

Victorian State Budget 2008 Tax Review

Land Tax Reductions

Land Tax payers in Victoria will benefit from changes to the Land Tax rates and thresholds as follows:

- The top rate of land tax will decrease from 2.5% to 2.25%
- Land tax exemptions will be extended to include facilities which provide services to young Victorians with disabilities.
- Land tax thresholds will increase by 10% so that Land Tax Rates and thresholds for the 2009 Land Tax year will be as follows:

2009 General land tax scale

<i>Unimproved land value</i>	<i>Land tax payable</i>
Up to \$250 000	Nil
\$250 000 - \$599 999	\$275 plus 0.2% for each dollar over \$250 000
\$600 000 - \$999 999	\$975 plus 0.5% for each dollar over \$600 000
\$1 000 000 - \$1 799 999	\$2 975 plus 0.8% for each dollar over \$1 000 000
\$1 800 000 - \$2 999 999	\$9 375 plus 1.3% for each dollar over \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% for each dollar over \$3 000 000

2009 Special trusts land tax scale

<i>Unimproved land value</i>	<i>Land tax payable</i>
\$0 to \$24 999	Nil
\$25 000 to \$249 999	\$82 plus 0.375% for each dollar over \$25 000
\$250 000 - \$599 999	\$926 plus 0.575% for each dollar over \$250 000
\$600 000 - \$999 999	\$2 938 plus 0.875% for each dollar over \$600 000
\$1 000 000 - \$1 799 999	\$6 438 plus 1.175% for each dollar over \$1 000 000
\$1 800 000 - \$2 999 999	\$15 838 plus 0.7614%* for each dollar over \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% for each dollar over \$3 000 000

First Home Bonus for constructing homes in Regional Victoria

The First Home Bonus will be extended to offer an additional \$3,000 grant to purchasers of newly constructed homes for those eligible for the First Home Bonus in regional Victoria.

Currently, a Bonus of \$3000 for existing homes, or \$5000 for new homes, is available across Victoria in addition to the \$7000 First Home Owner Grant. The new \$3000 regional bonus is additional to the existing \$12,000 available for newly constructed homes valued under \$500,000.

The regional Bonus is available for eligible contracts entered into on or after 6 May 2008.

Stamp Duty Changes

The Victorian Government's changes will result in savings on duties on land transfers, and provide further concessions for first home buyers across the State. Budget initiatives include:

- Duties thresholds will be adjusted by around 10% (for duty on land transfers, Principal Place of Residence (PPR) concession, and Pensioner and Concession cardholder's concession thresholds). See below for further details.
- For the first time those eligible for the First Home Bonus will also receive the benefits of the PPR duty concession.
- A new exemption will be introduced for declarations of trust establishing special disability trusts, and for transfers of land into existing special disability trusts.
- For business, the existing corporate reconstruction duty exemption has been extended to apply to restructures of stapled entities in specified circumstances (from 1 July 2008).

All duty on land transfer and Bonus related measures will take effect for contracts entered into on or after 6 May 2008.

Stamp Duty Concession for First Homebuyers

The 2008-09 Budget delivers assistance to first homebuyers by enabling them to receive both the First Home Bonus and the principal place of residence (PPR) stamp duty on land transfers concession. This reform offers progressively rising savings on the duty payable to first home purchases valued between \$115 000 and \$550 000. A first homebuyer purchasing a median priced house in Melbourne (\$432 500) will receive a 17 per cent cut in land transfer duty, delivering a saving of \$3 615.

Eligibility

- The PPR concession will *only* be available to eligible purchases valued up to \$500,000, reflecting the eligibility conditions of the Bonus.
- The FHOG is provided to eligible first homebuyers, irrespective of the value of their property purchase.

Stamp duty on land transfers – threshold adjustments

The 2008-09 Budget delivers an adjustment of around 10 per cent to all thresholds of the general stamp duty on land transfers, PPR concession, and pensioner and concession cardholder's concession rates.

The PPR duty concession thresholds will be increased as follows:

- the lowest concession threshold increases from \$20 000 to \$25 000
- the mid-range concession thresholds increase from \$115 000 to \$130 000, \$400 000 to \$440 000 and \$500 000 to \$550 000; and
- the highest concession threshold increases from \$870 000 to \$960 000

This reform represents the first major revision of the general stamp duty on land transfer thresholds in 10 years and offers a saving of \$440 on the duty payable to non-first home purchases valued between \$130 000 and \$400 000, progressively rising to a maximum saving of \$3 690 for non-first home purchases valued over \$400 000 up to \$550 000.

Non first-home purchases valued above \$550 000 up to \$870 000 receive a \$590 saving on the duty payable.

New PPR stamp duty on land transfers concession rate scale

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 - \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 - \$440 000	\$2 870 plus 5% of the value in excess of \$130 000
\$440 001 - \$550 000	\$18 370 plus 6% of the value in excess of \$440 000
\$550 001 - \$960 000	\$28 070 plus 6% of the value in excess of \$550 000
\$960 001 and over	5.5% of the value of the property

Pensioner and Concession Cardholder Concessions

The 2008-09 Budget also increases the pensioner and concession cardholders' duty concession thresholds. The threshold for a full stamp duty on land transfers concession increases from \$300 000 to \$330 000 and the threshold for a partial concession increases from \$400 000 to \$440 000. Pensioners and concession cardholders also benefit from the PPR stamp duty concession.

Individuals holding a Pensioner Concession Card, a Centrelink Health Care Card, or a Department of Veteran Affairs Gold Card are all eligible for the concession, provided the applicant has not previously received the concession.

Eligible pensioners who also qualify for the First Home Bonus can choose to take either the First Home Bonus or the pensioner concession.

Payroll Tax

In the 2008-09 Budget, the already scheduled reduction in the payroll tax rate from 5.05% to 5% will be reduced by a further 0.05 percentage points to 4.95%, effective from 1 July 2008.

WorkCover

The Victorian Government has announced a further 5% cut in WorkCover Premiums.

The savings will be shared across employers according to their industry's claims performance – and for larger employers, their own claims performance.