

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### **Inquiry into Land Transfer Duty Fees**

Melbourne – Wednesday 24 May 2023

#### **MEMBERS**

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsy

Jacinta Ermacora

David Limbrick

Bev McArthur

Tom McIntosh

Evan Mulholland

#### **PARTICIPATING MEMBERS**

Gaelle Broad

Georgie Crozier

Sarah Mansfield

**WITNESSES**

Ms Emma Germano, President, and

Mr Charles Everist, General Manager, Policy and Advocacy, Victorian Farmers Federation.

**The CHAIR:** I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Land Transfer Duty Fees. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I also welcome any other members of the public watching via the live broadcast.

We will just briefly introduce committee members to you all, by name and region.

**Evan MULHOLLAND:** Evan Mulholland, Northern Metropolitan.

**John BERGER:** John Berger, Southern Metro.

**David DAVIS:** David Davis, Southern Metro.

**The CHAIR:** Georgie Purcell, Northern Victoria.

**David LIMBRICK:** David Limbrick, South-Eastern Metro.

**Bev McARTHUR:** Bev McArthur, Western Victoria.

**Tom McINTOSH:** Tom McIntosh, Eastern Victoria.

**The CHAIR:** Thank you. Welcome, and thanks for coming along today.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, could you both please state your full name and the organisation you are appearing behalf of.

**Emma GERMANO:** Emma Germano, the Victorian Farmers Federation.

**Charles EVERIST:** Charles Everist, Manager of Policy at Victorian Farmers Federation.

**The CHAIR:** Fantastic. Thank you. We now welcome your opening comments but ask that they be kept to around 10 to 15 minutes to allow plenty of time for questions and discussion.

**Emma GERMANO:** Firstly, thank you very much for the opportunity to present before the committee on such an important issue to Victoria's farmers. Having gone through the bitterly disappointing experience yesterday of learning the outcomes from the state budget, I have to say I was completely relieved that primary producers will not be subjected to the government's new taxes, particularly the new stamp duty arrangements and proposed land tax for commercial and industrial property. I woke up in the morning to a press release about the issue, and I started to consider how it would be if I had to contemplate an extra \$50,000 worth of costs on a

small- to medium-sized farming operation that I have out in the south-east of Victoria, a mixed livestock and vegetable farm. I purchased that farm from my dad a couple of years ago, and thankfully there is the stamp duty exemption that exists for family-to-family transfers of agricultural land, because that would have made it pretty impossible for me to purchase. Not only do you have to have a deposit, you also have to be thinking about your stamp duty payments in order to purchase a rural property.

You will have read other submissions put before you in the inquiry, and from representatives from many other organisations, that stamp duty should be replaced with a broad-based annual land tax. These submissions have, however, totally ignored the impact that a broad-based land tax would have on Victoria's agriculture sector. Victoria's farming community has very deep reservations that are long held about any move to replace stamp duty with a broad-based land tax that would include land tax on primary production land. It has been a longstanding principle that tax should not be levied against our properties. It takes into account the particular circumstances of farming and how we use our land to run a business to grow food and fibre. Land is the working capital of every farm. We require large amounts of land to raise animals and grow crops at scale. The dependence that agriculture has on its land means that any form of taxation on that land disproportionately impacts farm businesses compared to many other businesses in the economy. This is best demonstrated through the inequities created by Victoria's local government rating system, where we are increasingly seeing the burden placed onto farmers. Of course farm incomes are highly variable. Farmers are subject to a range of circumstances, such as the vagaries of seasonal conditions and our international markets, that most other businesses are not exposed to in the same manner. This means the capacity to pay property tax can be very low at times when farming is difficult and places added and undue strain on our businesses and our resilience.

The VFF has long been opposed to stamp duty. As most submitters have put to you, it is a bad tax and it should be replaced. Our preference is for it to be replaced through an expanded GST. We have now operated under the GST for over 20 years, and it is time to do the work that needs to be done to ensure that we are doing everything that we should, including the original idea to abolish stamp duty under the GST. Currently Victoria is not getting its fair share from the GST, and the discussion should be led by Victoria to get the Commonwealth and other states to have another look at it.

There is another element of Victoria's stamp duty regime that has been overlooked by other submitters to the inquiry – that is, the exemptions and concessions that are provided to young farmers. These exemptions and concessions are something that the VFF previously fought very hard for and were originally introduced by the Baillieu government, and we are very glad to see that the Andrews government has continued with these arrangements. Whilst the scheme was expanded modestly in 2018, the boom in agricultural land values across the state over the last few years means that the thresholds have now become too low to be meaningful to young farmers trying to purchase their property or enter into the market today. The VFF supports a revision to these thresholds to make them a little bit more realistic for those young farmers. At a minimum we have suggested that the exemption be lifted to a purchase value of up to \$1 million, but we would encourage the committee to look at further expanding options for that program.

We thank you again for allowing us to appear before you today, and we look forward to taking your questions.

**The CHAIR:** Thank you very much for your opening statement. We will go around the room with questions from committee members, starting with – Ms Copsy? Mr Mulholland.

**Evan MULHOLLAND:** Thanks both for appearing today. I wanted to ask about some of your recommendations in your submission. Just touching on your point about increasing the thresholds, I know we have been out in the past couple of weeks saying a similar thing, for stamp duty concessions to be lifted to \$1 million to reflect current pricing. Do you think that should be done by the way of increasing the thresholds and pegging it to CPI or whatever? I also wanted to ask in particular about your submission's recommendation 6, that young farmers be allowed to receive both the young farmer duty exemption or concession and the principal-place-of-residence concession. Could you just elaborate on that and maybe explain for some of my colleagues the differences between those concessions as well?

**Emma GERMANO:** Sure. I guess the first thing to note about the principal place of residence at farms that have houses is essentially if you are a young farmer you need that concession to help you get into that property. You kind of end up missing out compared to your non-farming colleagues, though, who actually get that exemption for the principal place of residence. So we are saying that, just because they happen to be on one

property, the concession that is there for the rural aspect is very different and should not preclude people from the other concession, firstly. In regard to the sliding scale I guess we would say that we think that it is quite conservative, what we are asking for in regard to a lift of the threshold, because we know that over the last 12 months alone we have seen property prices increase in some areas by around 20 per cent. So we are seeing that sliding scale or the bracket creep having a major impact and stopping young farmers from being able to purchase their properties, because of the stamp duty factor.

**Charles EVERIST:** Mr Mulholland, in terms of land value increases in Victoria and for the farm sector, one of the things that we see is that farmland values typically hold compared to other classes of property, particularly commercial property, where the market can go up and down. I have this conversation with a lot of local councils when we are talking about their local government rating strategy, which is of course essentially a land tax and is dependent on the value of that land. We have been seeing skyrocketing farmland values, particularly in the west of Victoria, and that has been driven by good seasonal conditions and also driven by a lot of families looking to consolidate and to take the opportunity to grow their business where the neighbour might be off-loading a paddock. They are looking to do that, and so there is a lot of competition in the market. What that means is that it is pushing out younger farmers and meaning that they are getting less and less opportunity to be able to get their first business up and running.

Often young farmers may only be seeking quite a modest start, and it may be the case that they might have an opportunity where they are a part of a family farming business. They might be able to get an adjacent paddock and be able to use the resources in the family's business to be able to then go out and get their start as well. So those increases, those huge increases that we are seeing, are very much holding back young farmers, and the threshold that there currently is has not kept up pace with that. We think that the government needs to be more responsive to the market as it now stands.

**The CHAIR:** Any more questions, Mr Mulholland?

**Evan MULHOLLAND:** All good.

**The CHAIR:** Mr Berger?

**John BERGER:** I do not have any questions at this stage.

**The CHAIR:** Mr Davis.

**David DAVIS:** I have two questions. One is a sort of follow-up on that and relates to this council rating problem. Forgive me as I step through this, but I think if I characterise this as within the rating area, the municipality or the shire, the council is changing the weighting to put more weight on agricultural land, and it is doing this in part to avoid the impacts of the rate cap. So they have got a rate cap here – I think this is what is actually happening across a broad front, because they are doing this to other small businesses as well, not just farmers – but they are shifting the weight of rating. Am I characterising this correctly –

**Emma GERMANO:** Absolutely, yes.

**David DAVIS:** that they are actually trying to avoid the rate cap by clobbering a small group that cannot respond?

**Emma GERMANO:** Despite the fact that the rate cap might be 3.5 per cent, we have seen in some shire councils the rating burden shifting to farmers and increases of up to 20 per cent on their bill from the previous year. It makes it really difficult. The capacity to pay is often not there for farmers, and land value is a kind of arbitrary means as to whether or not you can afford to pay the bill and also whether or not you are receiving many services from the councils. On my property we do not get the rubbish picked up, and I am certainly not using the local library, yet my rates can be some of the highest in the actual shire council.

**David DAVIS:** I can tell you this is happening in the city too for small businesses. It is this squeezing in a certain way, and the farmers in this case are being clobbered.

**Emma GERMANO:** Yes.

**Charles EVERIST:** Mr Davis, it comes down to councils not being responsive, and since we have brought in annual valuations this has made things more –

**David DAVIS:** Aggravated it.

**Charles EVERIST:** Yes, absolutely. I should say that the government had committed to following the independent inquiry into the rating system. The government had committed to having a valuation averaging mechanism system which would be done over a five-year basis. The government committed to deliver that by the end of 2022, and we are none the wiser as to where that is currently sitting. That would help to alleviate those bumps. But what is happening is that because of the valuation asymmetries, where farmland may go up on average by 40 per cent – and we have seen that – but residential land may only go up 20 per cent, councils are being a bit lazy in how they use their differential rating powers. They strike a general rate in the dollar, but they are not using the differential rate to offset the increase in valuation for each category of land. And so what can happen as a consequence – the Moorabool shire is one that just passed its draft budget, where it –

**David DAVIS:** Broiler farms and so forth.

**Charles EVERIST:** But also a lot of medium-sized livestock land that is coming under pressure from urban growth and demand for residential housing as well – that is part of the impact that we see in different parts of the state. But that shire has effectively this year brought about a 16 per cent average increase to farmland rates, whereas the residential ratepayers are effectively getting a rate cut. We have this rate cap system. It can all happen under the system currently, and we certainly think that that needs to change.

**David DAVIS:** Okay. So the second point is, as I understand it – the VFF's position is that they support a shift to land tax in general.

**Emma GERMANO:** As long as we have exemptions for primary production.

**David DAVIS:** Yes. But that's the general point. Let me ask: the only place in the country where there has been what I would call a serious experiment on this is Canberra, and we see what has happened there – that the shift has happened. So the new land tax has come in but the stamp duty has remained.

**Emma GERMANO:** Yes.

**David DAVIS:** I am being blunt here.

**Emma GERMANO:** It is called having your cake and eating it too.

**David DAVIS:** What is the association's position regarding having both in place?

**Emma GERMANO:** Well, we think that stamp duty should be abolished. I guess that is the first position. We would point to the fact that we believe that an expanded GST is the best way and the fairest way to actually make up for the shortfall in the stamp duty. The matter of whether or not we support land tax across the board – ultimately it has been a decision or it has been the advice put to you by a number of other organisations –

**David DAVIS:** But you do not support the imposition of a land tax with the retention of a stamp duty.

**Emma GERMANO:** Certainly not.

**David DAVIS:** The follow-up on that – and I point out I might have a slightly different set of concerns about the GST – is if you move to a GST, the problem is that farmers here and everyone else in the state might pay the GST. So for every \$100 that is collected we might only get 89 or 90 cents back. So I am putting on your radar – and you might have a response – the idea of moving to a GST with Victorians cross-subsidising mendicant distant states and whether you support that.

**Emma GERMANO:** Actually we chatted about this on the way in. Ultimately Victoria getting its fair share of the GST should be advocated for, of course. Ultimately what we are saying, though, is that stamp duty in its purest form is a very poor tax. It is a very regressive tax, it costs a lot of money for the economy, it is no good for wellbeing and it impacts lots of decisions that are made in regard to property purchases and decisions that

people make in their lives – all people. We would say that GST is usually the fairest, because it is a consumption tax ultimately and it means –

**David DAVIS:** But not where it is leaching out into other states so that we pay for the Northern Territory and Queensland and South Australia and Tasmania. People in Victoria, when they go and shop, pay an extra charge, which is then leached out across the countryside.

**Emma GERMANO:** That would be a matter for the Victorian government to advocate to the federal government on. Having said that, it might sound flippant, but given the state of the Victorian budget at the moment, we might see that we might be being propped up in a few years time by some of that GST, and we might need to be.

**David DAVIS:** The only point I would make is we are 123 years into the Federation and never once, not in one year, has Victoria been a recipient state. We have been a donor state every year for 123 years running, so we are well into the cricket innings.

**Emma GERMANO:** In any case, all that we would say is no land tax on primary production land. Ultimately – and thinking about it even from the perspective of the way that farmers operate – nine out of 10 farms in Australia are still family farms. Generally speaking, and with the majority of my members, people want to retain that land in the family for generations – not just decades but for generations. I certainly look at my farm and hope that the next generation will be taking it on also. So the value increase is not necessarily something that, you know – you cannot eat equity. And ultimately what we are saying is, ‘Please don’t put us in a position where we have got to make payments based on the value of our land, where the value is completely arbitrary to our capacity to pay.’

**The CHAIR:** Thanks, Mr Davis. Mr Limbrick.

**David LIMBRICK:** Thank you for appearing today, and thank you for your submission. The announcement of stamp duty changes yesterday incorporated residential and commercial property but excluded residential and agricultural land. What would the effect have been on your members if agricultural land had been included? What would have happened?

**Emma GERMANO:** I, very honestly, hit the panic button, because it was a difficult press release to understand – the mechanism and how it would only apply to new properties entering the market after 1 July 2024. I guess you would start making business decisions as to whether or not you are purchasing that neighbour’s land next to you or whether or not you are entering the market, if you knew that you were going to be subjected to firstly the stamp duty and then the land tax. I appreciate that the land tax is supposed to, from a value perspective, replace the value of the stamp duty, so ultimately from a cash flow perspective you are not coming up with the money up-front. I, however, probably have less faith that that land tax will be removed in 10 years time. Once there is a tax in place, we can see that they do not get taken away very easily. We have seen so many new taxes over the last decade introduced into Victoria, and none of them, when they apparently come to their end of life or achieve the purpose that they were put in place for, are ever actually taken away by the government.

For me, I started thinking how it would have an impact. I am potentially planning on purchasing my uncle’s land that is adjoining to us, and I think about the fact that the stamp duty exemption for a family-to-family transfer is actually very, very meaningful. If I went to buy my farm from my dad today, rather than a few years ago when I did – and I went into the stamp duty calculator just before we came to present to you – I would be up for \$210,000 just in stamp duty. That is a huge amount of money. To think that you have got to save for that deposit, save for the stamp duty – you cannot borrow the stamp duty from the bank. So it starts to affect the way that people purchase properties, and it certainly puts pressure on succession planning, which in most cases involves multiple members of the family. I have a sister – my father was really cognisant at the time that I purchased land from him that he did not want her to be missing out on inheritance. You start having other family members be part of succession decisions, even if there is only one sibling who is going to take over the farm. And of course, when I think about my retirement, I do not have a whole bunch of money in super; my superannuation is going to be the farm. My expectation, or my hope, would be that the next generation take it on. But when that occurs I still have to be able to fund my retirement and look after myself as an older lady. It puts a lot of pressure on succession. Any of those exemptions are very, very meaningful, where ultimately it is

the asset by which we do business. You cannot automatically pass on the cost of any of these added taxes. You cannot just pass on the cost to your market. As many people know, farmers are price takers, not price makers, but ultimately what happens is that it does have to filter onto the market and to the cost of food. As we know, the cost of living is a problem now for many Australians. Just going to the supermarket is something that becomes difficult. What we see is that if there is consolidation because you cannot pass on the cost in the first year or the second year, you might be a business that becomes unviable and you start to see the consolidation of those farms, where ultimately, when the power starts to shift to bigger farmers, the cost of those taxes will be passed on to consumers. We might just change the fabric of who all of our farmers are if we make it really difficult for farmers to have viable businesses.

**David LIMBRICK:** Thank you. I note that your preference for removing stamp duty is to adjust the GST, but looking through your submission you also oppose broadening the GST. So you are just looking at the rate. I think it says the VFF opposes broadening of the GST to include fresh food.

**Emma GERMANO:** Oh, yes.

**David LIMBRICK:** One of the discussion points has been around if you were going to replace stamp duty with an adjustment to GST, there are a few ways you could do that: one is you could just change the rate, another way could be to broaden the base and leave the rate as it is. What is the reason for opposing broadening it to food?

**Emma GERMANO:** Essentially we do not think that people should be paying tax on the food that they eat. We do not want to be taxing people to go to the supermarket and feed their family. And that exemption on GST on those essential goods we think is something that should be maintained.

**David LIMBRICK:** But the GST applies to all sorts of food except for food ingredients. If I buy a tin of food, I pay GST on that, but if I buy a cauliflower, I do not pay GST on that.

**Emma GERMANO:** I guess we would say that food in its most basic format should be available to people to eat without tax. And essentially you are talking about the processing aspect, so people are ultimately paying for the service of that food having been processed to make it easier. At its bare bones, if you are a person who cannot afford to eat any sort of processed food, we think that you should not have to pay tax on it.

**Charles EVERIST:** Mr Limbrick, I think without any risk of sounding like Dr Hewson talking about birthday cakes, the fundamental issue that we are now facing is – and this is something that Emma points out a lot of the time – about the social issues out there with people's food security, and that is something that the VFF is very cognisant of. Emma outlined that farmers are largely price takers and unable to necessarily pass costs on. But there are a lot of costs being passed on through the supply chain, and we have seen that most recently during COVID and the effects that have happened in supply chains as a consequence. That is something that the VFF is acutely aware of, and we are not wanting to penalise consumers, particularly those families who are finding it hard to put nourishing meals on the table for their families.

**David LIMBRICK:** A change to the GST would require national consensus. Do you think that is feasible? Because it seems like a difficult issue.

**Charles EVERIST:** Well, we have done it before. We have operated under a GST now for 20 years. It is worthwhile now having a look at it, going 'How is it working?' And I think that is the issue. Everyone has gravitated to the land tax answer because everyone believed that the GST was too politically difficult. Well, it takes a bit of political courage and a bit of political will. That was shown by leaders back when the GST was brought in, and there should be nothing stopping a bit of leadership on this issue.

**David LIMBRICK:** So you would be advocating for the federal government to initiate a review of the GST arrangements in conjunction with the states. Yes, okay.

**Emma GERMANO:** And to finish the work that was initially intended – we were not supposed to have all of this duplication of tax. We got the GST. It ended up being an extra, and that work of cleaning up all of the state taxes that are expensive even to collect, and confusing –

I mean, we were looking through exemptions today and trying to understand where the regional exemptions to stamp duty are and where they are not and whatever else. Ultimately the GST was put in place, and it should have cleaned up all of those extra taxes. They have not been cleaned up, and I think part of the political will is convincing the community that we are not just adding more tax all of the time. People out there in the community do not want to have more and more taxes all of the time – not just from the perspective of the cost to the hip pocket and not just from the perspective of how efficient the government or the bureaucracy is at actually delivering the services that the taxes are paying for but also from the perspective of the red tape that it creates trying to do business transactions and buying houses and all of these different things. There are so many different factors to try and consider now, and there is just tax after tax after tax. We have, you know, tax on top of taxes, and it makes it really difficult to do business and go about your livelihood.

**David LIMBRICK:** Thank you.

**The CHAIR:** Thanks, Mr Limbrick. Mrs McArthur, I am sure you have got some questions.

**Bev McARTHUR:** First of all, thank you, Emma and Charles, very much for being here today. It is like a breath of fresh air. I have been the stuck record asking all the so-called experts who are fully engaged in advocating for a new tax how they have done their modelling and how it would affect agriculture – and I do not think they have even thought about it. So it is important that we learn how the agricultural community and farmers are price takers, not price makers – and this would be an added cost to the bottom line which you cannot necessarily pass on like even a landlord perhaps could, because you are subject to the variance of the market, as you have suggested.

Just let us go to the GST issue, because I was around when that work was being done. One of the most important things about a goods and services tax was that you did not have exemptions, to make it simple. So broadening the base – because it is on 40 per cent of goods and services now and declining – would seem like a logical way to move rather than increasing the rate. But you are very adamant that it should not be on fresh food – it might be on a whole lot of other things. So I think you have probably made your point there, but is a \$1 million threshold a viable amount for an exemption? I would not know what property you could buy to go into the farming community at \$1 million. It would be a hobby block almost, would it?

**Emma GERMANO:** Perhaps to the point that you have made about having had multiple organisations present to you and them having come up with something that they think is politically palatable, that may have been how we set that rate – thinking about expanding and also not wanting it to look like farmers are always asking for a handout. This is not about asking for a handout for young farmers; this is about putting in good policy that actually encourages young farmers to go onto farms. We might have had a little bit of a discussion about whether or not that rate was adequate. It would be a great starting point, and it would be better than where we are right now, but perhaps the committee should consider the average value of farmland around Victoria and think about setting that threshold at a point that might be higher than where we have suggested, at the \$1 million and the sliding scale after that. We would be more than happy if you raised that threshold to \$3 million or \$5 million, which is about how much you need to fork out to get a farm of scale.

**Bev McARTHUR:** Yes. What would you also say to the committee, that having this tax applied to agriculture may well mean that you put farmers out of business and therefore you will impact the supply of food and fibre and other things into the market. Would you like to comment on that?

**Emma GERMANO:** Yes. Just from the example of my own property: if it was at 1 per cent per annum, I would be looking at \$40,000 or \$50,000 a year, and that is a large sum of money that is really difficult to put into the price of cauliflowers or livestock. We have got a lot of farmers changing the way that they do production already. There are so many factors impacting primary producers and their viability, and of course we only need to move into a period of time, like we have seen, when there are either disasters like floods or fire or drought that can take farmers years upon years to actually recover from. Firstly, they need to financially recover and fix up their properties back to where they were prior to a natural disaster, and then of course there is the mental toll that has on farmers. I think it is really interesting that we seem to have a disconnect. Research has demonstrated that farmers are the most trusted career or industry that there is in Australia. In an environment now where –

**Bev McARTHUR:** Obviously, they are way ahead of politicians.

**Emma GERMANO:** They are way ahead of politicians and the media, which may be fair. I think it is interesting that we recently saw a survey come out where 30 per cent of farmers that responded to the survey said that they had either attempted or considered suicide. I think that is an exorbitant number, and it is disproportionate to the rest of the population. I think what that shows is the isolation that farmers feel and the difficulty of actually getting to services. Also the policy decisions that are put in place – whether by local government, state government or federal government – often do not reflect how the community values agriculture. In just about every case our position is that, yes, we advocate to make farmers lives better and make their businesses more viable, but ultimately any advocacy that we do at any level is actually for every member of Victoria and indeed Australia. It is the food that you eat and the fibre that you clothe yourself with. We would say that we are an industry that is for the good of everybody, and any pressure that is put on the industry ultimately undermines the food security of Australia.

**Bev McARTHUR:** Thank you. That is all for the moment, Chair.

**The CHAIR:** Thank you, Mrs McArthur. Mr McIntosh, do you have any questions?

**Tom McINTOSH:** Yes, I do. Thanks very much for being here today. I am definitely glad, reading through the submission, of the mention of family farms and young farmers and the percentage – that 90 per cent. In fact I grew up on a farm myself. In fact just in the last meeting – sorry, on the last sitting day that we had here as a committee – I was advocating and talking about smaller size farms and the benefit that they have for communities. I was just hoping you could expand a little bit. That \$10,500 a hectare – if you are talking, say, \$1 million, that is about 100 hectares. I was just having a look through to see if there is any data – I imagine it would be very hard to get, so feel free to talk anecdotally – about the average-sized farm, whether that is by hectares or dollar value, and how many people we think might be impacted or would benefit from that rise in the concession amount.

**Emma GERMANO:** It is a really difficult question to answer, Mr McIntosh, and without being too cheeky I would say it is not the size of the land but what you can do with it. My farm is about 300 acres in size, and sorry I still speak in acres, like my dad –

**Tom McINTOSH:** So do I, actually. I had to get the hectare converter out the other day.

**Emma GERMANO:** I still cannot work it out. I always get confused when I do it backwards, so I just talk in acres because at least I can show the proportion. A 300-acre property out in the western districts to grow a broadacre crop on would not get you very much crop and would not be of any value whatsoever. It is really difficult to talk about it from the perspective of the land value per hectare. Even the difference between broadacre dry land versus high-rainfall, horticulturally high productivity soil – that is going to be a totally different amount. In different regions around the state of course it is different too. So it is difficult to talk about it from the perspective of either dollar value per hectare or indeed the dollar value of a farm, because to Mrs McArthur's point, a million bucks is not getting you very much farm anywhere around the state. But to your earlier point, some of the small farms that are part of the fabric of Victorian agriculture also contribute to food security. So yes, if the committee agrees that the threshold should be put up, you certainly will not get any argument from the Victorian Farmers Federation.

**Tom McINTOSH:** No worries.

**Emma GERMANO:** An interesting report, to find some of that data, the farmland values report that is put out by Rural Bank is really helpful. It kind of breaks it down into regions around the state and compared to farmland values across Australia and across commodity groups.

**Tom McINTOSH:** Yes. Great, okay. Thank you very much.

**The CHAIR:** Thank you, Mr McIntosh. Do any committee members have further questions? I have checked with everyone, so to you, Mrs McArthur.

**Bev McARTHUR:** It is only me, right? You have commented on council rates being a problem for the farming community, because in most of the rural municipalities that are in my electorate, the rural component – the farming component – is picking up the majority of rates to fund the local municipalities. I am not sure that everybody is aware that the valuations are being done by the valuer-general, not by, as used to happen, a local

valuer who might have had far more local knowledge about what the real potential value of that property was. They are just doing it from an office down here somewhere – probably over there. So that is unrealistic as well potentially and causing the valuations of properties to be just based on the sale next door, which might have been turned into a housing development or something. That is impacting dramatically on the increased costs that you are bearing in terms of rates. Would you like to comment on that?

**Charles EVERIST:** Most certainly, Mrs McArthur. I think when it comes to the way valuations occur now, farmers are beyond frustrated. It seems to be that the way that valuations are done is that they drop a watermelon from a cherry picker onto a Twister board and that is how they do it. Yes, I understand that they use mass aggregate data and it is largely desktop reviews, but it certainly shows the issue in the shift to annual valuations and the lumpiness that that creates and the unpredictability. In terms of rate notices for farmers, it is very hard and, particularly in the western district, very difficult to predict what your rates are going to be year on year. It is a fixed cost in the business. It has to be paid. It does not matter if there is a drought or a bushfire, you have got to pay it. The valuation system in the state certainly needs a look at.

**Emma GERMANO:** And ultimately it is a completely arbitrary way to set a tax, because it is a tax by any other name.

**Bev McARTHUR:** So we have got a real problem, haven't we? We have got a tax system that is really unjust, especially in the rural communities, the council rates and then potentially this annual tax which you might have no capacity to pass on, so you potentially have to exit the market or not increase your ability to be productive by buying extra land.

**Emma GERMANO:** That is right. And I guess the real danger of that is if you create a tax base, an annual tax base that has to be paid every year, it is all well and good that, you know, one person might go out of business; we might say someone who is better at doing business can come in. But when we get to the point where you are making a farm not viable – if a farm becomes unviable, ultimately the people who will be purchasing farms will be purchasing farms for different reasons and potentially not for the purpose of primary production and producing food on that land. And I think it is just so important for us to always remember that what we are doing on our farms is producing food. It seems that there has become quite a disconnect between the metropolitan community and regional Victoria, and even people out in the regions who are not farmers sometimes do not know where their food comes from or the difficulty to get that food from the paddock to the plate.

This sort of tax, if it was a 1 per cent tax on an annual basis on my property, would make it very, very difficult to be viable as a farmer. We also have to talk about the return on the risk that farmers take, because we face a whole bunch of risks that other businesses in the community do not face. Ultimately we get paid for taking those risks, but there does come a point in time when the risk is disproportionate to the reward. And in an industry where we are struggling to get participants all of the time – in fact over the last 10 years we have seen the average age of the farmer increase by 10 years – we as a community have to have a very meaningful conversation about ensuring that agriculture and land ownership is seen as a very viable decision for young people, you know, whether they are young people that come off farms to get them to come back to the farm and take on that legacy from the family or indeed first-generation new entrants into farming.

We have to ensure as a community that we are thinking about it from the perspective of it is not just about business people, because I could go off and I could invest my time and my money into lots of other businesses, but I have chosen primary production, and that ultimately means that the job that I do is producing food for the community. We do not ask for special treatment, but what we do say is there is a special purpose to the businesses that we run, and that needs to be taken into consideration because it is for the benefit of the whole community.

**Bev McARTHUR:** You are also potentially looking at a tax on cows farting, aren't you? How will that play out?

**Charles EVERIST:** We are certainly not looking at that.

**Bev McARTHUR:** Would you like to comment on that potential extra burden on your bottom line, not on the cauliflowers but –

**Emma GERMANO:** The cauliflowers – actually I will admit that when you drive past my farm it does often smell like a giant fart, so I am not sure if we may end up being taxed on that too. I am not sure. But I think the point that you raise demonstrates the complexities that farming businesses and the industry face over time, because, yes, there are all sorts of pressures that are coming down the line, and ultimately farmers are always at the forefront. Every bit of progress that we have made towards reducing emissions on our farms has been because of research and development that has been put in place by the farming community and paid for via levies from the farming community, and we are always of course in a process of continuous improvement and taking it very, very seriously that the job that we do is one that is trusted by the rest of the community and that we do it in step with the expectations of the community.

**Bev McARTHUR:** And just for the record, you are the best conservationists and the best animal welfare experts.

**The CHAIR:** Okay. Mrs McArthur, I have been very generous with your line of questioning. Do you have any questions relevant to the terms of reference?

**Bev McARTHUR:** No. We just want to confirm that we do not like stamp duty or property tax, but we would happily broaden the goods and services tax excluding fresh fruit and vegetables.

**The CHAIR:** Thank you, Mrs McArthur. Does anyone else have further questions? No. That concludes the public hearing. Thank you very much for coming along today and presenting.

**Emma GERMANO:** Thanks for having us.

**Committee adjourned.**