

Spotlight on Spending

VIC State Budget

Property - Key takeaways

Increase land tax rates for high-value landholdings

From 1 January 2022, the land tax rate will increase by:

- 0.25 percentage points for taxable landholdings between \$1.8m and \$3m; and
- 0.3 percentage points for taxable landholdings exceeding \$3m.

This change will apply to both the general and trust surcharge rates.

Increase the tax-free threshold for land tax

- From 1 January 2022, the tax-free threshold for general land tax rates will increase from \$250,000 to \$300,000.
- This means for land not held on trust, land tax will only be payable if the total taxable value of Victorian land is equal to or exceeds \$300,000.
- The trust rate scale will remain unchanged.

Premium duty rate for high-value properties

For contracts entered into from **1 July 2021**, a **new land transfer duty threshold** for high-value property transactions will be introduced.

For property transactions with a dutiable value above \$2m, the land transfer duty payable **will increase to \$110,000 plus 6.5 %** of the dutiable value in excess of \$2m.

Windfall gains tax for high-value landholdings

From **1 July 2022**, a tax will apply to large windfall gains associated with planning decisions to rezone land.

The total value uplift from a rezoning decision will be taxed at 50% for windfalls above \$500,000, with the tax phasing in from \$100,000.

The tax is payable on re-zonings across Victoria except on re-zonings to and from the Urban Growth Zone within existing Growth and Infrastructure Contribution areas, and Re-zonings to Public Land Zones.

The tax applies to re-zonings between zone types rather than between zone sub-categories.

Off-the-plan duty concession- temporary increase to \$1m

For contracts entered into from 1 July 2021 to 30 June 2023, the threshold for the off-the-plan concession for land transfer duty will increase to \$1m for all home buyers. Consistent with existing eligibility requirements, the property must be the principal place of residence for at least one of the purchasers.

This increase will mean that the dutiable value of the property (the contract price minus the construction costs incurred on or after the contract date) can be up to \$1m.

Transfer duty concession for new residential property within the Melbourne local government area

A temporary concession of up to 100% of the land transfer duty payable will be provided on the purchase of new residential property which has remained unsold for 12 months since completion in the City of Melbourne local government area, with a dutiable value of up to \$1m.

For new residential property that has been unsold for less than 12 months since completion, a 50% concession will be provided. The exemption/concession excludes any foreign purchaser additional duty.

The 50% concession will be in place for contracts entered into from 1 July 2021 to 30 June 2022, and the 100% concession will be in place for contracts entered into from 21 May 2021 to 30 June 2022 (inclusive).

Vacant residential land tax exemption for new developments

From 1 January 2022, the vacant residential land tax exemption for new developments will be extended to apply for up to two years following the completion of a newly constructed dwelling.

Removal of land tax exemption for private gender-exclusive clubs

From 1 January 2022, private gender-exclusive clubs will no longer be eligible for the land tax exemption for societies, clubs or associations.

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Opportunities

- The proposed increases in transfer rates do not apply to arrangements entered into before 1 July 2021
- There are opportunities for projects that are currently underway to bring forward sales to take advantage of existing rates
- For developers with unsold stock in the city of Melbourne, they may be able to take advantage of an exemption or concession of duties for new homes of up to \$1m
- For developers with off-the-plan sales, they can take advantage of the temporary increase in the cap for the off-the-plan concession.

Our review



2/5 – Not enough in the plot

While there are large increases in property taxes, there are also few incentives for inner city developers.



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