempt from Stamp Duty when purchasing a principal place of residence more suited to their ageing needs

2. THE COUNTRY FUEL CARD

The Country Fuel Card be made available to people of retirement age, who live in regional zones, as defined by the current card rules, and who hold both a Commonwealth Seniors Health Card and WA Seniors Card.

2. LAND TAX

The current rate of land tax be recalculated using 2014 assessments as a base. That rate be then indexed in accordance with the unimproved value of taxable land to the present and applied from 1 July 2017

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1 WAIVER OF STAMP DUTY ON THE PURCHASE OF A PRINCIPAL PLACE OF RESIDENCE BY A RETIREE

Following retirement, and the consequent significant change of lifestyle, many retirees find it desirable or necessary to relocate from their place of residence and obtain alternative accommodation. This may be due to increased need for appropriate services, the ageing process causing reduced capacities, inappropriate plan of a former home, additional maintenance required on an older home, better security required, difficult terrain, transport deficiencies or the need for better access to medical and hospital.

Stamp Duty on property transactions is an important part of State revenues which A.I.R. recognises and acknowledges. However many elderly home owners feel the need to sell the family home and purchase a home more suited to their requirements in old age. People who are asset rich but cash poor is another compelling reason for them wishing to make a change. The idea of a smaller more convenient and modern residence is appealing but often the financial barrier can be quite daunting and they hesitate.

A.I.R Western Australia division members have urged the State government on previous occasions to give some relief to Western Australian seniors when they decide to sell the family home and buy a home more suitable to their requirements as they age. First home buyers receive financial help from the State Government which has been generous in this regard. Furthermore first home buyers are eligible for the First Home Buyers grant or the concessional Stamp Duty. Elderly home buyers ('last home buyers') in this state do not receive any form of assistance. A.I.R considers these policies are discriminatory against older people

The Current impost of very expensive stamp duty discourages many Seniors from making the lifestyle transitions they need and want.

Many retirees face considerable expense when they need to relocate or downsize to more appropriate housing. The financial costs can be onerous, compounding a situation which may be distressing for a range of other reasons. Apart from Stamp Duty, capital is further reduced by the need to pay GST on legal fees and commissions to estate agents. Relief from Stamp Duty could encourage retirees to re-locate at the optimum time rather than defer the move when circumstances may be even more challenging as they may be less physically and mentally unable to cope with changes.

To assist this process, A.I.R. proposes an entitlement to waiver of Stamp Duty following the sale of a principal place of residence and purchase of alternative accommodation by a retiree:

- The retiree is of, or above pensionable age.
- The retiree is in possession of a Pension Concession Card, or both a Commonwealth Seniors Health Card and a W.A. Seniors Card.
- There is a once only entitlement to the waiver of Stamp Duty.

We believe there would be economic side benefits for the community flowing from retirees wishing to downsize. The sale of such homes often on large blocks will ease the existing shortage of family-type housing available to younger family buyers. Alternatively there will also be an increase in applications from investors for subdivision of these larger blocks into smaller lot sizes for redevelopment.

- 1 Such action automatically provides a boost in activity in the market to State Stamp Duty Revenue by the Purchaser of the larger older property particularly if redevelopment occurs. See also the Land tax proposal
- 2 Allows families to move to a Home that is closer to Perth City inner Suburb areas which are often near to Public Transport alleviating some of our outer suburb's current Freeway Parking and Traffic problems.
- 3 Provides greater geographical opportunity for Student attendance at local established Schools and Universities.
- 4 Proceeds from the sale of the Family Home may well permit some Seniors to become fully or partly financially independent and reduce the drawdown of the Age Pension and associated entitlements.
- 5 Assisting older people to reside in suitable independent accommodation could delay the onset of the need for additional home and residential aged care.
- 6 Reducing the speed of the current urban sprawl with a consequent reduction in the cost of infrastructure and other services.

Recommendation:

A.I.R. requests that retirees who have reached pensionable age and are holders of a Pension Concession Card or a Commonwealth Seniors Health Card, in conjunction with a W.A. Seniors Card, be exempt from Stamp Duty on property transfer when changing their principal place of residence

THE COUNTRY FUEL CARD

The Fuel Card was implemented several years ago by the State government and funded by the Royalties for Regions scheme. The card was introduced to compensate people who live outside the Perth metropolitan area who are eligible for travel concessions, but live in areas without concessional transport. This card is currently only issued to Seniors with an age pension or health card. We appreciate the Government's extension of the geographical boundaries requested in previous submissions; however our members again request that the Country Fuel Card be granted to people who reside in Regional areas already identified. Such people must hold both a Commonwealth Seniors Health Card and a WA Seniors Card.

Recommendation

A.I.R. requests that the Country Fuel Card be made available to residents who live in regional zones, defined by the current card rules, who hold both the Commonwealth Seniors Health Card and WA Seniors Card.

LAND TAX

Summary

The WA Government reconsider the change of method of calculation of Land Tax made for the 2015/16 and 2016/2017 financial years and return to the method used for the 2014 (or previous) financial year calculations. The increase of over 100% imposed in 2015/16 is unsustainable for Self-Funded Retiree investor's income in a falling rental returns market.

The Issue

Property valuations for Land Tax purposes are set every three years. Land Tax paid in the 2015/2016 year (using the revised calculation method) was based on 1 August 2012 valuations. Land Tax paid in 2016/2017 will be the first time Tax has been paid on up to date valuations using the revised calculation method.

Self-Funded Retirees who invested in property prior to 2014 have since found the Government has adjusted payment rates to ensure that investors pay more than twice as much as in the 2014/15 financial year. This increase has been imposed without any associated increase in market valuations (See table below).

Periodic revaluations and the aggregation of property values greatly magnify the impact of this change in the method of calculation of this Tax. The table below shows that a doubling of valuations results in trebling the Tax paid. It is a very significant part of total outgoings which now amount to about 50% of rent collections.

Financial Year	Valuation	Land Tax
2012/13	\$500,000	\$180
	\$1,000,000	\$630
2013/14	\$500,000	\$200
	\$1,000,000	\$700
2014/2015	\$500,000	\$220
	\$1,000,000	\$770
2015/2016	\$500,000	\$500
	\$1,000,000	\$1,750
2016/2017	\$500,000	\$500
	\$1,000,000	\$1,750

Note that in addition to Land Tax, Metropolitan Region Improvement Tax is also levied at the rate of \$280 for a valuation of \$500,000 and \$980 for a valuation of \$1,000,000. These rates remain unchanged from 2012.

A self-funded retiree who owns an investment property has seen his return from rents fall in recent years. Increases in land tax particularly in addition to the normal cycle of reviews have been exorbitant, compared to other state fees and charges. For example an investor who has owned a property for 6 years has seen rent on his property rise 14.35%. Over the same period, increases by the Water Corporation have been 26.8%; Council rates 36.67%; land tax including metropolitan region improvement tax have risen 277% without any associated change in valuations. In a market where rental returns are falling and costs are rising, the massive land tax increases we have seen are clearly unsustainable for retail investors over even relatively short time frames.

Since 2012/2013 property values have increased at a compound rate of less than 3%, rental returns have dropped alarmingly and vacancy rates are at record highs, making these increases in Land Tax quite unjustifiable. **Land Tax rates of collection have almost trebled in the last six years under this government.** Property rental returns are now less than 2% of the property value and vacancy rates are at record highs. In this environment these Land Tax increases are not justified.

Recommendation

The current rate of land tax is recalculated using 2014 data as a base. That rate be then indexed in accordance with the unimproved value of taxable land to the present and applied from 1 July 2017

General conclusion of the A.I.R submission on 2017 Western Australia Election

A.I.R is of the view that the overall financial strain on its members who are fully or partly self-funded retirees is extremely serious and not confined to the issues identified in this submission. Our submission focuses on State issues. However one needs to consider also the additional and very significant changes to superannuation which came into effect on 1 January 2017, and other Commonwealth initiatives enacted or proposed

Fully or partly self-funded retirees are proud people. They have worked hard, paid their taxes for many years, planned and saved for their retirement. These people have endeavoured to look after themselves financially to the best of their ability. They consider the recent increases in land tax exorbitant, and seek relief from stamp duty when changing their principal place of residence. They further request that the Country Fuel Card be made available to residents who live in regional zones, defined by the current card rules, who hold both the Commonwealth Seniors Health Card and WA Seniors Card.

They advocate that pension systems should be used as a safety net and not as a method advocated by many in the financial planning industry to gain access to a pension as a financial add on. Such practices although perfectly legal have the effect of adding to the already serious budget problem this country faces in the years ahead.

It is time that politicians of all parties realise a complete review of financial matters is absolutely essential and implemented as soon as possible.