

# 2008-09 budget

## Land tax cuts

Since 1999 the Victorian Government has announced \$3 billion worth of land tax cuts (including those announced in the 2008-09 Budget) as part of an ongoing reform of the land tax system. These reforms have moderated the impact of property price rises on land tax bills and further improved Victoria's land tax interstate competitiveness.

### Land Tax Relief

As part of the 2008-09 Budget, the Government has announced further land tax reforms, which will provide around \$490 million in tax relief over the next four years.

There will be an adjustment to the land tax thresholds from the 2009 land tax year of around 10 per cent as follows:

- the lowest land tax threshold increases from \$225 000 to \$250 000;
- the mid-range land tax thresholds increase from \$540 000 to \$600 000; \$900 000 to \$1 million; and \$1.62 million to \$1.8 million; and
- the highest land tax threshold increases from \$2.7 million to \$3 million.

In addition, the top land tax rate will be further reduced from 2.5 per cent to 2.25 per cent from the 2009 land tax year. This reduction means the top land tax rate will have been more than halved in only five years, from 5 per cent in 2004, to 2.25 per cent in 2009. Further, the top rate will now only apply to those taxpayers with taxable land valued above \$3 million (up from \$2.7 million).

The Government's latest reforms will consolidate the land tax relief announced in the last four budgets and provide ongoing stability for the land tax system. It will benefit all Victorian land taxpayers and the increase in the tax free threshold (as a result of the one-off 10 per cent adjustment) will remove around 19 000 taxpayers from the land tax net in 2009.

As a result, virtually all Victorian businesses with landholdings valued between \$400 000 and \$5.7 million will pay less land tax than they currently would in New South Wales or Queensland (see table 1 below).

### Support Service Exemptions

The 2008-09 Budget also includes the extension of a land tax exemption to now cover facilities which cater to certain groups including young people with disabilities. This is in addition to the exemption already applying to aged care facilities, supported residential care services and rooming houses.

### Further Information

For further information, individuals should contact the State Revenue Office (SRO) at 121 Exhibition Street, Melbourne, 3000, telephone 132 161, or refer to the SRO website at [www.sro.vic.gov.au](http://www.sro.vic.gov.au).

Table 1 – Interstate Land Tax Comparison

Land Value	NSW	QLD (Companies)	Victoria 08 (Current)	Victoria 09 (New)	Savings (\$)	Savings (%)
\$225 000	\$0	\$0	\$250	\$0	\$250	100%
\$500 000	\$2 468	\$4 500	\$800	\$775	\$25	3%
\$1 million	\$10 468	\$12 375	\$3 480	\$2 975	\$505	15%
\$2 million	\$26 468	\$30 000	\$13 380	\$11 975	\$1 405	11%
\$2.7 million	\$37 668	\$40 500	\$22 480	\$21 075	\$1 405	6%
\$3 million	\$42 468	\$45 000	\$29 980	\$24 975	\$5 005	17%
\$4 million	\$58 468	\$60 000	\$54 980	\$47 475	\$7 505	14%

Table 2 – 2009 (onwards) 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

Table 3 – 2009 (onwards) 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

\*The surcharge phases out for landholdings in excess of \$1.8 million. For landholdings valued at or over \$3 million, the surcharge is zero and the normal marginal rate applies.