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DW Legal

The PROPERTY INSIDER

PROPERTY ESSENTIALS FOR STAYING AHEAD

In this Edition

Values Decline While Taxes Rise – Beware of Land Tax

We all know about the decline in the State's property market. According to the State Government, the decline has blown a hole it its taxation revenue projections for 2009 - 2010 to the tune of $1.4 billion. This is largely due to a sharp decline in transfer duty revenue.

So how has the Government planned to recover the loss of revenue? The recent State Budget revealed that Government has increased overall land tax by 29.7% to $1.047 billion – the first time in Queensland's history that the land tax load has passed the billion dollar mark.

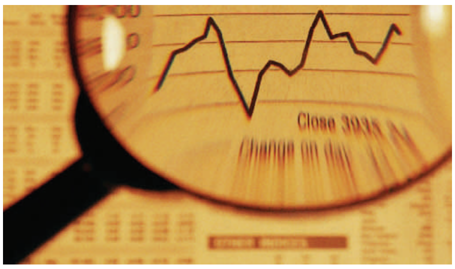
Land tax is a tax on freehold land. For land tax purposes 'land' includes: vacant land, land that is built on, lots in building unit plans, lots in group title plans, lots in a time share scheme, and lots owned by a home unit company.

Land tax is assessed on the taxable value of an owner's total land holdings. The Government will add up the value of all land that you own in Queensland at 30 June. The taxable value will be the total value of your unimproved land (assessed as though nothing is built on it), less any exemptions or deductions that you have claimed. You must pay land tax if the total land tax value of land you own in Queensland at midnight 30 June exceeds the relevant threshold. The value of your unimproved value of land is determined by the Government

A resident individual may need to pay land tax if the total relevant unimproved value of the freehold land owned is $600,000 or more. A company, trustee (including trustee/s of deceased estates) or an absentee may be liable for land tax if the total relevant unimproved value of the freehold land is $350,000 or more.

The latest analysis of interstate land tax increases over the last 2 years by the Property Council of Australia reveal that Queensland is the only State that increased its land tax take by 30%. By comparison, New South Wales and Victoria have seen an increase of 3% and decrease of 2%, respectively. The Queensland Government chose not to undertake revaluations – despite the well publicised decline in the market - taking advantage of the land taxation process to ensure that the land tax revenue is increased.

The Government has retained the land tax surcharge announce in December 2008 – and now plans to continue it until at least 2013. An additional $240 million in land tax will be collected from the property industry in the 2009 – 2010 year.



So, while real values are declining, the land tax payable is staying high or increasing. Therefore, careful thought needs to be given on land tax when buying or selling property. Budgeting and structural planning are essential for savings on land tax, and your overall tax and asset position. Should you require any further information, please feel free to contact us.

Crackdown on tax

The Queensland stamp duty office wants to investigate larger land owning companies to see if the correct stamp duty has been paid on share transactions. Developers, farmers, builders and any real estate company that had a change to their shareholders' register are possibly in line for an audit. As this is relevant now, we provide a short review of the more important points about this and things you need to know.

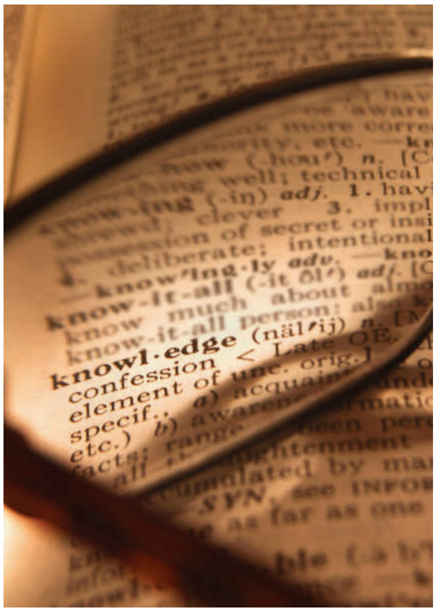
'Land Rich Duty' is stamp duty payable on share transfers but the amount of duty is assessed at the higher real estate rates, not share transfer rates. Currently, there is no duty on share transfers for non-listed companies in Queensland. However, there will be stamp duty payable for land owning companies where the company:

- Is not listed on a stock exchange;
- Owns more than $1m of Queensland land;
- Has 60% or more of its assets' value in land, wherever that land may be.

To be assessable, the share transfer itself must be of:-

- A majority interest in a land rich company; or
- An interest that, when combined with other interests owned by the person or persons related to the person over a three (3) year period, result in 50% or more of that company owned by the person; or
- If the person already owns 50% or more (by themselves or with related parties to that person) any further acquisition.

Clear records of all share transactions should be maintained. Please feel free to contact us to discuss assessing or paying duty. Exemptions and discounts apply to land rich duty in certain circumstances so please contact us for specific advice.



Easing the Tax Burden – New Developments

There are some positive recent developments on the property tax front to help ease the burden. Briefly, these are:

- ***Payment terms*** *- land tax bills can now be paid quarterly (previously they could only be paid annually). Also, owners who have to pay land tax now have 90 days to pay (out from 30 days).*
- ***Cap*** *- The 50% cap in annual increases for land tax has been continued.*
- ***Leases*** *- Commercial property owners are now allowed to negotiate for their tenants to pay the land tax, for leases starting after 1 July 2009. This will not apply to residential or retail leases.*
- ***Development*** *- the threshold for stamp duty on vacant land has almost doubled, saving first home buyers up to $5,675 on the purchase of vacant land. Transfer duty will be abolished for blocks of land worth up to $250,000 and the phase out concession will increase from $300,000 to $400,000.*

There are things that can be done to ease the burden of state taxes such as land tax and stamp duty. Please see us to take advantage of knowing the latest.

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