

Vacant Residential Land Tax

The Victorian Parliament has [passed a range of housing measures](#) including the introduction of a tax on vacant residential properties.

General information

What is the vacant residential land tax?

The vacant residential land tax (also referred to as the vacant residential property tax or vacancy tax) is a tax on residential properties in Melbourne's inner and middle suburbs which are unoccupied for more than six months a year.

It is a Victorian tax, and is different to [land tax](#), the [absentee owner surcharge](#) and the [federal annual vacancy charge](#).

Why did the Government introduce this tax?

The Government was concerned about the number of properties being left vacant across [Melbourne's inner and middle suburbs](#) and the tax is intended to encourage land owners to make residential properties available for purchase or rent so that Melbourne's current housing stock is used as efficiently as possible.

Only vacant residential properties in Melbourne's inner and middle suburbs, where the issue of housing affordability is most pressing, are subject to the tax.

Do the six months have to be continuous?

No. Provided a property was occupied for an aggregate of six months in the preceding calendar year, the vacant residential land tax does not apply for that tax year.

When does the tax start?

The tax applies from 1 January 2018 and is based on use and occupation in the preceding year. For example, tax liabilities for the 2018 tax year are based on use and occupation in 2017.

Does the tax apply to all residential properties in Victoria?

No. The tax only applies to vacant residential properties located in Melbourne's inner and middle suburbs. Vacant residential properties outside these suburbs are not subject to the tax.

The vacant residential land tax applies to properties in these local council areas:

Banyule	Melbourne
Bayside	Monash
Boroondara	Moonee Valley
Darebin	Moreland
Glen Eira	Port Phillip
Hobsons Bay	Stonnington
Manningham	Whitehorse
Maribyrnong	Yarra

How much is the tax and how is it calculated?

It is an annual tax of 1 per cent of the capital improved value (CIV) of taxable land. For example, if the taxable land has a CIV of \$500,000, the tax is \$5000.

The CIV of a property is the value of land and buildings as determined by the general valuation process, and is found on the owner's council rates notice.

Where can I get more information?

We are using our website, which is continually being updated, to ensure land owners are aware of their obligations and any requirements for exemptions. We are also running customer education programs and holding webinars. You can register for [webinar sessions here](#).

Definitions

What is meant by 'vacant'?

A property is considered vacant unless it was occupied for more than six months in the preceding calendar year by:

- The owner, or the owner's permitted occupier, as their principal place of residence, or
- A person under a lease or short-term letting arrangement.

The six months does not need to be continuous.

A principal place of residence is the home you occupy and where you primarily reside.

What is residential property/residential land?

Residential property is land capable of being used solely or primarily for residential purposes, such as a home or apartment.

It also includes land on which a residence is being constructed or renovated, where:

- The land was capable of being used solely or primarily for residential purposes before the start of construction or renovation.
- On completion of the construction or renovation, the land will be capable of being used solely or primarily for residential purposes.

Residential land does not include unimproved land (sometimes called vacant land), commercial residential premises, residential care facilities, supported residential services or a retirement village.

What is capital improved value?

The capital improved value of a property is the [value of land and buildings](#) which is determined as part of the valuation process. You can find the capital improved value of your property on your council rates notice.

Vacancy

What if I allow family and friends to use the property for more than six months a year?

If the property is used and occupied as the principal place of residence of a family member or friend for more than six months in a calendar year, the property is not considered vacant and is not subject to the tax.

If, however, the property is only used intermittently or on a casual basis throughout the year, the property is considered vacant and liable for the tax unless a specific exemption applies or there is a bona fide lease or letting arrangement in place.

A lease or letting arrangement made for the sole purpose of avoiding the tax is not considered a bona fide arrangement.

What if I am away on holidays for more than six months in a year and leave my home vacant? Am I subject to the vacant residential land tax?

No. Land that is exempt from land tax because it is used as the principal place of residence of the land owner, or where the land owner is temporarily absent from their principal place of residence, is not subject to the vacant residential land tax.

Is vacant property forming part of a deceased estate subject to the vacant residential land tax?

It depends. If the property was used and occupied as the owner's principal place of residence immediately before their death, the property is not subject to vacant residential land tax for up to three years. However, non-principal place of residence properties of a deceased estate are subject to the vacant residential land tax if they are vacant for more than six months in a calendar year.

What if a person has moved into a retirement home or residential care facility? Is their home subject to the vacant residential land tax?

This depends on whether the former principal place of residence meets the exemption requirements under the existing land tax [principal place of residence](#) provisions. If the property is exempt from land tax, it will be exempt from the vacant residential land tax.

What criteria is used to determine whether land is capable of being used as a residential care facility, supported residential service, etc?

Most of these property types are already defined within the *Land Tax Act*, as generally they are exempt from land tax. These terms, including the concept of commercial residential premises, are also used in the residential property definition for the [foreign purchaser additional duty](#). The same methodology is used for determining whether land is used or capable of being used as a residential care facility, supported residential service or retirement village.

Requests for advice on whether a property is a commercial residential premises, a residential care facility, supported residential service or retirement village should be directed to the [Technical Advice and Review Branch](#).

Are holiday homes liable?

They can be, although there is an exemption available for properties used by an owner as their holiday home in some circumstances. More information about this exemption, including the conditions which must be met, is provided within the section detailing exemptions.

What if a vacant property is being actively marketed for rent or sale? Is it exempt?

Generally, if a property is vacant for more than six months in a calendar year it is subject to the vacant residential land tax irrespective of whether it is advertised for rent or sale during that time.

If a property changes ownership during a year, it is not subject to the vacant residential land tax in the following year. This means that if a property is sold during the year, it is exempt from the vacant residential land tax in the following tax year.

However, the change of ownership must actually occur during the calendar year and it is not enough that the property is available for sale or awaiting settlement as at 31 December.

For example:

John sells his residential property in Glen Eira during 2017. John owns no other property. The property was not John's principal place of residence. Since John didn't own the property as at 31 December 2017, the vacant residential land tax does not apply to him for 2018. Mary, who purchased the property from John, is also not liable for the 2018 vacant residential land tax. Mary's liability for the tax in future years will depend on whether the property is vacant.

Does the tax apply to properties leased through online platforms?

Yes. If a property is leased through an online platform, such as Airbnb or Stayz, it is subject to the tax if it is unoccupied for more than six months in a calendar year. The six months does not need to be continuous.

For example:

Sunnydaze is a residential property in the Port Phillip council area. It is available for rent all year via an online short term rentals platform. In 2017, it was only let for a cumulative total of five months. Sunnydaze is therefore subject to the vacant residential land tax in 2018 because it was vacant for more than six months of the preceding year. It does not matter that Sunnydaze was available for rent the whole year.

Exemptions from vacant residential land tax

Are there any exemptions?

Yes. In addition to existing [exemptions for land tax](#) purposes, there are several [new exemptions](#) which apply to the vacant residential land tax. These include exemptions for:

- Holiday homes
- City apartments/homes/units used for work purposes
- Property transfers during the preceding year
- New residential properties.

When is a holiday home exempt?

The holiday home exemption applies to properties occupied by the owner for at least four weeks in the calendar year.

This exemption is subject to the following conditions:

- The owner must have had a different principal place of residence in Australia in the calendar year.
- The Commissioner of State Revenue must be satisfied that the property is a genuine holiday home.

An owner will only be able to claim the exemption for one holiday home in a calendar year.

What if family and friends use the property as a holiday home?

Family and friends can use the property but the holiday home exemption only applies to a property used and occupied by the owner as their holiday home for at least four weeks in a calendar year. If the owner themselves do not use the property as a holiday home, the exemption does not apply.

When is a residential property used for work purposes exempt?

The exemption applies to properties owned and occupied by people who stay in Melbourne's inner and middle suburbs for work purposes, but whose principal place of residence is elsewhere in Australia.

The exemption applies to properties occupied for at least 140 days a year for the purpose of attending the owner's workplace.

This exemption is subject to the following conditions:

- The owner must have had a different principal place of residence in Australia in that year.
- The place of work must be in one of the 16 specified local council areas.

What if a property changes ownership during a year?

Land that changes ownership during the year is exempt from the tax in the following calendar year. For example, if a property is purchased and transferred during 2018, it is exempt from the tax for the 2019 tax year.

What if a property is converted to residential premises during a year?

Land that becomes 'residential land' during the year is not subject to the vacant residential land tax in the following calendar year. For example, if a warehouse is converted into residential apartments during 2018, it is exempt from the vacant residential land tax for the 2019 calendar year.

Notifying the SRO

Are land owners required to notify the SRO or does the SRO identify taxable properties?

Owners of vacant residential properties are required to notify the SRO by 15 January each year via an [online portal](#). If a property is eligible for an exemption, the land owner is required to notify the SRO and advise which exemption applies.

If an owner fails to notify the SRO by 15 January, it is deemed a [notification default](#) and penalties under the [Taxation Administration Act 1997](#) may apply.

The SRO also undertakes monitoring and compliance activities.

How do I notify the SRO of a vacant property?

An [online portal](#) enables land owners to notify the SRO of their vacant residential properties, claim exemptions and update their contact details.

How does the SRO know if I have vacant property?

The SRO conducts monitoring and compliance activities to ensure that vacant residences are being declared. Our compliance program includes comparing our data with that of other state and federal agencies, and conducting investigations.

Paying the tax

Who has to pay the tax?

The owner of the property as at midnight on 31 December of the preceding year is liable to pay the vacant residential land tax.

While the owner of the property is the same as that for land tax purposes, mortgagees in possession and trust beneficiaries are not liable for the vacant residential land tax.

When do I have to pay the tax?

Land owners who have notified the SRO and are liable for the vacant residential land tax receive assessment notices early in the year for properties vacant in the preceding year. This assessment notice is separate to land tax assessment notices. Land owners have 60 days to pay their assessment in full.

How can I pay the assessment?

There are a number of payment options available, including [BPAY and credit card](#). You can also sign up with your financial institution to receive your assessments through BPAY View.

Objections

Can I object to a tax assessment?

After receiving a notice of assessment, an owner has [60 days to object](#). An objection is a formal process of dispute resolution and must be in writing, with full and detailed grounds of objection, including supporting documents. We give a written decision on the objection. If the owner is dissatisfied with this decision, they have 60 days from the date of service of the decision to request a review by the Victorian Civil and Administrative Tribunal (VCAT) or to appeal the decision to the Supreme Court.

This does not apply to a valuation objection (see below).

What if I disagree with the capital improved value for my property?

You can [object](#) to the capital improved value of your land if you disagree with it. You need to complete and lodge a [Land Valuation Objection Form](#) within two months of receiving the assessment. You can complete and submit this form online. If the capital improved value of the property is based on a council valuation, the objection is forwarded by the SRO to the relevant council for determination.

You cannot object to the same valuation within 12 months of a previous objection to the valuation.

Joint owners

How are joint owners assessed?

If you own a vacant residential property with others, all owners are [jointly assessed](#) for the tax as if the land was owned by a single person. Unlike land tax, individual joint owners do not receive a secondary assessment for their interest in the property.

Land tax clearance certificates

Does the land tax clearance certificate include outstanding vacant residential land tax?

Yes. From 2018, the [land tax clearance certificate](#) includes any outstanding vacant residential land tax owing on the property.

Transitional arrangements

How is the tax working in its first year (2018)?

The tax starts on 1 January 2018 but is based on occupation in 2017. To give property owners an opportunity to adjust their residential property vacancy status before they are impacted by the tax, all properties are deemed to be 'occupied' for the period 1 January to 30 April 2017 inclusive. This means a property only attracts the tax in 2018 if it is unoccupied for more than six months from 1 May 2017 to 31 December 2017.

Does a landowner satisfy the six month occupancy test if they have lived in the property for more than two months from 1 May 2017 to 31 Dec 2017?

Yes, provided the land owner, or their permitted occupier, uses and occupies the property as their principal place of residence for at least two months during the period 1 May 2017 and 31 Dec 2017.

The occupancy test is also satisfied if the property is occupied by a natural person pursuant to a lease or short term letting arrangement for more than two months in that period.

Is it correct that if the landowner has lived in the property for less than two months from 1 May to 31 December 2017, the property is considered vacant and the tax applies?

If the land owner occupies the property for less than two months, the property is considered vacant. This is assuming that the property is not let out during this period for more than two months under a lease or short term letting arrangement.

This article is an extract from The State Revenue Office –Victoria website