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Review of the Parking Space Levy Act 2009

Submission from the Property Council of Australia

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Executive Summary

The Parking Space Levy (PSL) is an unjustifiable tax on business and jobs. The objectives of this levy are to reduce congestion in certain targeted business districts and raise funds for public transport infrastructure. There is little evidence that this levy is achieving its objective of reducing congestion and no efforts have been made to quantify its impact. Further since its introduction 24 years ago, many government programs and voluntary initiative have been implemented to address congestion. Maintaining the PSL in the absence of evidence for its effectiveness amounts to little more than opportunistic revenue raising.

Should the PSL be retained despite the strong arguments put forward by the Property Council for its removal, the current method of calculating it should remain unchanged. Most large parking lot operators have automated reporting systems that make calculating exact figures for exemptions readily available. Smaller operators should be given the choice between retaining the current method or agreeing a case-by-case assumed rate of exemptions.

There are currently issues within the *Parking Space Levy Act 2009* (the Act) that should be addressed as a matter of priority. Owners of parking lots that do not attract the levy are still required to register their parking spaces with the OSR. This is an unnecessary administrative burden that should be resolved by excluding these parking spaces from the scope of the Act.

The Property Council supports the efforts of Transport NSW to increase the transparency in the expenditure of revenue raised through the PSL. We do however urge for more consultation on the way the funds are expended to ensure there is community and industry support for the projects.

About the Property Council of Australia

The Property Council of Australia is the nation's peak representative of the property and construction industry.

Our 2,000 member firms and 55,000 active individuals span the entire property and construction industry, which includes all:

- dimensions of property activity — financing, funds management, development, ownership, asset management, transaction and leasing.
- major property types — offices, shopping centres, residential development, industrial, tourism, leisure, retirement and infrastructure.
- major regions of Australia and international markets.
- four quadrants of investment — public, private, equity and debt.

In particular, our members contribute to state and local government infrastructure through significant development levies. In 2014-15, councils collected \$601 million via these levies – with over \$1.3 billion in levies sitting unspent in council accounts across Sydney's 39 councils.¹ Our members also contribute a significant amount of the \$100 million raised by the Parking Space Levy annually.

The property and construction industry also underpins the health and prosperity of the NSW economy. The industry:

- generates over 311,000 jobs - one in ten workers
- provides \$20.3 billion in wages to workers and their families
- pays \$9.8 billion in State taxes to the NSW Government – the State's single largest tax payer
- is levied an additional \$7.2 billion in local council rates and charges annually
- contributes \$54.5 billion directly to Gross State Product – 11.1 per cent of total GSP, and
- creates \$88.3 billion in flow on activity.

¹ Property Council of Australia – Regular Audit 2014-15

Areas addressed by the Property Council's submission

The Property Council welcomes the opportunity to provide feedback into the Review of the *Parking Space Levy Act 2009* and the *Parking Space Levy Regulation 2009*. The submission by the Property Council will address the following areas of the review:

- Whether the objectives of the Act remain valid and the terms of the Act remain appropriate for securing those objectives.
- Options for simplifying the calculations of Parking Space Levy liabilities.
- Options for simplifying the reporting requirements for property owners.
- Improving the transparency of funds raised under the *Parking Space Levy Act*.

Property Council Recommendations

Recommendation 1: The Parking Space Levy has not been proven to meet its objectives and should be removed.

Recommendation 2: If the PSL is retained the current method of calculation should remain unchanged.

Recommendation 3: Requirements for property owners should be simplified and streamlined.

Recommendation 4: The expenditure of funds raised through the PSL should be made more transparent and reported annually.

A tax on business and jobs

Recommendation 1: The Parking Space Levy is affecting business and should be removed.

A levy that is falling short of its objectives

The Property Council urges Transport for NSW to abolish the Parking Spaces Levy as it is an unjustifiable tax on business and there is little evidence that it is achieving its objectives.

The *Parking Space Levy Act 2009* sets out two objectives for the parking space levy:

- to discourage car use in business districts, and
- to raise money to fund infrastructure to encourage public transport use to and from those business districts.

The first objective is critical. This is not just a tax designed to raise revenue (such as income tax or stamp duty). This tax has a specific objective: to reduce congestion by discouraging car usage in targeted business centres.

The measure of the levy's effectiveness is therefore not the amount of money it raises, but whether it is effective in discouraging car use in the targeted areas. If the levy was ineffective at reducing congestion by discouraging car use, then clearly it should be deemed to be a failure irrespective of the revenue it raises.

The Property Council strongly believes that this factor – reduction in car usage – should be the primary basis upon which the effectiveness of the levy and any potential changes to the levy should be assessed. We urge Transport for NSW to undertake research into whether this levy is truly discouraging motor vehicle use.

If there is no evidence that this is occurring, then the levy is little more than a revenue-raising tax which is adding to the cost of operating businesses and impacting on the competitiveness of Sydney's key business centres. Its effect has been intensifying with repeated and unwarranted increases over the years. This levy has been increased 15 times since it was introduced in 1992, including when it was doubled in 2008-09.

Falling short of taxation principles

The PSL creates a substantial financial burden on those who are liable to pay it. Evidence from Sydney's largest parking operators indicates that owners are unable to bear the burden and the costs are ultimately passed on to tenants and customers as with most taxes on property.

In Victoria, in 2014 the Congestion Levy was expanded to include a new category of parking lots. This new category was termed Category 2 and captured an expanded geographical area which would attract a levy of \$950 per parking space. Due to this increased expense on business one of Australia's major parking operators, was forced to permanently close 521 parking spaces within leviable areas.

Correct taxation pathways and voluntary efforts

The PSL was introduced 24 years ago, and since its inception industry has taken the lead in promoting voluntary efforts to reduce congestion. Initiatives such as Green Star and Australian Standard AS 2890.3 – 1993 Parking Facilities Part 3: Bicycle Parking are being taken up voluntarily by businesses to encourage use of alternative forms of commuting.

These voluntary efforts are paired with other existing programs that incentivise and regulate further efforts to combat congestion such as BASIX and the Travelsmart program. Many of these programs and voluntary efforts are driven by sustainability but still result in contributing to reducing congestion.

Imposing another ineffective levy on businesses when more effective government and private action is already being taken amounts to little more than opportunistic revenue raising.

Recommendation 2: If the PSL is retained the current method of calculation should remain unchanged.

The PSL currently applies across seven leviable districts split into two categories. Parking spaces in category 1 areas focused around the CBD and North Sydney attract a \$2,350 yearly fee, category 2 spaces including Bondi Junction and Chatswood attract a lesser \$840 yearly fee.

Currently the amount levied for each parking lot is correlated to the revenue they generate through the exemptions system. This ensures that each parking lot is levied to an amount proportionate to the revenue they generate.

Section 4.2.1 of the Discussion Paper states: *“One option for reducing compliance costs for business and administrative costs for the OSR – as well as ensuring a level playing field for commercial car park owners – would be to discount each owner’s annual PSL liability by an assumed number of unused casual vacancies. This rate would need to be determined in consultation with industry and the OSR.”*

It is unclear from this section whether the proposal is for a flat assumed rate of exemption across all parking lots in leviable zones or if it would be calculated on an individual parking lot basis. We would be supportive of the latter in certain circumstances.

An assumed number of exemptions on a case-by-case basis may be a preferred option for smaller parking lot operators to reduce the reporting burden where automated systems are not installed. A single flat assumed rate of exemptions across all parking lots would disproportionately affect some parking lots over others. This increase to a tax that is already having a strong negative impact will see some parking lots become insolvent and ultimately cease operation.

Larger parking lots

A majority of parking lot operators have installed sophisticated automated reporting systems for calculating the number of vacant parking spaces on a daily basis. From this, they are able to

accurately report the number of exemptions claimed on a yearly basis. Moving towards an assumed number of vacancies on an individual parking lot basis will reduce reporting accuracy with no significant reduction to red-tape for businesses.

Smaller parking lots

For smaller operators who do not yet have automated reporting systems, the Property Council recommends allowing them to choose between an assumed number of exemptions on a case-by-case basis and continuing to report daily exemptions as per the existing policy. Allowing smaller parking lot operators to pay the levy based on an assumed number of vacancies will reduce their administrative and record keeping burdens as well as simplifying the calculation of the PSL.

Recommendation 3: Requirements for property owners should be simplified and streamlined.

The Property Council supports a narrowing of the scope of the Act to address the issue of owners who are not liable to pay the PSL being required to register with the OSR.

The Parking Space Levy already carries a heavy administrative burden for owners in leviable districts. Owners of off-street parking spaces in leviable districts are required to register with the Office of State Revenue and submit annual returns whether or no they are liable to pay it. This is a drain both on the resources of the companies that must register and the OSR. These parking spaces should be excluded from the scope of the Act to avoid unnecessary administrative burden on owners.

The PSL is calculated and payable on a yearly basis. As per the Act, the owner of the parking lot on 1 July is currently liable for the full year even if they sell the property before 30 June. This can be an unforeseen consequence for sellers who are liable for the full amount of the PSL even though they are no longer receiving the revenue generated by the parking lot. In some cases, this is resolved by the seller and the purchaser entering into separate contractual arrangements to ensure the PSL burden is fairly distributed between them.

The Property Council suggests that the liability for the PSL transfers to the purchaser from the date of settlement.

Recommendation 4: The expenditure of funds raised through the PSL should be made more transparent and reported annually.

The PSL Act requires at Section 11 that all funds collected be paid into the Public Transport Fund and sets directives and restrictions on what it can be used for. While the department does publish a list of infrastructure completed using the funds raised through the PSL, there is no transparency surrounding the decisions of funds to these projects.

The discussion paper suggests that this could be addressed through more disclosure on the decision-making process and the final expenditure of funds. This is a positive step but it neglects the fact that industry has a key role to play in guiding the expenditure of these funds to their

optimal effect. We urge the department to be more inclusive on proposed expenditures and consult with industry before taking action. This could be done by releasing infrastructure proposals for consultation and holding public hearings to ensure that the knowledge and expertise of the community and industry members is incorporated in the development of infrastructure.

Contacts

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