

# General Information Bulletin



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## Changes to State Taxes – June 2015

This bulletin sets out a number of changes announced in the Victorian State Budget 2015-16 as well as other amendments.

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The *State Taxation Acts Amendment Act 2015* (the Amending Act) received Royal Assent on 29 June 2015 and introduces changes to the *Duties Act 2000*, *Land Tax Act 2005* and *Taxation Administration Act 1997*.

### Budget Announcements

#### *Duties Act 2000*

The *Duties Act 2000* was amended to introduce two new Budget measures.

##### **1. Foreign purchaser additional duty**

Foreign purchasers who buy or acquire residential property (either directly or indirectly) will pay duty of 3 per cent of the dutiable value *in addition* to the current land transfer duty (or landholder duty) payable on the transaction.

The additional duty applies to contracts, agreements and arrangements entered into on or after 1 July 2015.

If the acquisition of a property by a foreign purchaser is exempt from land transfer duty, it will also be exempt from additional duty.

##### **2. Motor vehicle duty exemption for mobile plant and special purpose vehicles (type P)**

The Amending Act introduces motor vehicle duty exemptions for the registration, or transfer of registration, of mobile plant and plant-based special purpose vehicles.

These vehicles include body types such as backhoes, excavators, bulldozers, headers, scrapers, tractors and off road water sprayers.

These exemptions will apply from 1 July 2015.

#### *Land Tax Act 2005*

The Amending Act amends the *Land Tax Act 2005* to introduce an absentee owner surcharge for land owners who do not ordinarily reside in Australia. This is in addition to any other land tax payable.

The 0.5 per cent surcharge is payable on all taxable land owned or deemed to be owned by an absentee owner. It will apply from the 2016 land tax year.

An absentee owner includes:

- Natural persons who are not Australian citizens or residents and who do not ordinarily reside in Australia,
- Corporations that are incorporated outside Australia,
- Corporations in which an absentee person, or absentee persons together, hold a controlling interest of more than 50 per cent, and
- A trustee of a trust, in which one or more of the beneficiaries of the trust are absentees

The surcharge will only apply to taxable land. Accordingly, land that is exempt under an existing land tax exemption, such as primary production land, will also be exempt from the surcharge.

The Amending Act also introduces provisions to require a person who is an absentee owner on 31 December to notify the Commissioner in writing before 15 January in the following year.

Similarly, a person who ceases to be an absentee owner must lodge a written notice with the Commissioner before 15 January in the following year.

A person's failure to notify the Commissioner of circumstances that result in their being an absentee owner will be a notification default for the purposes of the penalty provisions in the *Taxation Administration Act 1997*.

## Technical amendments

The Amending Act also makes a series of minor technical amendments to the *Duties Act 2000*. These address certain issues identified by the State Revenue Office (SRO) and:

- Clarify definitions in relation to “private companies”, “shares” and “units” for the purposes of applying the landholder duty provisions,
- Update references to Commonwealth legislation in relation to Seniors Health Cards and private health insurance,
- Clarify the circumstances in which a person makes a relevant acquisition in a landholder for the purposes of Part 2 of Chapter 3, and
- Update definitions for the purposes of the duty exemption for primary producer vehicles to align the relevant definitions with the Road Safety (Vehicles) Regulations 2009 to ensure consistency of application

These amendments are consistent with the existing policy intent of the provisions and will not impact on the amount of duty payable.

## *Taxation Administration Act 1997*

The Amending Act introduces changes to the *Taxation Administration Act 1997* to extend the circumstances in which the SRO can offset overpayments and refunds.

These amendments will allow the Commissioner:

- With the written consent of the taxpayer, to offset a refund against a future liability which arises within 60 days after the refund becomes payable, and
- To offset a refund which results from an objection, review or appeal against an existing liability or, with the taxpayers consent, against a future liability

These amendments will apply to refund applications received on or after 30 June 2015 and to objections lodged on or after 30 June 2015.

The Amending Act also amends the definition of notification default to include a failure to notify the Commissioner of their status as an absentee owner.