RESPONSE TO QUESTIONS TAKEN ON NOTICE - PAEC Inquiry into the 2021-22 and 2022-23 FPO – DTF Portfolio

Monday 20th November, 2023

1. Do you have data on how many medical centres last year actually paid payroll tax on GPs?

(*Asked by Danny O'BRIEN Pages 7-8 of the transcript*)

Transcript extract:

> Danny O'BRIEN: A number of centres, whether they have been investigated or not, as you said, have actually received retrospective rulings on payroll tax. If there has been no change to the law, or to the interpretation of the law, why are they getting retrospective bills?
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> Darren JOYCE: The retrospectivity – we can go back five years and look at the situation of the past five years, but the reason is that they, obviously, in that period of time have not been paying their payroll tax but they have been liable for it. So we need to recapture that.
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> David MARTINE: And I think, Mr O'Brien, that is a really important point: the law has not changed since, I understand, 1983. All the SRO has done is issue in August 2023 some clarification, but it has not changed the way it has interpreted the law or how the law has been applied. So like all taxpayers, if you have not been paying your tax, then it is the obligation of the revenue collection authority to issue a request to pay tax that you are legally obliged to. They would not be performing their job if they did not do that.
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> Danny O'BRIEN: No, but this is the vexing question for us all, Secretary. Medical centres have not been paying payroll tax on doctors who work within those medical centres effectively as contractors – and that is, I get, the nub of the issue. Why suddenly are they all getting bills?
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> David MARTINE: I am not sure that it is correct to say that all medical centres were not paying tax, as my understanding is there are a range of medical centres that paid it.
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> Darren JOYCE: I think you will find the vast majority of medical centres were paying tax.
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> Danny O'BRIEN: They would be paying payroll tax on other staff but not on GPs.
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> Darren JOYCE: No. There were a significant number of medical centres that were paying the full amount of the tax.
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> Danny O'BRIEN: Why are suddenly the AMA, the RACGP and others coming out and saying that for the first time ever these clinics are being billed for payroll tax?
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> Darren JOYCE: Because it is a self-assessment and they have not been assessing.
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> Danny O'BRIEN: Since 1983?
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> Darren JOYCE: Pardon?
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> Danny O'BRIEN: Since 1983, when the law last changed?
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> Darren JOYCE: Well, I would have to look at it on a case-by-case basis. I do not know whether it would be since 1983.

Danny O'BRIEN: So, Mr Joyce, you had some figures there on investigations. Do you have data on how many medical centres last year actually paid payroll tax on GPs?

Darren JOYCE: I do not have that data.

Danny O'BRIEN: Would you be able to –

David MARTINE: We can take that on notice.

Danny O'BRIEN: Do you have that data available? As in, would you be able to get it?

Darren JOYCE: I will take the question on notice, and I will see whether I can get the data.

Response:
Payroll tax is a self-assessing tax. Employers must disclose the amount of wages they pay in their payroll tax returns, however the SRO does not collect information about the types of jobs/positions to which the wages relate. As such, the SRO does not have data on the number of medical clinics which paid payroll tax on General Practitioners.

2. How many practices have requested private rulings (relief) on the tax liabilities (incl; non-GPs and allied health)?

(*Asked by Danny O'BRIEN Page 8 of the transcript*)

Danny O'BRIEN: Have any medical centres applied to be considered on a 'case-by-case basis', which I think are the words the Treasurer used in a letter to some individuals?

Darren JOYCE: Considered on a case-by-case basis whether they are liable for the taxes?

Danny O'BRIEN: Sorry?

Darren JOYCE: Are you asking whether they are liable for the tax?

Danny O'BRIEN: Correct.

Darren JOYCE: Have they come to us on a case-by-case basis?

Danny O'BRIEN: Yes.

Darren JOYCE: I am not aware.

Danny O'BRIEN: You are not aware of any?

Darren JOYCE: I would have to take that question on notice.

David MARTINE: Presumably, Mr O'Brien, you are asking whether particular practices have come forward seeking relief.

Danny O'BRIEN: Correct.

David MARTINE: Relief from the tax that is already in existence on a case-by-case basis?

Danny O'BRIEN: Yes.

Darren JOYCE: Well, I am not aware of that. What I do know is that I can check whether there have been any requests for private rulings in relation to their tax liability.

Danny O'BRIEN: Okay. That would be good – including non-GPs, so other medical centres and allied health that you mentioned as well. Dr Sia told the media on 11 October that they actually received a request for all sorts of pay details going back 10 years. Is that common practice, for the SRO to ask taxpayers for details going back 10 years?

Darren JOYCE: Going back 10 years? It depends when the tax liability was incurred, because it could be a matter that started – and I am not talking about the particular matter that you are talking about because I cannot talk about taxpayer confidential information.

Danny O'BRIEN: I understand that, yes.

Response:
The SRO has received fewer than 5 private ruling requests since 1 July 2022 seeking clarification of the application of legislation to a specific scenario relating to their medical centre/allied health practice. The SRO cannot provide further information under the *Taxation Administration Act 1997*.

3. **Did the department or WorkSafe provide any advice to the minister or the Premier's private office to request an increase to premiums at any time between July 2021 and June 2023? When was the first request made?**
4. **What were the dates of any subsequent requests/advice?**
5. **Can you recall what increases were requested initially, or were they varied over that period? (2018 onwards)**

(*Asked by Nick McGOWAN Pages 12-13 of the transcript*)

Nick McGOWAN: Thank you. Mr Martine, the 2022–23 budget paper indicates that WorkSafe has paid no dividends to the government, and it provides no forward estimate of dividend in figure 1.2.2. Instead annual reporting shows the government has had to inject $1.3 billion to WorkCover between 2020 and June 2023. Did the department or WorkSafe provide any advice to the minister or the Premier's private office to request an increase to premiums at any time between July 2021 and June 2023?

David MARTINE: Thank you, Deputy Chair. So you are talking about any advice we would have provided the government on increasing the premium rate.

Nick McGOWAN: Correct.

David MARTINE: Yes, we did. And as the government has announced, the premium rate is going up from 1.272 to 1.8 per cent.

Nick McGOWAN: And when was the first request made?

David MARTINE: I would probably have to take that one on notice, but we certainly would have provided advice to the Treasurer and also the Assistant Treasurer and Minister for WorkSafe and the TAC, who is now responsible –

Nick McGOWAN: If you could come back to me on when that first request was made, that would be great.

David MARTINE: Sorry?

Nick McGOWAN: If you could come back to me on when that first request was made, and on any subsequent requests, the dates of those, assuming they did not respond to your first request –

David MARTINE: Yes, I am happy to take that on notice, remembering that the premium rate has been held constant since 2014 at 1.272 per cent, so it has not actually increased at all in that 10-year period.

Nick McGOWAN: So I am guessing you requested it be increased quite some time ago.

David MARTINE: Well, it is something that a conscious decision needs to be made on every year, and what is an important point, I guess, here is that it has not gone up at all in that 10-year period. If it had actually been indexed by CPI – which is not an unusual thing for government fees and charges, to just be indexed by CPI – nearly half of the increase from 1.272 to 1.8 per cent is just essentially a CPI catch-up. If it had been indexed by CPI every year since 2014, the increase from 1.272 to 1.8 per cent would have been a lot less, remembering also that the premium has not actually increased for 20 years. So it was actually reducing, and then it got frozen at 1.272 per cent.

Nick McGOWAN: Okay. I am happy to receive anything you have from 2014 onwards in respect to your advice.

David MARTINE: Yes, we are happy to take that on notice, and we will see what we can provide.

Nick McGOWAN: Can you recall what increases were requested initially, or were they varied over that period? It is a long period obviously.

David MARTINE: Once again, when you say 'requested' – requested by –

Nick McGOWAN: Advised.

David MARTINE: Advised by us?

Nick McGOWAN: That is right.

David MARTINE: Well, once again, I would need to both take that on notice and refer to, I guess, one of my earlier answers to Mr O'Brien about providing information on what we may or may not say to government, remembering, though, that the 2014 decision to freeze premiums at 1.272 per cent was a government election commitment that came in and was part of their 2014 election commitments.

Nick McGOWAN: Okay, so I am happy to take them from 2018 onwards.

David MARTINE: I am happy to take that on notice.

Response:
Under section 448 of the *Workplace Injury Rehabilitation and Compensation Act 2013* (WIRC Act), the Governor in Council may, on the recommendation of the Government, make a Premiums Order for a premium year. The Premiums Order is the legal instrument under which premiums are payable by employers and is published in the Government Gazette.

In practice, around each March or April, the WorkSafe Board recommends an average premium rate to Government for the upcoming financial year. The Minister for Workplace Safety was responsible for submitting the Premiums Order to the Governor in Council for the 2021-22 and 2022-23 premium years.

In arriving at the recommended average premium rate, the WorkSafe Board considers the breakeven premium (BEP) that is estimated by the WorkCover scheme's (Scheme's) independent actuary, the Scheme's financial position (measured by the Insurance Funding Ratio (IFR)) and any other relevant factors. The BEP for a financial year is the amount that, together with investment returns, is expected to fund the cost of claims for injuries in that year.

For the 2021-22 and 2022-23 premium years, the WorkSafe Board made recommendations to the Government on average premium rates. For both years, the Department of Treasury and Finance (DTF) briefed the Assistant Treasurer on options and their implications. As noted during the hearing, the average premium rate has been fixed by the Government at 1.272 per cent since 2014.

In May 2023, Government announced that the average premium rate would increase to 1.8 per cent of remuneration from 1 July 2023. This announcement also noted that, when the Scheme returned to a financially sustainable position, any additional capital would be reinvested to benefit workers and lower premiums for business.

6. **Provide the number of workers affected – the ones that will not meet the new rule of 130 weeks? But also, what is estimated to be the saving derived from those people not being assessed in the way that people currently are.**

(Asked by Nick McGOWAN Pages 15-16 of the transcript)

David MARTINE: We are happy to take on info and see what further advice we can provide. But as I indicated earlier, to maintain the financial sustainability of the scheme you really need to do those two combinations: premium increases and change the generosity of the scheme – change the parameters of the scheme. If you do it in a way that over a period it takes too long for it to actually have any impact, then you are not delivering that financial benefit of any change. Therefore the government of the day has got no alternative but to either put more money into the scheme or increase premiums further, which is what the government has indicated it would prefer not to do.

Nick McGOWAN: I take some exception to the characterisation of the 'generosity of the scheme' when we are talking about people who have genuine claims who are found to warrant this kind of support. It also goes back to my question, which was: is there any retrospectivity in this? The answer is yes – clearly 130 weeks at least.

Kate O'SULLIVAN: Mr McGowan, the claims that have already exceeded the second entitlement period on or after the commencement date will not be required to meet the additional whole-person impairment threshold.

Nick McGOWAN: What is that period – 130 weeks?

Kate O'SULLIVAN: 130, yes.

Nick McGOWAN: That is my point – anyone before 130 weeks. It is retrospective for 129 weeks and six days. Is that correct – it is retrospective for those people?

David MARTINE: No, it is not retrospective in the sense that once you –

Nick McGOWAN: There are new rules for those people if they have not triggered the 130 weeks.

David MARTINE: No, but those people, because they have not hit the 130, have not gone through the test.

Nick McGOWAN: But they are already in the system, so they are not going to be subject to the same rules that everyone else in that system is, 130 weeks on that day. That is retrospective for those –

David MARTINE: But they have not got to the 130-week point for the tests to then kick in.

Nick McGOWAN: Yes, so there are new tests for those people, but someone who was a day earlier has different tests. That makes it retrospective by definition.

David MARTINE: No, but it is a bit like any change that a government makes; it has to have a start date, and if you do something the day before, then you may have a different outcome to somebody who is doing something the next day.

Nick McGOWAN: So it is retrospective.

David MARTINE: No, it is prospective from the date of the implementation.

Nick McGOWAN: So how many workers will be affected by that – the ones that will not meet the new rule of 130 weeks? There must be some assessment as to that.

David MARTINE: I probably need to take that on notice, that level of detail.

Nick McGOWAN: Yes, please.

David MARTINE: Happy to take that on notice.

Nick McGOWAN: If I could have both the number of workers affected but also what is estimated to be the saving derived from those people not being assessed in the way that people currently are.

David MARTINE: Yes.

Response:
The Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Bill 2023 (the Bill) includes changes to the conditions that must be satisfied for an injured worker to continue to receive weekly benefits beyond 130 weeks.

Currently, an injured worker's entitlement to receive weekly benefits ceases after 130 weeks unless the worker is assessed as having no capacity for work and this capacity is likely to continue indefinitely. This is known as the 'capacity test'. The Bill will introduce a whole person impairment (WPI) threshold of greater than 20 per cent alongside the existing capacity test. This threshold will more objectively measure the degree of physical and mental impairment and provide a more consistent and objective basis to assess ongoing eligibility for weekly benefits.

Currently, each year approximately 4 900 injured workers are expected to continue to receive weekly payments from the WorkCover Scheme (Scheme) beyond 130 weeks.

Given WPI is not currently assessed for weekly benefit purposes the impact of the proposed WPI threshold is difficult to predict. Based on available data and analysis, the introduction of the proposed WPI threshold is expected to reduce the number of workers that receive weekly benefits beyond 130 weeks. However, subject to eligibility requirements, workers that are no longer eligible to receive weekly payments beyond 130 weeks may be able to access impairment benefits and common law damages.

Overall, the introduction of the proposed WPI threshold is expected to reduce the Scheme's annual claims costs by between $150 million and $400 million.

The new WPI threshold will not apply to injured workers who have already received more than 130 weeks of weekly payments when the Bill commences. These workers will not need to undergo a WPI assessment and their ongoing eligibility for weekly benefits will continue to be determined based on periodic capacity tests.

7. Provide a breakdown by department of mental health injury claims over the last 5 years? (WorkSafe)

(*Asked by Nick McGOWAN Page 16 of the transcript*)

Nick McGOWAN: Thank you. Page 23 of the 2022–23 WorkSafe annual report, under the heading 'Public and administration safety', shows mental health injuries within the public sector increasing – no surprise to anyone here, I am sure, sadly. Can you provide a breakdown of these claims over the last five years for each government department?

Ashley WEST: I am happy to provide the detail that we can. I will take that on notice. But, yes, we do have that information.

Nick McGOWAN: Thank you.

Response
[WorkSafe have prepared a response to this question separately]

8. Can you provide a percentage of mental health claims which came from the public sector vs private sector?

(*Asked by Nick McGOWAN Page 16 of the transcript*)

Nick McGOWAN: And just on the increase in the premiums, in a briefing we received from the minister they were explaining that the majority of the increase in the claims for the mental health area came from the government sector, not the non-government sector. In fact I think their wording was something in the order of 'more than the majority' or 'more than half'. Is that correct?

Ashley WEST: There has certainly been a material increase in mental health claims from the government sector, but there is also an increase in mental health claims from the private sector as well, so we are actually seeing both areas continue to increase in the mental health area, yes.

Nick McGOWAN: The majority of which comes from the government sector – is that right? That is what we were told, but I am just trying to verify that is correct.

Ashley WEST: Yes, that is correct. There has been a larger increase in mental health claims from the public sector; that is right, yes. I do not have the specific number in terms of percentage on me – I can take that on notice – but there certainly has been a material increase.

Response
[WorkSafe have prepared a response to this question separately]

9. Are daytime running lights required on government vehicles? (WorkSafe response)

(*Asked by Nick McGOWAN Page 17 of the transcript*)

Nick McGOWAN: If you could, that would be most useful. Thank you. Just a personal bugbear – for WorkSafe, are they required to have daytime running lights on the vehicles that any of your employees have?

Ashley WEST: I would have to take that on notice as well and look at our vehicle policy around that, but our vehicle policy does align to the Victorian –

David MARTINE: Sorry, what was the –

Nick McGOWAN: Daytime running lights – whether they are required to have daytime running lights on government vehicles.

David MARTINE: I am not sure of the answer to that question.

Ashley WEST: I am happy to take it on notice. As I said, our policy does align to the government policy around that.

Nick McGOWAN: If you could take that on notice also for the TAC, because I would be keen to know what they do.

David MARTINE: We are happy to take that on notice on behalf of the TAC.

Response:
[WorkSafe have prepared a response to this question separately]

10. Are daytime running lights required on government vehicles? (TAC response)

(*Asked by Nick McGOWAN Page 17 of the transcript*)

> Nick McGOWAN: If you could, that would be most useful. Thank you. Just a personal bugbear – for WorkSafe, are they required to have daytime running lights on the vehicles that any of your employees have?
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> Ashley WEST: I would have to take that on notice as well and look at our vehicle policy around that, but our vehicle policy does align to the Victorian –
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> David MARTINE: Sorry, what was the –
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> Nick McGOWAN: Daytime running lights – whether they are required to have daytime running lights on government vehicles.
>
> David MARTINE: I am not sure of the answer to that question.
>
> Ashley WEST: I am happy to take it on notice. As I said, our policy does align to the government policy around that.
>
> Nick McGOWAN: If you could take that on notice also for the TAC, because I would be keen to know what they do.
>
> David MARTINE: We are happy to take that on notice on behalf of the TAC.

Response:
The TAC aligns its pool fleet policy with VicFleet's policies and prioritises vehicles for its pool fleet from VicFleet's Approved Vehicle List which meet the highest safety standards, including a 5 Star ANCAP safety rating.

All vehicles in the TAC's pool fleet include daytime running lights as standard. The vehicles in the TAC fleet include the Subaru Forester, Hyundai Kona and Toyota Rav4.

11. Did the government collect data on the number of employees for which this tax [mental health and wellbeing levy] was paid? Do we know how many employers paid the tax?

(*Asked by Bev McARTHUR Pages 23-24 of the transcript*)

Bev McARTHUR: Okay. We will go to other taxes now. My first question is to you, Secretary. But from then on it will be to Mr Joyce, so if he can perhaps get himself in position while I ask you the first question. It relates to the mental health and wellbeing levy, and we refer to budget paper 5, page 163. This tax raised $904 million 2022–23, in the financial report, page 9. Did the government collect data on the number of employees for which this tax was paid?

David MARTINE: Thanks for your question. I am just trying to find it – yes, top of page 9. I am happy to take it on notice. I am not sure we have the data on the number of employees that would be impacted by the businesses that pay the levy, but I am happy to take that on notice.

Bev McARTHUR: If you did not collect that data, could you give us a reason why you did not?

David MARTINE: It is paid by businesses. Not all businesses pay the mental health levy.

Bev McARTHUR: But for those that do.

David MARTINE: Well, we had an estimate at the time. I am not sure whether Mr Joyce has got any actual data on the number of businesses that actually paid the mental health levy.

Darren JOYCE: No, I have not.

David MARTINE: I am happy to take that on notice for you.

Bev McARTHUR: Yes, that was going to be a question anyway. But isn't it reasonable, Mr Martine, for Victorians to know what proportion of the workforce is covered by this tax?

David MARTINE: It is in a sense now part of the payroll tax system that, if you have got payrolls above a certain threshold, you pay payroll tax and you pay the mental health levy.

Bev McARTHUR: You pay a raft of other things as well in terms of taxes these days. Do we know how many employers paid the tax? Does Mr Joyce know?

Darren JOYCE: I have not got that information –

Bev McARTHUR: Do you think you have got it somewhere in your bottom drawer? Could you retrieve it?

Darren JOYCE: I do not know if it is in a bottom drawer, but I will certainly be able to get it and take that question on notice.

Bev McARTHUR: Oh, great. If you could take it on notice, that would be terrific.

Darren JOYCE: Pardon?

Bev McARTHUR: You will take it on notice.

Darren JOYCE: Yes.

Response:
9,436 employers in 2021-22 and 10,457 employers in 2022-23 paid the Mental Health and Wellbeing Levy. The SRO does not collect information about the number of employees employed by employers.

12. Taking into consideration the waiver during COVID-19, how much has the Vacant Residential Land Tax raised over 2021-22 and 2022-23? Please provide figures from 1 January 2018.

(*Asked by Bev McARTHUR Page 24 of the transcript*)

Bev McARTHUR: Excellent. Mr Joyce, my next question relates to the vacant residential land tax. The original estimate for revenue from this tax was $80 million over four years from 1 January 2018. Taking into consideration the waiver of the tax over COVID, how much has it raised in 2021–22 and in 2022–23?

Darren JOYCE: I do not have a breakdown for those years. I know that there was a question on notice which was answered recently, which had for one of those financial years a figure of $16 million.

Bev McARTHUR: Do you know which financial period?

Darren JOYCE: I am sorry, I do not.

Bev McARTHUR: Perhaps let us know, and then for the other period you can find the answer and –

Darren JOYCE: I can take that one on notice as well.

Bev McARTHUR: Oh, goodness. And over the four years from 1 January 2018, on notice –

Darren JOYCE: Yes, we will take that one on notice.

Response:
Vacant Residential Land Tax raised for the 2018 assessment year: $7.2m
Vacant Residential Land Tax raised for the 2019 assessment year: $8.3m
Vacant Residential Land Tax raised for the 2020 assessment year: $7.1m
Vacant Residential Land Tax raised for the 2021 assessment year: nil (waived due to COVID-19 pandemic)
Vacant Residential Land Tax raised for the 2022 assessment year: $9.8m
Vacant Residential Land Tax raised for the 2023 assessment year: $11.3m

13. What actions did the Department of Treasury and Finance and the State Revenue Office take to identify properties eligible to pay the Vacant Residential Land Tax? Please provide the list.

(*Asked by Bev McARTHUR Pages 24-25 of the transcript*)

Bev McARTHUR: Okay. What actions did take to identify properties eligible to pay the tax?

Darren JOYCE: Sorry, can you ask that again?

Bev McARTHUR: What actions did the department take to identify properties eligible to pay the tax?

Darren JOYCE: The State Revenue Office runs a compliance program around VRLT. That compliance program is being run as a new pilot coming up, and that uses a number of methods. Those methods include data matching. They also include reviews of utilities that are being used, and obviously there is a third category in there, which is tip-offs.

Bev McARTHUR: What is the third one?

Darren JOYCE: Tip-offs.

Bev McARTHUR: Tip-offs. Okay.

A member: Dobbers.

Darren JOYCE: Dob-ins.

Bev McARTHUR: Okay. Well, if there are any other extraneous methods by which you identify properties, perhaps you could give them to the committee and provide us with a list of your methods?

Darren JOYCE: I could provide you also with bonds.

Members interjecting.

Bev McARTHUR: Sorry, keep going, Mr Joyce. You will provide us with a list of your –

Darren JOYCE: The rental bonds registry – things like that as well.

Bev McARTHUR: Great. Perhaps provide the list to the committee then. How many properties in each of the existing LGAs was the tax collected for in each year of its operation?

Response:
The State Revenue Office (SRO) actively reviews whether owners of vacant residential land have correctly registered and identifies additional properties through their compliance program. In relation to compliance programs which commenced in 2018, the SRO undertakes extensive data matching activities with other government agencies and uses powers to request data and information from other sources to check if a property is vacant. The SRO also undertakes mailouts and broad property tax based audits which consider the applicability of vacant residential land tax. Additionally, the SRO receives tip offs which are investigated.

14. **How many properties in each of the existing LGAs was the tax collected for in each year of its operation? If not available by LGA then broken down by other areas/regions. What is the average amount of tax paid per property**?

(Asked by Bev McARTHUR Pages 24-25 of the transcript)

Bev McARTHUR: Great. Perhaps provide the list to the committee then. How many properties in each of the existing LGAs was the tax collected for in each year of its operation?

Darren JOYCE: Broken down by LGA?

Bev McARTHUR: Yes.

Darren JOYCE: No, I do not have that data with me, I am sorry. I would have to take that one on notice.

Bev McARTHUR: You do not have it with you? Do you have it back at the office?

Darren JOYCE: I will check back at the office to see whether we have a breakdown by LGA, but I can say it involves, for this financial year, about 970 properties, I think.

Bev McARTHUR: 970 properties. Okay, so you will get it by LGA.

Darren JOYCE: If it is available by LGA, I will take that on notice and provide it.

Bev McARTHUR: We may have it by location then. Any variation on the theme would be helpful. What is the average amount of tax paid per property?

Darren JOYCE: Again, I will have to take that one on notice, but we should be able to provide that to you.

Response:
Please see below data for the number of properties liable for the vacant residential land tax by LGA for the 2018 to 2023 assessment years, and average vacant residential land tax per property for the 2018 to 2023 assessment years. No data has been provided for the 2021 assessment year, as liabilities for that year were waived due to the COVID-19 pandemic.

2018 - LGA	**Properties**
Melbourne	359
Stonnington	88
Boroondara	54
Yarra	49
Port Phillip	46
Glen Eira	40
Whitehorse	30
Monash	26
Bayside	24
Moonee Valley	24
Maribyrnong	23
Darebin	19
Banyule	19
Manningham	15
Merri-bek	12
Hobsons Bay	12
Total	**840**

2019 - LGA	**Properties**
Melbourne	317
Stonnington	69
Port Phillip	60
Boroondara	53
Yarra	35
Glen Eira	35
Whitehorse	34
Monash	28
Merri-bek	23
Bayside	23
Maribyrnong	22
Moonee Valley	20
Darebin	20
Manningham	15
Banyule	12
Hobsons Bay	11
Total	**777**

2020 - LGA	**Properties**
Melbourne	278
Stonnington	98
Boroondara	59
Port Phillip	50
Whitehorse	37
Darebin	32
Glen Eira	28
Monash	22
Maribyrnong	20
Yarra	18
Moonee Valley	17
Merri-bek	16
Manningham	18
Bayside	16
Other	16
Total	**725**

2022 - LGA	**Properties**
Melbourne	255
Stonnington	90
Boroondara	83
Port Phillip	82
Manningham	80
Darebin	43
Whitehorse	41
Merri-bek	38
Maribyrnong	38
Glen Eira	30
Monash	29
Yarra	25
Moonee Valley	24
Bayside	24
Hobsons Bay	14

Banyule	14
Total	**910**

2023 - LGA	**Properties**
Melbourne	378
Port Phillip	134
Stonnington	97
Boroondara	73
Manningham	41
Darebin	41
Whitehorse	40
Glen Eira	31
Bayside	30
Yarra	27
Moonee Valley	27
Monash	24
Merri-bek	22
Maribyrnong	19
Hobsons Bay	15
Banyule	14
Total	**1 013**

VRLT Year	**Average Property Liability**
2018	$8 605
2019	$10 621
2020	$9 802
2022	$10 798
2023	$11 165

15. Has the Department of Treasury and Finance or the State Revenue Office undertaken any analysis of whether the tax has achieved its stated policy purpose of making owners either rent out their property or sell it? What is the total supply of properties that have entered the rental market?

(*Asked by Bev McARTHUR Pages 24-25 of the transcript*)

Bev McARTHUR: You might get some more in a minute. Has the Department of Treasury and Finance or the State Revenue Office undertaken any analysis of whether the tax has achieved its stated policy purpose of making owners either rent out their property or sell it?

David MARTINE: I would need to check what we may have looked at. Obviously the intent of this is to change the financials for someone who owns a property to get it into the system to deal with the supply question that I think I answered earlier. I am happy to take it on notice. I might just get Mr Donegan to provide a bit more elaboration on that.

Paul DONEGAN: We conducted impact analysis internally –

Bev McARTHUR: Could you speak up a little, Mr Donegan?

Paul DONEGAN: Sorry. We conducted impact analysis internally, informed by the experience to date. As you are aware, there are changes to the vacant residential land tax –

Bev McARTHUR: There certainly are.

Paul DONEGAN: being considered by the Parliament. In our advice to government we conducted analysis of the progress of the current arrangements to inform our advice on that.

Bev McARTHUR: The whole purpose of this tax is to get people to sell properties or rent them out, right? Surely you must know whether that is working and the quantity. Otherwise what is the point of it?

Paul DONEGAN: When someone makes a decision to sell a property or to rent it out or the like, they will no doubt be taking a lot of considerations into account.

Bev McARTHUR: No, we are not worried about the owner of the property. We want to know how your tax is working.

David MARTINE: When you see a change in supply, it is very hard to then break it down to the intent of the owner – whether they made that decision based on the implementation of the vacant residential land tax versus the RBA's decision to increase interest rates and therefore you may want to get it into the rental market to get an income stream because the loan expense is too great for you. It is very hard to sort of break it down to intent. Clearly, though, the higher the cost is to hold a properly that is vacant, then the greater the incentive is for that owner to do something more productive with it. That could be renting it out, which is something we definitely need, or putting it up for sale, which can help supply. Either way it is a positive, and it provides that additional incentive.

Bev McARTHUR: Well, how many more properties have entered the rental market or been sold as a result?

David MARTINE: Coming back to my answer, it is hard to break down the reason why. You cannot say, 'Okay, we look at the data and see that there is –'

Bev McARTHUR: You must have a number of properties, though, that have entered the rental market –

David MARTINE: Just in general.

Bev McARTHUR: and then it is up to others to decide whether they did it for whatever reason. Anyway, somebody could take it on notice.

David MARTINE: I am sure we can take that on notice – the total supply.

The CHAIR: Mrs McArthur! Secretary, if you could just pause for a moment. Mrs McArthur, the Secretary and other witnesses are trying to answer your question. I very much understand what the Secretary is trying to say. If you could just let him get it out, it would be much appreciated.

David MARTINE: I think, Chair, I have answered the question, but we are happy to take that on notice.

Response:
It is difficult to isolate the impacts of the Vacant Residential Land Tax (VRLT) on decisions of property owners to sell or rent out their properties from broader economic factors, such as RBA cash rate movements and general market conditions.

However, VRLT increases the cost of holding vacant properties, which in turn increases the incentives for property owners to rent out or sell their properties.

The number of active bonds provides an indicator of the total stock of rental housing. Prior to the introduction of the VRLT from 1 January 2018, the number of active bonds in Victoria at the end of December 2017 was 601,558. This had increased to 668,716 at the end of June 2023. This represents an approximately 11 per cent increase in the stock of rental housing.

16. Electric Vehicle Levy - What is the actual figure collected for 2021-22?

(*Asked by Danny O'BRIEN Page 26 of the transcript*)

Danny O'BRIEN: A couple of brief ones. I have actually got some questions for Mr Larkin from Treasury Corporation, if he could come up. While he is doing so, though, Secretary, I wonder if you could answer. The High Court decision with respect to the electric vehicle levy – have you had an opportunity now to work out what the impact of that on the budget bottom line is for the previous two years? In particular, is there going to have to be a quantum paid back to motorists?

David MARTINE: Thanks for your question. We are currently working that through. In the 2022–23 financial year there was $3.9 million collected from the levy. I do not have an up-to-date figure, but if you extrapolate that, you are probably talking maybe a couple of million more. It is the Department of Transport and Planning that administer the scheme. But up to the point of the High Court decision you are probably looking at maybe $6 million or $7 million, maybe $8 million, in total.

Danny O'BRIEN: Are you expecting that that will have to be paid back?

David MARTINE: That is then a question for government. They have indicated publicly they are seeking legal advice on both the nature of the decision and other implications, along with the question of refunding the money that has been collected.

Danny O'BRIEN: Okay. You said $3.9 million for 2022–23. Did you have an actual figure for 2021–22?

David MARTINE: I do not think so. Not with me, but I am happy to take that. But it was $3.9 million, so if that is for 2022–23, you would not get – it would be less than that.

Danny O'BRIEN: Less than that, okay. If you could take that on notice, if you do have a figure, that would be great.

Response:
The zero and low emission vehicles road user charge raised $1.2 million of revenue in 2021-22.

17. The 2021-22 $1.3M contract to PwC for provision of advisory services for the regulatory reform program. Has the department gone back to check if there were any conflicts?

(*Asked by Ellen Sandell Page 32 of the transcript*)

> Ellen SANDELL: Okay. In 2021–22 there was a $1.3 million contract, also for PwC, for the provision of advisory services for the regulatory reform program – that is, the cutting red tape for business program. Did anyone go back to check if there were any potential conflicts there, given that PwC is advising the government on regulatory reforms but are very likely to have businesses as clients who benefit from those regulatory reforms? Was any work done? Because that was even further back from the current controversy.
>
> David MARTINE: I will probably need to take that one on notice because we are talking 2021–22. I would need to remind myself of exactly the reg reform work we were doing in that year to identify whether there were any sensitivities. But yes, I am happy to take that on notice.

Response:
The 2020-21 Victorian Budget provided funding of $74.8 million for a package of regulatory reform initiatives, including establishing a Fast Track Review Unit to undertake speedy reviews of regulatory issues that are significantly impacting businesses. The Budget also provided funding for specialist professional services, recognising that elements of the program would benefit from expert involvement, independent analysis and specific skill sets additional to existing DTF capability. Victorian Government procurement processes were adhered to in the appointment of five consultancy firms from the Victorian Government's Professional Advisory Services panel of contractors including PwC to assist in the delivery of the reform program. The reform program's focus was on making state government and local council licence and permit approvals processes easier for business. Small business across Victoria will likely benefit from regulatory reforms to make it easier to do business, with reforms typically affecting whole industry sub-sectors rather than generating particular benefits for small classes of, or individual, businesses.

18. **Do you have an estimate of how many properties are currently liable for the Vacant Residential Land Tax versus how many actually paid the tax?**
19. **Do you have an estimate of how many properties are currently liable for the tax versus how many actually paid the tax?**

(*Asked by Ellen Sandell Page 35 of the transcript*)

> Ellen SANDELL: I will take that up with them. Good morning, Mr Joyce. I just want to pick up on some of the questions that were asked about the vacancy tax earlier this morning. Do you have an estimate of how many properties are currently liable for the tax versus how many actually paid the tax?
>
> Darren JOYCE: I will have to take that one on notice. You are asking, just to be clear though, how many properties are vacant that are not paying the tax – is that what you are saying?
>
> Ellen SANDELL: Correct. I assume Treasury has done some estimate of how many may be liable to pay the tax and then how many you have actually collected the tax from.
>
> Darren JOYCE: I can take that one on notice, but I think the answer is going to be that, because of the way the tax is structured, if there is a vacant property and we know about it, we would be taxing it.

Response:
910 properties were taxed for the 2022 assessment year and 1,013 were taxed for the 2023 assessment year. The SRO does not have data about the number of liable properties which were not taxed. Compliance activities may identify further properties which are liable for vacant residential land tax.

20. How many properties were issued payment notices that did not originate from the owner voluntarily declaring that their property was vacant? How many resulted from enforcement action?

(*Asked by Ellen Sandell Page 35 of the transcript*)

Ellen SANDELL: I will take that up with them. Good morning, Mr Joyce. I just want to pick up on some of the questions that were asked about the vacancy tax earlier this morning. Do you have an estimate of how many properties are currently liable for the tax versus how many actually paid the tax?

Darren JOYCE: I will have to take that one on notice. You are asking, just to be clear though, how many properties are vacant that are not paying the tax – is that what you are saying?

Ellen SANDELL: Correct. I assume Treasury has done some estimate of how many may be liable to pay the tax and then how many you have actually collected the tax from.

Darren JOYCE: I can take that one on notice, but I think the answer is going to be that, because of the way the tax is structured, if there is a vacant property and we know about it, we would be taxing it.

Ellen SANDELL: Okay. And how many properties were issued payment notices that did not originate from the owner voluntarily declaring that their property was vacant? How many resulted from enforcement action?

Darren JOYCE: How many came about as a result of compliance activities?

Ellen SANDELL: Correct.

Darren JOYCE: I would need to check on that. I will take that on notice.

Ellen SANDELL: So you will take that on notice. Thank you. Also, were any fined for non-compliance?

Darren JOYCE: Sorry?

Ellen SANDELL: Were any fined for non-compliance, or were they just asked to then pay?

Darren JOYCE: Were there any penalties imposed?

Ellen SANDELL: Correct.

Darren JOYCE: Again, I would have to take that on notice.

Ellen SANDELL: You will take that on notice. Okay. Thank you.

Response:
Data about the number of liable properties identified after investigation is not readily available. Assessments totalling $3.38m in vacant residential land tax (including $0.23m in penalty tax) were issued in the 2021-22 year after an investigation, and assessments totalling $6.20m in vacant residential land tax (including $0.79m in penalty tax) were issued in the 2022-23 year after an investigation. These include assessments issued during those years which relate to earlier assessment years.