

Dear Review Panel

This submission concerns the application of the Goods and Services Tax (GST) to Owners Corporations established under the Australian Capital Territory's *Unit Titles Act 2001* (the Act).

These Owners Corporations are established essentially to enforce the articles of and maintain the common property owned collectively by owners of units in Units Plans (typically apartments and townhouses). The Act prohibits Owners Corporations from carrying on any other business.

Owners Corporations with turnover (ie, levies on unit owners) exceeding a certain amount are required to be registered for GST.

This has several adverse consequences.

(a) It imposes on unit owners collectively the administrative costs of accounting for GST including lodging BASs. Unlike other home owners who are regarded as final consumers and simply pay GST on the goods and services that are required to maintain their properties, unit owners get caught up in the GST accounting system as if they were businesses. This is an unfair burden on unit owners that does not apply to other home owners.

(b) It reduces the value of the sinking funds that the Act requires to be levied on owners. GST must be charged to owners on the sinking fund levies (hence reducing the amount that can be asked of owners to contribute). The sinking fund levies are typically 'saved' for meeting the longer term costs of maintaining the common property. As there is no immediate expenditure, there is no tax credit so the amount that can be saved is reduced by the amount of GST that has to be remitted to the Tax Office. Hence there is a loss of interest earnings on that foregone amount. This is effectively an unfair tax on saving that does not apply to other home owners.

(c) These issues probably also apply in jurisdictions other than the Australian Capital Territory. However, there is another adverse consequence here that may not apply elsewhere. Many older apartments and townhouses in Canberra do not have individual water meters (which arises from previous policy of having largely fixed, rather than consumption-based, water charging). Rather, there are common meters serving groups or all of the units in a Units Plan and water consumption is charged to the Owners Corporation on behalf of all unit owners. The cost of water consumption has to be covered from the administrative levies charged by the Owners Corporation. GST must be charged on the levies (for Corporations that are required to be registered for GST). Unit owners are paying GST for water, which is GST-free for all other home owners and this is surely contrary to the intention of the GST legislation.

I recommend that the GST legislation be amended to treat Owners Corporations for residential Units Plans as final consumers (on the basis that they are merely collectives of individual home owners), provided that they do not carry on any business and perform only the functions required of them by their establishing legislation.

Yours faithfully

Name Withheld