

state budget 2009-10

Assistance for homebuyers

The Victorian Government has implemented a number of reforms aimed at making home ownership easier for Victorians. This includes the 2006 election policy commitment to introduce a Principal Place of Residence (PPR) concession on stamp duty on land transfers.

The 2009-10 Budget initiatives are valued in excess of \$113 million over the next 4 years, consisting of:

- extending the First Home Bonus until 30 June 2010;
- retargeting the Bonus towards newly constructed homes;
- increasing the Bonus eligibility threshold from \$500 000 to \$600 000; and
- continuing to offer other homebuyer assistance such as the pensioner concession and PPR concession on land transfers.

Under the terms of the Intergovernmental Agreement on Federal Financial Relations, the Government is allowed to place a property cap on the \$7 000 First Home Owners Grant from 1 July 2009. For contracts entered into after that date the Grant will be limited to property transactions up to \$600 000. This enables the Government to provide more targeted assistance to first homebuyers.

First Homebuyers

First Home Bonus Threshold Adjustment

To ensure that the First Home Bonus is targeted at those who need it most, the Government has increased the Bonus eligibility property value cap to \$600 000 (from \$500 000). This reform offers more first homebuyers access to the assistance. Around 38 000 first homebuyers will be eligible for the Bonus in 2009-10, with an additional 1 500 first homebuyers being eligible due to the adjustment of the Bonus threshold.

Retargeting the First Home Bonus towards Newly Constructed Homes

The First Home Bonus initiative is being extended for both established and new homes. New arrangements apply for contracts entered into between 30 June 2009 and 1 July 2010.

In order to provide the necessary stimulus to the economy, the Bonus is being retargeted more towards new homes. The 2009-10 Budget offers \$11 000 for all new homes, an additional \$4 500 for new homes in regional areas; and a \$2 000 Bonus for established home purchases up to the value of \$600 000.

These one-off Bonuses are on top of the current \$7 000 First Home Owner Grant (FHOG). This brings the total grants available for Victorian first homebuyers to: \$9 000 for established home purchases; \$18 000 for new home purchases in Melbourne; or \$22 500, for new home purchases in regional Victoria. The Regional Bonus will apply to eligible first new home purchases located in regional Victoria (Attachment 2).

With the median house price for first homebuyers being around \$320 000, the combination of the \$7 000 FHOG and the Bonus offsets the cost of stamp duty and results in as many as 16 000 first homebuyers per year being effectively exempted from stamp duty.

While housing affordability has worsened over time, Melbourne is still the most affordable capital city on the Eastern Seaboard. Victoria is also the most affordable State in terms of rental affordability (Real Estate Institute of Australia). Regional Victoria is the second most affordable country region for first homebuyers in Australia, according to the HIA-CBA affordability report for the December quarter 2008.

Victoria has also recorded high levels of housing starts in recent years according to HIA forecasts. The increased Bonus will contribute to Victoria having the most housing starts over the next three years.

Ongoing Homebuyer Assistance

Eligibility for the principal place of residence duty concession

The 2009-10 Budget continues to deliver assistance to first homebuyers that were announced in the 2008-09 Budget by enabling first homebuyers to receive both the First Home Bonus and the principal place of residence (PPR) stamp duty on land transfers concession. This initiative is worth around \$65 million in 2009-10.

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 (\$410 000) will receive a 17 per cent cut in stamp duty, delivering a saving of \$3 390. (Table of savings – Attachment 1)

The PPR concession will be available to eligible first home purchases valued between \$130 000 and \$550 000, with up to 38 000 first homebuyers expected to benefit from this measure every year.

This measure complements the success of the Bonus, which is one of only three schemes in Australia that offers a cash bonus on top of the \$7 000 FHOG. Since its introduction in May 2004, over 172 000 first homebuyers have received the Bonus and Victoria has consistently had the highest proportion of homebuyers that are first homebuyers of any State.

Stamp duty on land transfers

The Government's first major revision of the general stamp duty on land transfer thresholds in 10 years, announced last year, offers a saving of \$440 on the duty payable to non-first home purchases valued between \$130 000 and \$440 000, progressively rising to a maximum saving of \$3 690 for non-first home purchases valued over \$440 000 up to \$550 000. Non-first home purchases valued above \$550 000 up to \$870 000 receive a \$590 saving on the duty payable. This adjustment to the duty thresholds will save homebuyers \$332 million over four years.

Table 1 –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

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.

Table 2 – Duty savings to pensioners and concession cardholders

Consideration	Full tax paid - no exemption	Current Duty Payable	Savings from pre-2008-09 thresholds
\$300 000	\$11 370	\$0	\$11 370
\$330 000	\$12 870	\$0	\$12 870
\$380 000	\$15 370	\$8 350	\$7 020

This scheme is among the most generous of all Australian states and territories, with Victoria being one of only two states to provide such broad assistance to pensioners and concession cardholders.

Further Information

All Bonus and Grant related measures announced in the 2009-10 Budget take effect for contracts entered into on or after 1 July 2009.

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.

Attachment 1 – Stamp Duty on Land Transfers Savings for First Homebuyers

Consideration	Pre 2008-09 Duty*	Current Duty	Saving (\$)	Saving (%)
\$100 000	\$2 200	\$2 150	\$50	2%
\$110 000	\$2 440	\$2 390	\$50	2%
\$120 000	\$2 860	\$2 630	\$230	8%
\$130 000	\$3 460	\$2 870	\$590	17%
\$140 000	\$4 060	\$3 370	\$690	17%
\$150 000	\$4 660	\$3 870	\$790	17%
\$160 000	\$5 260	\$4 370	\$890	17%
\$170 000	\$5 860	\$4 870	\$990	17%
\$180 000	\$6 460	\$5 370	\$1 090	17%
\$190 000	\$7 060	\$5 870	\$1 190	17%
\$200 000	\$7 660	\$6 370	\$1 290	17%
\$210 000	\$8 260	\$6 870	\$1 390	17%
\$220 000	\$8 860	\$7 370	\$1 490	17%
\$230 000	\$9 460	\$7 870	\$1 590	17%
\$240 000	\$10 060	\$8 370	\$1 690	17%
\$250 000	\$10 660	\$8 870	\$1 790	17%
\$260 000	\$11 260	\$9 370	\$1 890	17%
\$270 000	\$11 860	\$9 870	\$1 990	17%
\$280 000	\$12 460	\$10 370	\$2 090	17%
\$290 000	\$13 060	\$10 870	\$2 190	17%
\$300 000	\$13 660	\$11 370	\$2 290	17%
\$310 000	\$14 260	\$11 870	\$2 390	17%
\$320 000	\$14 860	\$12 370	\$2 490	17%
\$330 000	\$15 460	\$12 870	\$2 590	17%
\$340 000	\$16 060	\$13 370	\$2 690	17%
\$350 000	\$16 660	\$13 870	\$2 790	17%
\$360 000	\$17 260	\$14 370	\$2 890	17%
\$370 000	\$17 860	\$14 870	\$2 990	17%
\$380 000	\$18 460	\$15 370	\$3 090	17%
\$390 000	\$19 060	\$15 870	\$3 190	17%
\$400 000	\$19 660	\$16 370	\$3 290	17%
MEDIAN	\$20 260	\$16 870	\$3 390	17%
\$410 000				
\$420 000	\$20 860	\$17 370	\$3 490	17%
\$426 000	\$21 220	\$17 670	\$3 550	17%
\$440 000	\$22 060	\$18 370	\$3 690	17%
\$450 000	\$22 660	\$18 970	\$3 690	16%
\$460 000	\$23 260	\$19 570	\$3 690	16%
\$470 000	\$23 860	\$20 170	\$3 690	15%
\$480 000	\$24 460	\$20 770	\$3 690	15%
\$490 000	\$25 060	\$21 370	\$3 690	15%
\$500 000	\$25 660	\$21 970	\$3 690	14%
\$510 000	\$26 260	\$22 570	\$3 690	14%
\$520 000	\$26 860	\$23 170	\$3 690	14%
\$530 000	\$27 460	\$23 770	\$3 690	13%
\$540 000	\$28 060	\$24 370	\$3 690	13%
\$550 000	\$28 660	\$24 970	\$3 690	13%

* Assumes first homebuyers currently choose the Bonus over the PPR concession as it offers a greater benefit. Therefore first homebuyers previously paid the full rate of stamp duty on land transfers. As a result of the 2008-09 Budget, first homebuyers were entitled to receive both the Bonus and the PPR concession. Therefore, they now pay the PPR concessional rate of duty.

Attachment 2 – Regional First Home Bonus: List of eligible regional municipalities and alpine resorts in Victoria

The \$4 500 Regional First Home Bonus applies to eligible property purchases in the following regional municipalities and alpine resorts in Victoria.

Regional Municipalities

Alpine Shire Council	Macedon Ranges Shire Council
Ararat Rural City Council	Mansfield Shire Council
Ballarat City Council	Mildura Rural City Council
Bass Coast Shire Council	Mitchell Shire Council
Baw Baw Shire Council	Moira Shire Council
Benalla Rural City Council	Moorabool Shire Council
Buloke Shire Council	Mount Alexander Shire Council
Campaspe Shire Council	Moyne Shire Council
Central Goldfields Shire Council	Murrindindi Shire Council
Colac-Otway Shire Council	Northern Grampians Shire Council
Corangamite Shire Council	Pyrenees Shire Council
East Gippsland Shire Council	Borough of Queenscliffe
Gannawarra Shire Council	South Gippsland Shire Council
Glenelg Shire Council	Southern Grampians Shire Council
Golden Plains Shire Council	Strathbogie Shire Council
Greater Bendigo City Council	Surf Coast Shire Council
Greater Geelong City Council	Swan Hill Rural City Council
Greater Shepparton City Council	Towong Shire Council
Hepburn Shire Council	Wangaratta Rural City Council
Hindmarsh Shire Council	Warrnambool City Council
Horsham Rural City Council	Wellington Shire Council
Indigo Shire Council	West Wimmera Shire Council
LaTrobe Shire Council	Wodonga Rural City Council
Loddon Shire Council	Yarriambiack Shire Council

Alpine Resorts

Falls Creek	Mount Hotham
Lake Mountain	Mount Stirling
Mount Baw Baw	Mount Torbreck
Mount Buller	