

# Fact sheet

## Ex gratia Payments in Lieu of Land Tax (EGLT)

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### Rules for apportioning Land Tax

The head lease between the Commonwealth of Australia and Perth Airport Pty Ltd (PAPL) requires that ex gratia payments in lieu of land tax (EGLT) be levied on airport land and paid annually to the Commonwealth.

EGLT must be made by PAPL in respect of those parts of the Airport site:

- which are sub-leased to tenants; or
- on which trading or financial operations are undertaken including, but not limited to, retail outlets and concessions, car parks and valet car parks, golf courses and turf farms.

There are parts of the Airport site in respect of which EGLT is not required to be paid, these include:

- runways, taxiways, aprons, roads, vacant land, buffer zones, grass verges (and land identified in the airport Master Plan for these purposes), except where subleased to a tenant; and
- areas occupied by the Commonwealth or an authority constituted under Commonwealth law which is excluded from making payments by Commonwealth policy or law.

The amount payable by a sub-tenant in lieu of land tax will be determined on a single ownership basis based on an unimproved value as determined by PAPL's valuer. As required by the Commonwealth, the valuer engaged by PAPL for the purposes of undertaking the EGLT valuations must be a member of the Australian Property Institute (API) or the Royal Institution of Chartered Surveyors.

Whilst the process for payment to the Commonwealth differs to the process administered by the West Australian Department of Finance, in determining the apportionment of the EGLT amount payable to the Commonwealth, PAPL is to have regard to the relevant State land tax legislation.

In line with these requirements, PAPL will determine each sub-tenant's EGLT liability using the unimproved value of each individual leased or licenced area (on a single ownership basis) and apply the below land tax scales to establish what each sub-tenant would be expected to pay under State legislation.

### Land tax rates

The rate of land tax differs according to the aggregated taxable value of the land.

Aggregated taxable value of land	Rate of land tax
\$0 - \$300,000	Nil
\$300,001 - \$420,000	Flat rate of \$300
\$420,000 - \$1,000,000	\$300 + 0.25 cent for each \$1 in excess of \$420,000
\$1,000,000 - \$1,800,000	\$1,750 + 0.90 cent for each \$1 in excess of \$1,000,000
\$1,800,000 - \$5,000,000	\$8,950 + 1.80 cents for each \$1 in excess of \$1,800,000
\$5,000,000 - \$11,000,000	\$66,550 + 2.00 cents for each \$1 in excess of \$5,000,000
\$11,000,000 +	\$186,550 + 2.67 cents for each \$1 in excess of \$11,000,000

The above land tax scale is updated and published annually by the WA Department of Finance. The total amount payable by PAPL is determined in accordance with the valuation rules prescribed by the Commonwealth. It will then be apportioned based on the land tax amount that would be payable in WA on a single ownership basis to determine what each sub-tenant should pay.

PAPL will adopt the same principles as the WA Department of Finance when administering the recovery of land tax. As a result, the following rules will apply.

1. EGLT is calculated on the taxable value of all land subleased (excluding exempt land) at midnight on 30 June.
2. The taxable value for land is the lesser of the current unimproved value of the land or 150% of the previous year's unimproved value.
3. EGLT will not be payable on land that has an unimproved value of less than \$300,000.
4. EGLT will not be payable on land which is used as a principal place of residence.

We have noted that recent individual site unimproved valuations have trended upwards. The new method of valuation however will mean a reduction EGLT for most lease and licence holders at Perth Airport.

### How does this process differ from the existing process

As part of the current process, the valuer determines the unimproved value of each leased or licensed parcel of land as if it was the only site owned by PAPL. The EGLT is then individually determined based on the land tax rates published by the WA Department of Finance.

Under the new framework, the entire area of land subleased or licenced by PAPL to tenants or set aside for financial operations (such as car parks) is valued as though it was one hypothetical parcel of land. The land tax rates are then applied to determine the single land tax payment due.

While this means there is only one tax free threshold applied across all of the properties, the discount applied due to the size of the hypothetical single parcel of land reduces the EGLT payable in comparison to the previous method of determining EGLT.

To maintain equity, this single amount payable is then apportioned based on the land tax amount that would have been payable if the land tax was based on the individual unimproved value per site.

An example of how the calculations will be applied are as follows:

	Total value of PAPL landholding	\$ 15,000,000.00	
	Total EGLT payable	\$ 293,350.00	
	<b>Individual site UV</b>	<b>Land Tax payable in WA</b>	<b>EGLT payable on airport estate</b>
Industrial Site 1	\$ 5,910,000.00	\$ 84,750.00	\$ 69,069.07
Industrial Site 2	\$ 8,035,000.00	\$ 127,250.00	\$ 103,705.48
Industrial Site 3	\$ 9,070,000.00	\$ 147,950.00	\$ 120,575.45
<b>Total</b>	<b>\$ 23,015,000.00</b>	<b>\$ 359,950.00</b>	<b>\$ 293,350.00</b>

