



Submission from Livestock SA to the State Tax Review

In relation to the options for State tax reform listed in the State Tax Review Discussion Paper, Livestock SA wishes to comment on land tax and motor vehicle tax.

In recent times the escalation of water prices and changes to the Emergency Services Levy have had that effect, which has sensitized primary producers. This along with withdrawal of State Government services in many cases has frustrated rural communities.

Land tax

Livestock SA represents South Australian sheep, beef cattle and goat producers. As virtually all these producers are broadacre producers, there is huge amount of concern about the possibility of removing the exemption from land tax to primary production land.

According to the Discussion Paper, this exemption has been calculated at about \$430 million per annum. To remove this concession could place an unjust burden on the State's rural industries.

Currently in other States, primary production land is exempt from land tax. As South Australia needs to compete for overseas markets for the majority of the State's agricultural produce, we would not be well positioned if this exemption was removed and there would be considerable harm caused to the State's economy.

The potential to impact land values should not be underestimated and attracting capital to South Australian agriculture would become more difficult on an uneven playing field with other States where the exemption still applied.

Any reduction in land values would destroy the equity many producers have in their properties. Financial lenders would then reassess how the fall in equity impacts on their lending criteria. The initial response would be to seek further security to bring the loan amount in line with their lending criteria. If no additional security is available there would be a significant rise in foreclosures and forced sales. Next would follow an increasing lack of confidence by farmers, lenders and small business operators in the State.

It should also be noted that this concession was initially introduced by Premier Don Dunstan in 1976. On changing the legislation to abolish land tax for genuine farmers in rural areas, when the legislation was passed Premier Dunstan is recorded in Hansard as saying "*We regard this as a permanent feature of the situation in South Australia.*" Livestock SA wishes to remind the State Government of this commitment.

Motor vehicle taxes

As Livestock SA represents South Australian sheep, beef cattle and goat producers, this includes the pastoral region which covers a very large proportion of the State, as well as all regional areas of South Australia. We are particularly concerned about any proposal to move road transport taxes towards user-charging. This would have a huge effect on rural and remote South Australia, stalling most small town economies and placing a considerable burden on livestock producers and small regional businesses. This would not be a fair tax if based on vehicle size and distance travelled.

If roads need to be funded by users, Livestock SA preference would be for the use of tolls particularly with the development of any new roads and associated facilities.

Other comments

Livestock SA is one of the six commodity organisations that are the members of Primary Producers SA (PPSA). As such we endorse and support the submission by PPSA to the State Tax Review.

Livestock SA is aware of the need for consideration of efficiency, equity, simplicity and sustainability with the State's tax system and believes this could be achieved by arguing at a national level for the removal of all of the existing exemptions to GST and if necessary, considering increasing the rate from 10%.

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