



**Appendix H – Tax measures and policy instruments used to promote biodiversity conservation on private land**

**Table 1 Comparison of Australian and American Tax Treatments**

<b>Tool</b>	<b>US Situation</b>	<b>Australian Situation</b>	<b>Changes Required</b>
<i>Mechanisms that Involve Conservation Covenants</i>			
Donation of Conservation Covenants	Deduction of the difference in land value before and after the covenant is entered	Not currently, although may be allowable under existing gifting provisions if a statutory covenant is considered property. Requires a test case.	Confirm current situation and make legislative changes if required.
Deduction of managements costs	No	No – unless carrying out a business on the land	Give access to the 34% Landcare rebate to land covered by a conservation agreement
Negative gearing and primary producer status	Not applicable	No	Allow negative gearing of properties covered by a conservation agreement  Give landholders who enter conservation covenants primary producer status for tax purposes
State Government land tax	Exempt in many US States but not all	No exemption provided	State governments would be required to exempt land covered by a conservation covenant
Local Government Rates	Exempt in many US States but not all	A small number (less than 15) local governments provide rate exemptions  NSW Voluntary Conservation Agreements are exempt from rates	State governments would be required to exempt land covered by a conservation covenant

<b>Tool</b>	<b>US Situation</b>	<b>Australian Situation</b>	<b>Changes Required</b>
Revolving Funds	Exempt from land sales taxes and charges in some States	Only Trust for Nature (Victoria) and State agencies are currently exempt	Allow Conservation Trusts to enter conservation covenants  Exempt registered Conservation Trusts from stamp duty, taxes and charges associated with the purchase and sale of land
<i>Other Financing Options</i>			
Bargain sale of Land	Deductible Capital Gains exempt May be apportioned over 5 years	Current taxation arrangements do not allow for bargain sales	Allow the gap between sale price and full market value to be a tax deductible gift  Capital Gains exemption Apportionment over five years
Landswaps and Exchanges	Does not trigger capital gains tax	Capital gains tax would be triggered by the disposal and acquisition of assets	Allow capital gains to be rolled over negotiated land swaps
Capital gains roll-over for land voluntarily acquired	Proceeds may be reinvested in similar capital (ie land) within two years provided a government agency has committed to compulsorily acquire the land in the absence of voluntary sale	No arrangements in place	Allow capital gains roll over for properties voluntarily sold to conservation trusts
Donation of land with retained right of occupation	Donation of the value of the land is allowed over five years and is capital gains tax exempt	May be deductible but is untested	Allow deduction for the donation If land with retained right of occupation  Capital gains tax exemption Apportionment over five years
Conservation annuities, bonds and shares	Receive favourable taxation treatment especially in relation to capital gains and estate taxes	Only deductible once annuity, bond or shares mature/are sold	Allow donations of principal to be deducted over five years

Tool	US Situation	Australian Situation	Changes Required
			Exempt from capital gains tax Treat life time annuities as income

Source *Philanthropy: Sustaining the land, The Ian Potter Foundation, Melbourne, 1999, pp. 11-12.*

Table 2 Policy instruments used to conserve biodiversity

Category of conservation measures	Description	Measures	Example
<b>Command and control</b>	Approaches aimed at direct regulation over resource use. This form of policy usually entails the specification of standards expressed in the form of allowable effluent emissions, ambient concentrations, or technical specifications. They require the involvement of a central authority to monitor behaviour and impose penalties for non-compliance.	<u>Restrictive zoning regulations</u> : these can be used to restrict or define land uses within certain areas. Potentially damaging activities are excluded from areas with high biodiversity values.	Victorian Planning and Environment Act, 1987.
		<u>Mandatory management specifications</u> : the regulation of activities that must be undertaken when resources are used in specified ways.	Forestry regulation and codes of practice.
		<u>Direct liability</u> : polluters are made legally liable for environmental damage, therefore creating an incentive to adopt environmentally friendly practices or potentially pay damages.	The use of civil actions as in the case of the Exxon oil spill in Alaska.

<b>Category of conservation measures</b>	<b>Description</b>	<b>Measures</b>	<b>Example</b>
		<u>Direct intervention</u> : acquisition of land deemed to have significant conservation values by the crown. Where the crown takes land a purchasing price is normally agreed based on crown evaluation.	Western Australian Public Work Acts 1902, allows the acquisition of land necessary conservation to be purchased by the Governor.
		<u>Precautionary standards</u> : minimum standards that must be satisfied by law in order to avoid regulatory penalties.	Victoria's no-net loss by 2001 objective
		<u>Resource use quotas</u> : regulation of the level of allowable exploitation of natural resources. Note: if quotas are transferable then they would be considered an economic instrument, see below.	Current restrictions on scallop harvest.
		<u>Enforcement fines</u> : fines used in conjunction with the measures above aimed at acting as a punishment for non-compliance with regulatory specifications.	Fines payable for unapproved native vegetation clearance under the Planning and Environmental Act, 1987.
		<u>Taxes and levies</u> : taxing of environmentally harmful activities to increase the cost of the activity and discourage unwanted behaviour.	Tax on fertilisers aimed at increasing their cost and reducing their use.
		<u>Tax concessions (reform)</u> : indirect payment to those that undertake activities that assist in biodiversity conservation	Reduction in local government rates, accelerated depreciation, deductible donations, and reduction in local rates for protecting native vegetation.
		<u>Subsidies</u> : direct payment to individuals or groups to undertake biodiversity conservation activities.	Goulburn Broken cost sharing arrangements and environmental work grants.
<b>Economic Instruments</b>	Economic instruments rely on market-based signals, such as prices, to provide incentives to land managers to protect biodiversity.	<u>Tradeable property rights and market creation</u> : identification and specification of property rights or group of rights that can be traded between economic agents in a market place.	Tradeable development rights, tradeable conservation contracts.

<b>Category of conservation measures</b>	<b>Description</b>	<b>Measures</b>	<b>Example</b>
		<u>Auctions</u> : allocation of contract or quotas on the basis of competitive bidding. Auctions are particularly useful for the allocation of resources for which there are no established markets such as those established with the creation of new property rights.	US Conservation Reserve Program
		<u>Bio-prospecting</u> : the search of ecosystems for genetic material with the potential to be commercialised. Prospecting agreements provide payment to a country for the right to access the country's biodiversity and commercialise products if they are found to have a marketable use.	Arrangement between the Victorian government and a private company for Victorian plant material.
		<u>Offset schemes</u> : schemes aimed at ensuring environmental damage incurred as a result of an activity is 'offset' by another environmentally beneficial activity.	Agreements between landowners and NRE where certain works are permitted subject to the provision of offset works such as the fencing of wildlife corridors in other areas of the property.
		<u>Cross-compliance</u> : the provision of support for one objective subject to the compliance with another.	The payment of drought assistance subject to the repairing of fences along roadside reserves.
<b>Suasive measures</b>	These measures are aimed at changing the perception and priorities of landholders by increasing awareness about the environment, and its management. They can be initiated and run by governments, environmental interest groups, or a combination of the two.	<u>Extension programs</u> : programs aimed at improving environmental management skill.	Elements of the Land for Wildlife program.
		<u>Research programs</u> : aimed at improving our understanding of the biophysical relationships that exist in the environment. This information can, in turn, be used to improve the effectiveness of management policies.	Land and Water Research and Development Corporation's research and development programs.
		<u>Education programs</u> : aimed at improving knowledge and appreciation of environmental amenities, systems processes, and values.	The Living Systems project.

<b>Category of conservation measures</b>	<b>Description</b>	<b>Measures</b>	<b>Example</b>
		<u>Prizes and awards</u> : formal, public recognition of voluntary commitment to environmental conservation. May be used by companies to differentiate their products.	ISO 14 000, Environmental Management System, Eco-Labeling.
<b>Community Action Measures</b>	Voluntary measures taken by individuals or collective groups aimed at providing, improving or managing conservation areas. these can be supported by government or initiated and managed without government involvement (or both).	<u>Voluntary covenant</u> : binding agreements entered into by landowners that are attached to the property title and restrict the individual's current and future land use.	Trust for Nature Covenants
		<u>Locally based community groups</u> : governments can assist the operation (e.g. through the provision of money or training) or formation of community conservation groups. These groups can then undertake localised environmental programs.	National park friends groups, Environmental Corps, Landcare groups, Bushcare groups.

Source Department of Natural Resources and Environment, Submission to the House of Representatives Standing Committee on Environment and Heritage Inquiry into Public Good Conservation, Submission no. 235, Appendix 1, pp. 41-43.