

13 October 2008

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Australia's Future Tax System

The Tasmanian Heritage Council is pleased to make a submission to the review of Australia's tax system.

The Heritage Council is a statutory authority established under the *Historic Cultural Heritage Act 1995*, and responsible for the protection and conservation of Tasmania's historic cultural heritage and the management of the Tasmanian Heritage Register. At this time there are almost 5500 places entered on the Heritage Register, the vast majority of those in private ownership.

Heritage conservation (i.e. maintenance, restoration, reconstruction and adaptation) is overwhelmingly paid for by these private interests (i.e. households, corporates and non profit bodies) in a couple of ways. Firstly, voluntarily which may be as a result of; owners who desire to live, work or invest in heritage places. This is undertaken when the marginal benefit of such conservation exceeds the marginal cost; visitors to heritage places contributing to their maintenance; or people who contribute to heritage conservation (e.g. through donations etc) out of a sense of altruism or societal philanthropy. On its own, however, voluntary support for heritage conservation will provide an inadequate level of protection because of the existence of a number of market failures.

Secondly, non voluntarily. Through the process of listing or other regulatory intervention some owners will be required to expend resources in a manner that they would not otherwise chose. This may be either a positive requirement (e.g. to spend money to maintain the condition and integrity of a place); or a negative requirement (e.g. to not use a place in a way that they would otherwise choose to).

Heritage conservation is also supported by spending by all three levels of government, although the level of spending appears to have declined in real terms in recent years.

Given that the vast majority of heritage places are in private ownership, it is reasonable to suggest that private expenditure on heritage conservation exceeds explicit government expenditures by orders of magnitude. There is no doubt, in our submission, that existing government support for historic heritage places is totally insufficient to adequately support public and private conservation of heritage places. This will become a growing concern given the real decline in government funding mentioned above.

There is also a further concern that the current heritage conservation arrangements result in a degree of cross subsidy. In particular, non voluntary payments by private owners are being used to pay for non use benefits captured by the community now and in future generations.

The Tasmanian Heritage Council is strongly of the view that tax expenditure instruments are an important way in which, as a community, we can ensure the ongoing conservation of privately owned historic heritage places. Specific types of tax expenditure that have been used to influence heritage conservation investment in Australia and overseas include:

- a. Property tax abatement where either a discount rate of property tax is payable, or the use of a different valuation formula for heritage listed places that takes account of actual use;
- b. Income tax credit which allows income tax payers to offset a percentage of expenditure on heritage conservation against their tax bill. Such a scheme, *Tax Incentives for Heritage Conservation*, operated in Australia from 1994 to 1999.

- c. Income tax deduction. There are two variations that could be considered. Firstly, tax deductibility of donations to approved non profit historic heritage organisations. Of particular relevance is the tax deductibility of donations of property which provides a flow of heritage capital to historic heritage trusts and revolving funds. Secondly tax deductibility of the imputed value of property devaluation incurred as a result of entering into a conservation covenant or heritage agreement. In effect this is simply a variant on donations of property.
- d. Various other concessions including stamp duty exemptions, accelerated depreciation schedules, sales tax exemptions and capital gains tax exemptions.

The Heritage Council would also wish to draw attention to the report prepared for the Environment Protection and Heritage Council (EPHC), *Making Heritage Happen: Incentives and Policy Tools for Conserving our Historic Heritage*, National Incentives Taskforce 2004. In that report the EPHC suggested that the principle elements of best practice in incentives and other innovative policy instruments for historic heritage conservation are a suite of policy instruments rather than any single approach. Included in that suite were instruments that the EPHC believed would provide effective support for owners of heritage places delivered either by the Commonwealth or States independently or in partnership with Local Government.

These instruments included:

- Tax deductions for donations to approved funds
- Tax concessions for owners that enter into heritage agreements or other conservation covenants
- Tax rebates for qualifying private expenditure
- Land tax remissions
- Local government rate rebates

Yours sincerely

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