

WHY ABOLISH SECTION 42?

Section 42 of the Land Tax Act in Victoria permits landowners to make their tenants liable for land tax. In S.A. the Government has outlawed provisions in leases which permit landlords to make shopkeepers liable for land tax. Mr. Roland Staub in his informative article on Land Tax (**Progress, Feb. 1991**) urges the Victorian Government to do the same. He clearly thinks that abolishing S. 42 will stop landlords passing on land tax increases at will to their tenants.

Yet, considering the way rents are set, others could wonder what good abolishing Section 42 will do. The tenant *only* pays rent – no matter what form it has. And this rent is set commercially. If he pays “outgoings” then he pays less “rent” to compensate this. The tenant is even happy to pay increases; a rise in land tax usually goes with a rise in earnings. The trouble here of course is that this did not happen. Nonetheless, despite the temporary shock, rents did not rise either in Melbourne or in Sydney to absorb the rises in land tax which have occurred in 1990 and in 1991. They were not passed on.

To urge the Victorian Government to abolish S. 42 may win popularity with shopkeepers but can it achieve more than this?

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