



**ACT**  
Government

Chief Minister and Treasury

MINUTE

**SUBJECT: Land Rent Scheme**

To: Treasurer

**Purpose: To provide information on broader policy issues regarding changes to the Land Rent Scheme and seek agreement to proposed responses.**

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**Key Points:**

- In the 2013-14 Budget, you announced that the land rent scheme would be restricted to those eligible for the discount rate (2 per cent) from 1 October 2013. From this date forward, lessees will no longer be able to enter the scheme at the standard rate (4 per cent).
- The submission considered by Cabinet stated that further work would be undertaken on the policy, including grandfathering provisions. Previous briefings have also indicated that there may be merit in a review of the eligibility criteria for the discount rate to ensure it is appropriately targeted.
- This brief outlines the issues that have been raised with the Economic Development Directorate (EDD) and the ACT Revenue Office in developing the policy. We have commenced discussions with the Parliamentary Counsel's Office (PCO); however, your approval to a number of policy matters is required before PCO will continue with further drafting, as these were not specifically agreed to by Cabinet.
- The main issues to be discussed include:
  - transitional arrangements;
  - timing of assessment of eligibility;
  - treatment of the subsequent transfer of Land Rent Crown Leases; and
  - other minor amendments, including the rate of interest charged on outstanding rental payments and tightening the definition of 'owner'.
- These issues are discussed in the Issues Paper at Attachment A.
- There is also the option of extending the income eligibility criteria for the discount rate from a lessee approach to a household approach. We are working on this issue in conjunction with the Economic Development Directorate and the Community CPS Credit Union. A further briefing will be provided to you shortly on this issue.
- The matrix at Attachment B has been prepared for your information and shows the interrelationship between the Land Rent Scheme, the Home Buyer Concession Scheme and the First Home Owner Grant changes.

- It shows that households will receive the greatest benefit between 1 September and 30 September 2013, when the higher FHOg will be in effect and the land rent scheme remains open to all lessees. However, we have been advised that there are no land releases during this time. Only land available to be purchased over the counter will be available for the land rent scheme during this period (around 200 blocks).
- o We will continue to work with EDD and the ACT Revenue Office over the next 12 months to monitor the scheme to ensure these changes are appropriate and the scheme is being used as intended. Should any abuse of the scheme be identified, we may need to make further legislative amendments to ensure the integrity of the policy.

**Recommendations:**

- o It is recommended that you agree to:
  - the date of exchange of contract being used as the trigger point for deciding which land rent scheme structure the lessee falls into. Lessees who exchange contracts prior to 1 October 2013 will be able to enter under the old scheme structure (eligible for both 2 per cent and 4 per cent), while lessees who exchange contracts on or after 1 October 2013 will fall into the new scheme structure, and will need to meet eligibility criteria to enter;
 


Noted / Approved / Not approved / Please discuss
  - the ACT Revenue Office undertaking an assessment of a lessee's eligibility prior to exchange of contract;
 


Noted / Approved / Not approved / Please discuss
  - to restrict the transfer of land rent Crown leases entered into on or after 1 October 2013 to those eligible for the discount rate;
 

Noted / Approved / Not approved / Please discuss
  - have land rent debts charged at a compounding rate of interest, similar to General Rates and Land Tax; and
 

Noted / Approved / Not approved / Please discuss
  - tighten the definition of 'owner' in the *Land Rent Act 2008*.
 

Noted / Approved / Not approved / Please discuss

  
 Karen Doran  
 Executive Director  
 Investment and Economics Division  
 24 July 2013

  
 Noted / Approved / Not approved / Please discuss  
 Andrew Barr MLA 21/ 7 /2013

## Attachment A: Issues Paper

- A number of issues have been identified during the development of the land rent policy which require further clarification. These include:
  - transitional arrangements;
  - timing of assessment of eligibility;
  - treatment of the subsequent transfer of Land Rent Crown Leases; and
  - other minor amendments, including the rate of interest charged on outstanding rental payments and tightening the definition of 'owner'.
- These issues are discussed below for your consideration.

### 1. Transitional arrangements

- From 1 October 2013, the Land Rent Scheme will only be available to new lessees who meet the eligibility criteria. Lessees currently in the scheme will remain in the scheme at either the 2 or the 4 per cent rate.
  - The existing scheme structures and provisions will be grandfathered for lessees who enter into the scheme prior to 1 October 2013.
- However, clarity is required around the transition arrangements and the point that will determine whether a lessee falls under the old scheme structure (in place prior to 1 October 2013) or the new scheme structure (in place on or after 1 October 2013).
  - The Economic Development Directorate (EDD) has advised that there are around 244 lessees who have exchanged on a land rent block, but won't settle prior to 1 October 2013. The Land Development Agency (LDA) also has around 200 blocks that it would like to reoffer to the market (prior to 1 October), however, requires some certainty about how these blocks will be treated in the land rent scheme.
- We propose that the date of exchange of contracts between the Territory and the lessee be used as the trigger point for deciding which scheme structure the lessee falls into.
  - For example, lessees who exchange contracts prior to 1 October 2013 will be able to enter under the old scheme structure. Lessees who exchange contracts on or after 1 October will fall into the new scheme structure, and will need to meet eligibility criteria to enter.
    - Should a contract exchange prior to 1 October, but is then renegotiated after 1 October, the lessee will be considered an entrant in the new scheme structure.
- The LDA has advised that there are strict processes around exchange of contract and that all contracts marked for exchanged prior to 1 October are finalised under the old scheme structure. The LDA has advised that if they receive a large

number of appointments from people wishing to exchange land rent contracts in the week commencing 23 September 2013, they will make available the necessary staff to ensure that all contracts are exchanged prior to 1 October 2013.

- A matrix of the treatment of existing lessees in the scheme and new entrants to the scheme on or after 1 October 2013 is provided at Appendix 1.

## *2. Timing of assessment of eligibility*

- The Land Rent Crown Lease is currently issued without any reference to eligibility criteria for land rent purposes. Lessees who are in the land rent scheme can apply at any time during the Land Rent lease to the ACT Revenue Office to determine if they are eligible for the discount rate.
- From 1 October 2013, this approach will no longer be appropriate, as a Land Rent Crown Lease will only be issued to those eligible for the discount rate. This means that lessees will need to be assessed for eligibility for the discount rate at an earlier stage in the process.
- It is proposed that the ACT Revenue Office undertake an assessment of the lessee's eligibility prior to exchange of contracts. This would require the lessee to be eligible for the discount rate at the point of exchange.
- We expect that lessees will want early clarity of their eligibility to the scheme. New lessees will be assisted in understanding this new process through the compulsory information session which will cover this issue and by making available simple 'self assessment' tools.
- Approval from the ACT Revenue Office would be valid for a period of 6 months, at which point the prospective lessee/s would need to resubmit income information to the ACT Revenue Office to be reapproved.
- Once approval is obtained, prospective lessees will be able to approach the Land Development Agency regarding block availability.
- Alternatively, the Land Development Agency has advised that they could include a clause in the sales contract to require assessment for eligibility for the discount rate by the ACT Revenue Office within four weeks of exchange. The contract could provide for automatic rescission if purchasers are not eligible for the discount rate.
  - We consider this option less administratively efficient, as it will allow people to enter the scheme without clarity as to whether or not they are eligible to enter. This will cause additional administration for the Land Development Agency, who would then need to rescind the contract and reoffer the block to the market.

#### *4. Transfer of the Land Rent Crown Lease*

- Under the current scheme arrangements (for lessees in the scheme prior to 1 October 2013) there is no restriction on the transfer of their Crown Lease, and no transfer provision clause is included in the Crown Lease at the time of exchange.
- Under the new arrangements, consideration is needed on how any secondary and subsequent transfers of the Land Rent Crown Lease would be treated i.e., whether the transfer would also be restricted to those eligible for the discount rate or open to all lessees.
- You may wish to restrict the market for transfers of land rent blocks (for lessees entering the scheme on or after 1 October 2013) to only those eligible for the discount rate.
  - This would allow for consistency of the policy which was to better target access to the discount rate and to restrict the ability of builders to access land rent blocks. Under this option, builders would not be able to access land rent blocks through transfer from other lessees.
    - : People not eligible for the discount rate would not be able to obtain a land rent block through the transfer mechanism.
  - The Economic Development Directorate has raised concerns that restricting the transfer of Land Rent Crown Leases may inhibit the flexibility of lessees to on sell their house. If the market of people eligible for the discount rate is too small, it may make it difficult to on sell these properties and so deter people from accessing the scheme initially.
    - : This concern will be lessened to the extent you agree to change the income test threshold.
    - : Further, this issue could be overcome by educating lessees on the different options available to exit the lease. For example, the new buyer could pay out the Land Rent Crown Lease to purchase the block as a standard property. The seller would not be impacted through this process. The alternative to this option is to allow people to enter the scheme on the standard rate, which is counter to the policy intent.
    - : It can also be expected the market will respond with mechanisms to facilitate the sale of the property, including the Crown Lease being paid out as part of the settlement structure.

#### *5. Technical amendments*

- There are two technical amendments that were not considered by Cabinet as part of the Submission, however, have been suggested by the ACT Revenue Office to improve the administration of the scheme. These include changes to the way debt interest is charged on land rent blocks and tightening the definition of owner of a land rent block.

*a) Rate of interest charged on land rent blocks*

- Under the *Land Rent Act 2008* lessees are charged simple interest (charged monthly) on debts of outstanding land rent to the Territory. This is inconsistent with other schemes such as General Rates and Land Tax, which both charge interest on a compounding monthly basis.
- As we are making changes to tighten up the scheme, there is the option of charging outstanding land rent debt on a compounding monthly basis, to better align with General Rates and Land Tax debt. This will provide a greater incentive for property owners to pay their land rent bills by the due date and will reduce the administrative burden on debt management.

*b) Definition of Owner*

- The current definition of owner is not clear and has allowed some builders to access the land rent scheme at the discount rate in their own name (as they own other land rent properties in trusts or their company name).
- There is scope to tighten the definition of owner to include both the registered owner or the beneficial owner. This would stop builders from accessing the discount rate and ensure that it is only accessed by genuine applicants looking to enter the housing market.

Appendix One: Treatment of lessees in the land rent scheme

	Meet the criteria	Don't meet the criteria
<b>Currently in the Scheme</b>		
Currently in the scheme at the 2 per cent rate	Remain on 2 per cent rate.	Move to 4 per cent
Currently in the scheme at the 4 per cent rate	Move to 2 per cent if there is a change in their circumstances and they are able to satisfy the eligibility criteria.	Remain on 4 per cent rate.
<b>Transfer of Crown Lease entered into prior to 1 October 2013</b>		
Transfer of Crown Lease on 2 per cent rate	No restriction on transfer of Crown Lease (new transferee can be eligible for discount or standard rates).	
Transfer of Crown Lease on 4 per cent rate	No restriction on transfer of Crown Lease (new transferee can be eligible for discount or standard rates).	
<b>New entrants to the Scheme who exchange contract prior to 1 October 2013</b>		
New entrants	Able to enter the scheme	Able to enter the scheme at the standard rate.
<b>New entrants to the Scheme (exchange contract on or after 1 October 2013)</b>		
New entrants	Able to access the scheme	Not able to access the scheme
<b>Transfer of Crown Lease entered on or after 1 October 2013</b>		
Transfer of Crown Lease	If the new transferee meets the criteria, able to take the Crown Lease.	If new transferee doesn't meet the criteria, they are not able to accept transfer of the Crown Lease. However, they are able to purchase the property through paying out the Crown Lease.

**Attachment B: Matrix of relationship between FHOG, HBCS and Land Rent**

	Present until 30 August 2013	1 September – 30 September 2013	1 October 2013
First Home Owner Grant (FHOG)	\$7,000 for all properties	\$12,500 for new properties only (if exchange contracts on or after 1 September 2013).	\$12,500 for new properties only
Home Buyer Concession Scheme (HBCS)	No duty on new houses valued to \$425,000. No duty on land valued to \$250,000	No duty on houses valued to \$425,000. No duty on land valued to \$250,000	No duty on houses valued to \$425,000. No duty on land valued to \$250,000
Land Rent Scheme	Open to all lessees	Open to all lessees	Scheme restricted to new lessees meeting the eligibility criteria only.

The table below shows the eligibility criteria between the three schemes

	Income	Occupancy	Property value
First Home Owner Grant (FHOG)	Nil.	At least one applicant must occupy the home as their principal place of residence for a continuous period of at least 6 months, with the period of occupation starting within 1 year after completion of the eligible transaction	\$750,000 or less
Home Buyer Concession Scheme (HBCS)	\$160,000 or less (Household)	At least one applicant must occupy the home for a continuous period of at least six months, beginning within 1 year of settlement or completion of construction	Less than \$525,000 (house) Less than \$290,000 (land only)
Land Rent	\$94,500 or less (All lessees)	At least one of the lessees must reside in the property once a Certificate of Occupancy has been issued.	Nil.



## Land Rent: Questions and Answers

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### 1. Changes to the Scheme

#### Why is the Government making changes to the land rent scheme?

- In the 2013-14 Budget, the Government announced that the land rent scheme would be retargeted to those eligible for the discount rate (2 per cent) from 1 October 2013.
- From this date forward, lessees will no longer be able to enter the scheme at the standard rate (4 per cent).
- All lessees who are already in the scheme prior to this date will be unaffected by the changes. The legislative amendments are not retrospective.

#### Why has the government introduced these changes to the land rent scheme?

- The changes to retarget the scheme will ensure that the scheme will act as it was intended – to help genuine lower income households who wish to enter the housing market to do so.
- These changes will enhance the long term viability of the scheme and ensure that the scheme remains in place for those who need it most.

#### Is the Government admitting the scheme was a failure?

- No. The Government is not admitting the scheme was a failure.
- A review of the scheme was undertaken by external consultants last year. The Government Response to the review noted that the Government would continue to reform the Land Rent Scheme and give ongoing consideration to the recommendations made in the Report. The Government Response also noted that the Government would continue to monitor the scheme to ensure that it is working as intended.

#### How will the changes effect lessees already in the scheme?

- The Government will not be changing the scheme for lessees in the scheme prior to 1 October 2013. The Government is not removing any rights of lessees with an existing Land Rent Crown Lease.
- The existing rights and privileges that these lessees have under their current Crown Lease will continue. The existing rights and privileges will be grandfathered in legislation for these lessees, including the ability of lessees to transfer their Crown Lease and move between the discount rate and the standard rate as their circumstances change.

**How will the Government determine whether a person falls into the old scheme structure or the new scheme structure?**

- The date of exchange of contracts between the Territory and the lessee will be used as the trigger point for deciding which scheme structure the lessee falls into.
- Lessees who exchange contracts prior to 1 October 2013 will enter under the old scheme structure. Lessees who exchange contracts on or after 1 October will fall into the new scheme structure, and will need to meet eligibility criteria to enter.

**What if a lessee rescinds on a contract?**

- A lessee who rescinds on a contract prior to 1 October 2013 will be required to enter into a new contract and if that new contract is entered into after 1 October, then they will then fall under the new scheme structure.

**Will applicants need to know whether or not they are eligible prior to entering the scheme?**

- Yes. Currently, the Land Rent Crown Lease is issued without any reference to eligibility criteria for land rent purposes. Eligibility is applied for after entering the Crown Lease.
- From 1 October 2013, lessees will need to be assessed for eligibility for the land rent scheme prior to entering. The ACT Revenue Office will undertake an assessment of the lessee's eligibility prior to exchange of contracts.
- The ACT Revenue Office assessment, if approved, will remain valid for a period of 6 months.
- Once approval is obtained, prospective lessees will be able to approach the Land Development Agency regarding block availability.

**What about financial institutions? Will they continue to lend under these changes?**

- The Government has spoken to industry participants regarding the proposed changes, and will consult on the changes and their implementation.
- The financial institutions consulted have not expressed concern at the changes, however, the Government will continue to work with industry through this transition period.

Table One: Overview of both schemes

	"Old" scheme structure	"New" scheme structure
What is the date for entry?	Contracts exchanged prior to 1 October 2013	Contracts exchanged on or after 1 October 2013
Who is able to enter the scheme?	Open to all – no restrictions	Restricted to eligible lessees only who satisfy the criteria: <ul style="list-style-type: none"> <li>• total household income below \$160,000;</li> <li>• lessees do not own any other property;</li> <li>• at least one of the lessees must reside in the property.</li> </ul>
What is the income eligibility?	Discount rate: \$94,500 for lessee(s) income. Standard rate: no income eligibility criteria	\$160,000 household income
How is land rent calculated?	Land rent is calculated at 2% of land value for those on the discount rate, and 4% of land value for those on the standard rate.	Land rent is calculated at 2% of land value.
What happens if lessee is no longer eligible?	Discount rate: move to the 4% rate. Standard rate: not applicable	Transition out of the scheme over a period of up to four years
What if the lessee wants to onsell the property as a land rent block?	No restrictions.	Only able to onsell to an eligible applicant or transfer to a nominal standard Crown Lease and onsell as a standard house and land package.
What if the lessee wants to transfer the land rent crown lease to another lessee?	No restrictions.	Only able to transfer to another eligible lessee.
What if the lessee wants to exit the scheme?	Apply to ACTPLA – able to change to a nominal standard Crown Lease.	Apply to ACTPLA – able to change to a nominal standard Crown Lease.

## **2. Changes to the Scheme for lessees (post 1 October 2013)**

### **What are the changes the Government is proposing?**

- The Government will abolish the standard rate (4 per cent) for land rent for new lessees.
- It will retain the discount rate (2 per cent), however, make changes to eligibility criteria for this rate.

### **What are the changes to the eligibility criteria?**

- The Government will retain the three eligibility criteria as under the old scheme structure. However, the income criteria will change from a calculation based on lessee income to a calculation based on household income.
- The income threshold for this cohort will also increase to \$160,000. The increase of \$3,330 for dependent children will remain.
- No changes will be made to the ownership and residency requirements.

### **Why is the Government moving from a lessee income test?**

- Under the current scheme, eligibility is determined on a lessee(s) income basis. This may not include any domestic partners income depending on who is named on the Crown Lease.
- This has resulted in uncertainty and inconsistent applications by lessees, as it is possible to take advantage of the eligibility test, by only putting only one partner's name on the Crown Lease.

### **Why is the government changing to a household income based criteria?**

- The income threshold will be increased to \$160,000 in line with the Home Buyer Concession Scheme. This will be more reflective of applicant income, ensure the scheme remains targeted to those who need it most, and allow appropriate assessment of capacity to finance the arrangement.
- This change has the potential to assist a greater span of households. It would also have the advantage of improving the likelihood of eligible applicants receiving finance, and so enhance the viability of the scheme.

### **What about people currently in the scheme who only have one name on the Crown Lease?**

- Lessees in the scheme prior to 1 October 2013 will have their existing rights and privileges under the Crown Lease grandfathered in legislation.

- These lessees will not be affected by this change. They will continue to have their eligibility determined on a lessee basis, against the lessee based income threshold of \$94,500.

#### **How will people who break this income criteria be treated?**

- Lessees who entered the scheme prior to 1 October 2013 who break the income criteria (\$94,500) will be moved from the discount rate to the standard rate. This is in line with current legislation, which will remain in place to protect the rights and privileges of existing lessees. Grandfathering provisions are included in legislation to ensure these rights are protected.
- Lessees who enter the scheme on or after 1 October 2013 are required to continue to meet the eligibility criteria to remain in the scheme. Lessees who become ineligible for the discount rate will be managed through a transition process over a period of up to four years, through transferring their Land Rent Crown lease to a nominal Crown Lease.
- To become ineligible, the lessee must exceed the income for 2 consecutive years. This provides recognition of one off payments or short term fluctuations in income. They will then be managed through a two year period in which to transition out of the scheme and transfer to a nominal Crown Lease. If lessees are able to show that the income increase has or will return to under the threshold in that period, they will be able to remain in the scheme.

#### **Will the Territory be effectively kicking people out of their house if they no longer qualify for the scheme?**

- The Government will not be kicking people out of their house immediately after they cease to qualify.
- Lessees will have to exceed the income threshold for two consecutive years at which time they will be asked to transfer out of the scheme and managed through a two year transition period. However, should a lessee be able to show that extenuating circumstances exist, they may be able to remain in the scheme.

#### **What happens if the lessee doesn't transfer/sell the property as required under legislation?**

- After the appropriate course of action is followed by the Territory, including providing two years for the lessee to transition out of the scheme, the bill proposes strict processes that must be followed both for existing lessees who default on payment and new lessees.
- The Courts will effectively take over this issue and a Court Order will be issued.
- The Court order process is not unique to the land rent scheme. The *Rates Act 2004* and the *Land Tax Act 2004* contain a clause which states that should lessee not pay their general rates/land tax, a Court Order process will be initiated.

### **Will lessees who purchase the lease be required to pay conveyance duty again?**

- No. Land rent lessees paid conveyance duty at the time of entering the scheme. Should they wish to buy out the Crown Lease, they will not be required to pay conveyance duty again.

### **What about lessees whose income remains under the threshold, but who break the residency/ownership components of the scheme?**

- How lessees will be treated should they break these two criteria depends on the time at which they entered the scheme.
- Lessees who entered the scheme prior to 1 October 2013 who break the criteria will be moved from the discount rate to the standard rate. This is line with current legislation, which will remain in place to protect the rights and privileges of lessees. Grandfathering provisions are included in legislation to ensure these rights are protected.
- Lessees who enter the scheme after 1 October who purchase another property, or if at least one lessee fails to reside in the residence on the block, they will also no longer be eligible for the discount rate, and will be required to transition out of the scheme over a two year period. Again, should their circumstances change and the applicants can show a return to eligibility, they would be able to remain in the scheme.

### **How will the Territory ensure that people understand these changes?**

- New applicants will be made aware of the changed eligibility criteria and conditions prior to entering the scheme. A significant communication marketing campaign will be implemented to inform lessees of the changes to the scheme and how they may be affected. The information session run by the CIT will also provide lessees with information regarding the changes.
- Lessees will be made aware of the conditions of the scheme prior to entry. For example, lessees will need to sign a statutory declaration stating that they are aware that they will be transitioned out of the scheme should they no longer remain eligible.

### **3. Transfer of land rent blocks**

#### **Why is the Government restricting transfer for new lessees?**

- The Government will be restricting transfer for new lessees who enter the scheme on or after 1 October 2013. New lessees will only be able to transfer their Crown Lease to another eligible lessee.
- This would allow for consistency of the policy, which was to better target access to the scheme for those eligible for the discount rate and to restrict the ability of builders to access land rent blocks.

#### **What restrictions will be in place for existing lessees?**

- There will be no restriction on the transfer arrangements for existing lessees who entered the scheme prior to 1 October 2013. The rights and privileges of these lessees will be protected through grandfathering provisions in the legislation.
- There is no restriction on the transfer of their Crown Lease, and no transfer provision clause is included in the Crown Lease at the time of exchange.

#### **What if I want to sell my house to someone who is not eligible for the scheme?**

- New Lessees will still be able to sell their house to someone not eligible for the scheme, however, they will need to convert the land rent lease to a standard crown lease.

## Technical amendments

### What are the two technical amendments?

- The bill includes a number of technical amendments including:
  - the rate of interest charged on land rent blocks; and
  - the definition of owner.

### What is changing in regards to the interest rate applied?

- Lessees are currently charged simple interest (charged monthly) on debts of outstanding land rent to the Territory. This is inconsistent with other schemes such as General Rates and Land Tax, which both charge interest on a compounding monthly basis.
- The bill proposes that debt be charged on a compounding monthly basis, to better align with General Rates and Land Tax debt. This will provide a greater incentive for property owners to pay their land rent bills by the due date and will reduce the administrative burden on debt management.

### What is changing in regards to the definition of owner?

- The current definition of owner is not clear and has allowed some builders to access the land rent scheme at the discount rate in their own name (as they own other land rent properties in trusts or their company name).
- The bill tightens the definition of owner to include both the registered owner or the beneficial owner. This will stop builders from accessing the discount rate and ensure that it is only accessed by genuine applicants looking to enter the housing market.



**Matrix: Participants in the Scheme from 1 October 2013**

	Meet the criteria	Don't meet the criteria
<b>Currently in the Scheme</b>		
Currently in the scheme at the 2 per cent rate	Remain on 2 per cent rate.	Move to 4 per cent
Currently in the scheme at the 4 per cent rate	Move to 2 per cent if there is a change in their circumstances and they are able to satisfy the eligibility criteria.	Remain on 4 per cent rate.
<b>Transfer of Crown Lease entered into prior to 1 October 2013</b>		
Transfer of Crown Lease on 2 per cent rate	No restriction on transfer of Crown Lease (new transferee can be eligible for discount or standard rates).	
Transfer of Crown Lease on 4 per cent rate	No restriction on transfer of Crown Lease (new transferee can be eligible for discount or standard rates).	
<b>New entrants to the Scheme who exchange contract prior to 1 October 2013</b>		
New entrants	Able to enter the scheme	Able to enter the scheme at the standard rate.
<b>New entrants to the Scheme (exchange contract on or after 1 October 2013)</b>		
New entrants	Able to access the scheme	Not able to access the scheme
<b>Transfer of Crown Lease entered on or after 1 October 2013</b>		
Transfer of Crown Lease	If the new transferee meets the criteria, able to take the Crown Lease.	If new transferee doesn't meet the criteria, they are not able to accept transfer of the Crown Lease. However, they are able to purchase the property through paying out the Crown Lease.
	Meet the criteria	Don't meet the criteria



**ACT**  
Government

Chief Minister and Treasury

# ACT Government

## Changes to the Land Rent Scheme from 1 October 2013

# What is happening?

- In the 2013-14 Budget, the Government announced that the land rent scheme would be retargeted to those needing support from 1 October 2013.
- From this date forward, new lessees will only be able to enter the scheme if they meet the defined eligibility criteria.
- All lessees who are already in the scheme prior to this date will be unaffected by the changes. The legislative amendments are not retrospective.
- These changes will enhance the long term viability of the scheme and ensure that the scheme remains in place for those who need it most.

- The Land Rent Amendment Bill 2013 has been introduced in the ACT Legislative Assembly.
- The Bill will be debated during the September 2013 sitting period.
- If passed, the Bill will come into effect on 1 October 2013.
- The changes are significant – effectively a “new scheme”.

# What are the changes?

- From 1 October 2013, the land rent scheme will operate differently:
  - the scheme only offers a single rate for land rent (2 per cent discount rate);
  - the scheme only available to lessees who meet and continue to meet eligibility criteria for the discount rate;
  - changes to the income test eligibility criteria;
  - changes to the ability of lessees to transfer land rent blocks; and
  - processes put in place for transitioning lessees who no longer meet the eligibility criteria (for two consecutive years) out of the scheme.

# Changes to the Eligibility Criteria

- The income eligibility criteria will be changed for people exchanging contracts from 1 October 2013 from a lessee approach to a *household approach*. The threshold will be increased to \$160,000.
  - The standard rate will no longer be available.
- The rights and privileges of existing lessees will continue. There will be no change to the land rent scheme, including discount rate assessment criteria for lessees who have exchanged contracts prior to 1 October 2013.

# Transfer of a Land Rent Lease

- For new lessees (entered in the scheme from 1 October 2013), there will be restrictions on the transfer of a Land Rent Crown Lease.
- New lessees will only be able to transfer their lease to another lessee who meets the eligibility criteria (unless they have the Commissioner's consent).
  - Still able to sell as a house and land package.
- This restriction will not be placed on those contracts exchanged prior to 1 October 2013.

# Loss of eligibility

- There are now strict eligibility requirements for the lessee to continue in the scheme.
  - Should the lessee exceed the income threshold for 2 consecutive years, they will cease to be eligible for the scheme.
  - They will then be managed through a two year period in which to transition out of the scheme and transfer to a nominal Crown Lease.
    - If lessees are able to show that their income has or will return to under the threshold in that period, or other extenuating circumstances, they may be able to remain in the scheme.
  - Should lessees not follow this process, the Courts will effectively take over this issue and a Court Order will be issued.



# Technical amendments

- The bill includes a number of technical amendments including:
  - changes to the rate of interest charged on land rent debt; and
  - the definition of owner.