

VIC State Budget Fast Facts

Take the lead

23 May 2023

State taxes reform and changes

Transitioning from stamp duty to an annual property tax for commercial and industrial properties

- Stamp duty for commercial and industrial properties will be transitioned to a property tax system with the transition period to commence on 1 July 2024
- The first purchaser of a commercial or industrial property after 1 July 2024 will be able to choose to either:
 - pay the property's final stamp duty liability as an upfront lump sum, or
 - transition to an annual payment immediately by opting to pay fixed instalments over 10 years equal to stamp duty and interest with a government-facilitated transition loan.
- Once a commercial and industrial property enters the property tax system, the annual property tax will apply at a flat 1% of the property's unimproved land value after the 10-year transition period expires (no duty will be paid on subsequent transactions on that land).
- Currently there is limited detail about the application of the provisions and transitional measures, and it is expected that more detail will be released later in 2023. SW will monitor the announcements and provide updates to clients.

Payroll taxes

- From 1 July 2024 the payroll tax-free threshold will be lifted from \$700,000 to \$900,000 and from 1 July 2025 there will be a further increase in the tax-free threshold to \$1m.
- The deduction associated with the tax-free threshold will begin phasing out for every dollar of wages above \$3m. This means businesses with wages above \$5m will not receive any benefit associated with the payroll tax-free threshold..
- The payroll tax exemption for high-fee non-government schools to be removed from 1 July 2024.

Business insurance duty

- Business insurance duty to be abolished over a ten-year period commencing 1 July 2024.
- The rate will decrease from the current 10% by 1 percentage point each year.

Workcover

- Premiums paid by organisations will move to an average of 1.8 per cent of remuneration. It is expected that legislation will be released later in 2023 to implement the changes.

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COVID Debt Levy

The COVID Debt Levy will consist of the following two components:

1. Payroll tax

- From 1 July 2023 until 30 June 2033, businesses with national payrolls above \$10m a year will temporarily pay additional payroll tax levy of:
 - 0.5 per cent for businesses with national payrolls below \$100m, and
 - 1.0 per cent for businesses with national payrolls above \$100m.
- The additional levy will be paid on the Victorian share of wages above the relevant threshold.

2. Land tax

- From 1 January 2024 until 30 June 2033:
 - The tax-free threshold for general land tax rates will decrease from \$300,000 to \$50,000.
 - A temporary fixed charge of \$500 will be levied on taxpayers with landholdings between \$50,000 and \$100,000, and a temporary fixed charge of \$975 on taxpayers with landholdings between \$100,000 and \$300,000.
- In addition to the \$975 fixed charge, land tax rates will

temporarily increase by 0.1 percentage point for the following property holdings:

- for general taxpayers with land over \$300,000, and
- for trust taxpayers with property holdings above \$250,000.

Absentee Owner surcharge

- From the 2024 land tax year, the absentee owner surcharge rate will increase from 2 per cent to 4 per cent and the minimum threshold for non-trust absentee owners will decrease from \$300,000 to \$50,000. (The threshold for land held by an absentee trust remains unchanged at \$25,000).

Betting taxes

- The wagering and betting tax rate will increase from 10% to 15% of net wagering revenue from 1 July 2024.

Key takeaways

- Larger businesses and landlords will have to pay additional taxes to help the Government repay the COVID debt.
- The Government continues to invest in education and healthcare as this remains a key focus.
- Certain infrastructure projects have been paused such as the Melbourne Airport Link. However, the Government continues to invest in road upgrades and railway networks.

Opportunities

- Investors in commercial and industrial properties should be able to retain more cash on the acquisition of the property, to invest in other business ventures.
- Small business will be able to access higher payroll tax-free thresholds.
- The government has funded reforms to Precinct Structure Plans to increase supply of housing developments in Victoria.
- The Government is investing in future focused industries – advanced manufacturing, agri-food, the clean economy and health and life sciences to encourage R&D in these sectors.



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We score it: **2/5**



The government lent a helping hand to Victorians during the pandemic, and now it's payback time.

We'll be supporting them with our hard-earned money, like a never-ending sequel where we play the role of the generous taxpayer.

