

## LAND THRESHOLDS, EXEMPTIONS AND LEGISLATION IN THE STATES OF AUSTRALIA

### Introduction

Land tax is a state based tax that is levied to land owners. As the tax is calculated based on the value of the land, it is applicable regardless of whether the property is generating income.

The amount payable however varies from State to State as it depends on the land tax legislation and thresholds imposed in each State. In this topic, we will look at the various land tax thresholds that apply in each Australian State and Territory.

### NEW SOUTH WALES

In New South Wales, land tax is levied on land as owned on 31 December of every preceding year.<sup>61</sup> It is calculated based on the total value of an individual's taxable land within NSW above the land tax threshold.

For the 2016 financial year, the land tax threshold is \$482,000. Above this threshold, the tax is calculated at a rate of \$100 plus 1.6% of the land value up to \$2,947,000. Any amount above \$2,947,000 is taxed at \$39,540 plus 2%.

#### Example:

If Jean owns land valued at \$500,000 the land tax she will pay will be \$100 plus another 1.6% of the land value up to the top threshold therefore, 1.6% of \$500,000 is \$3,000 plus \$100. The total tax she is liable is \$3,100.

Land tax is typically payable within 30 days of receipt of the notice.

#### Exemptions

Certain types of land are exempt from land tax. These include:<sup>62</sup>

- i. Principal place of residence;
- ii. Boarding houses;
- iii. Low cost accommodation;
- iv. Residential parks and caravan parks;
- v. Land owned by certain types of organisations, such as religious organisations, public health organisations, unions and charitable trusts; and
- vi. Retirement villages, aged care establishments, nursing homes and child care centres.

A person experiencing hardship may apply to the Hardship Review Board for a full or partial waiver.

The Hardship Review Board has the discretion to waive land tax if it is satisfied that paying the full amount of the land tax would result in serious hardship for the person or the person's dependants, or if a person has died and the person's dependants are unable to pay land tax without experiencing serious hardship.<sup>63</sup>

<sup>61</sup> *Land Tax Management Act 1956* (NSW) s 8.

<sup>62</sup> *Land Tax Management Act 1956* (NSW) s 10.

<sup>63</sup> *Taxation Administration Act 1996* (NSW) s 106B.



## QUEENSLAND

In Queensland, land tax is levied on land as owned at midnight on 30 June every year. The land tax rate in Queensland varies depending on ownership type. These types can be individuals, absentees, companies and trustees.

### i. Individuals

An individual is liable for land tax if the total taxable value of their freehold land as at 30 June is \$600,000 or more while any land that the individual owns as trustee is assessed separately.

For properties between \$600,000 and \$999,999, the rate of land tax is calculated at \$500 plus 1 cent for each \$1 more than \$600,000.

Between \$1 million and \$2,999,999, the rate is \$4,500 plus 1.65 cents for each \$1 more than \$1 million, and from \$3 million to \$4,999,999, the rate is \$37,500 plus 1.25 cents for each \$1 more than \$3 million. Where the assessable value exceeds \$5,000,000, land tax is calculated at \$62,500 plus 1.75 cents for each \$1 more than \$5 million.

### ii. Absentees, companies, and trustees

Absentees, i.e. a person who does not normally reside in Australia,<sup>64</sup> are liable for land tax if the total taxable value of the freehold land at 30 June is \$350,000 or more.

Likewise, for companies and trustees, the threshold is \$350,000 or more.

For land between the value of \$350,000 and \$2,249,999, these entities are liable for land tax calculated at \$1,450 plus 1.7 cents for each \$1 more than \$350,000. Between \$2,250,000 and \$4,999,999, the rate is calculated at \$33,750 plus 1.5 cents for each \$1 more than \$2,250,000. Over \$5 million, land tax is calculated at \$75,000 plus 2.0 cents for each \$1 more than \$5 million.

### Example:

If Jean owns land assessed at the value of \$680,000, her land tax will be assessed at \$500 + (1 cent × \$80,000 excess). The total tax payable will therefore be \$1300.

### Exemptions

As in New South Wales, there are number of exemptions for land tax, including principal place of resident, and land owned by charitable trusts, aged care facilities and educational institutions etc.

## SOUTH AUSTRALIA

In South Australia, land tax is levied based on land ownership, site value and land usage as at midnight on 30 June every year for the coming financial year.

The current threshold for land tax liability for an individual is \$332,000 for the 2016-2017 financial year.

For a person holding land at the taxable site value of \$332,001 to \$609,000, land tax is calculated at the rate of \$0.50 for every \$100 over \$332,000.

For a taxable site value between \$609,001 and \$886,000, land tax is calculated at \$1385 plus \$1.65 for every \$100 over \$609,000. Between \$886,001 and \$1,108,000, land tax is levied at \$5,955.50 plus

<sup>64</sup> Land Tax Act 2010 (Qld) s 31.



\$2.40 for every \$100 over \$886,000. Over \$1,108,000, land tax is calculated at \$11,283.50 plus \$3.70 for every \$100 in excess of that threshold.

As with all other States, exemptions for the land tax are available where the land is used as the principal place of residence.

Land used in primary production may also be exempt where:

- i. The land is 0.8 hectares or greater in total area.
- ii. The Commissioner of State Taxation is satisfied that the land is predominantly used for production.

Other exemptions exist for land used for religious, library or hospital purposes or for conservation etc.

## **WESTERN AUSTRALIA**

In Western Australia, land tax is levied for all property held on 30 June each year for the next financial year. Payment is due on the 49th day after the assessment notice.<sup>65</sup>

Minimum land tax threshold in WA is \$300,000.

- From \$300,001 to \$420,000, a flat rate of \$300 is levied;
- From \$420,000 to \$1,000,000, land tax is levied at \$300 plus 0.25 cent for each \$1 in excess of \$420,000;
- Between \$1,000,000 and \$1,800,000, a land tax of \$1,750 plus 0.90 cent for each \$1 in excess of \$1,000,000 applies;
- From \$1,800,000 to \$5,000,000, the rate is \$8,950 plus 1.80 cents for each \$1 in excess of \$1,800,000;
- From \$5,000,000 to \$11,000,000, \$66,550 plus 2.00 cents for each \$1 in excess of \$5,000,000; and
- Above \$11,000,000, \$186,550 + 2.67 cents for each \$1 in excess.

## **Exemptions**

The following exemptions apply for land tax in WA:

- i. Primary place of residence
- ii. Newly constructed or refurbished private residence not ready for occupancy on 30 June can be granted an exemption for up to two consecutive years.
- iii. Moving from one exempt residence to another: If an individual moved from one place of residence to another within one financial year, he/she may be qualified for an exemption if they satisfied the following conditions:
  - ✓ The new residence was purchased in the previous financial year;
  - ✓ The individual moved from the former residence to the new residence in the following financial year;
  - ✓ The individual sold the former residence in the following financial year; and

<sup>65</sup> Land Tax Assessment Act 2002 (WA) s 6.



- ✓ The individual did not derive rent from either properties in the period when he/she owned both properties.<sup>66</sup>

Partial exemptions may apply where the land is used for a mixture of commercial and primary residential purposes.

## TASMANIA

Land tax is levied on 1 July each year in Tasmania,<sup>67</sup> to be paid in accordance with the notice, which may be issued any time between October and March.

For the 2016-2017 financial year, the land tax threshold is \$24,999.

Land valued between \$25,000 to \$349,999 attracts a land tax of \$50 plus 0.55% of land value above \$25,000. Land valued at above \$350,000 attracts a land tax of \$1,837.50 plus 1.5% of the value in excess of that threshold.

### Exemptions

An exemption from land tax may apply for the following categories of land:

- i. Home business: a concession on land tax is granted for qualifying home businesses. A home business may qualify for a concession if it is operated from a permanent residential building that is the owner's property.
- ii. Primary production land: no land tax is charged on primary production land, or land used for timber production.
- iii. Principal residential land: as with all other States, no land tax is applicable for a principal place of residence. To qualify, the owner must have at least 50% interest in the land.

## VICTORIA

A person is liable to pay land tax when the total land value of all their properties in Victoria exceeds the threshold of \$250,000 as at 31 December of the preceding year.<sup>68</sup> Payment must be made within 14 days.<sup>69</sup>

- From \$250,000 to \$600,000, the rate of land tax is calculated at \$275 plus 0.2% of the amount greater than \$250,000.
- Land valued between \$600,000 and \$1,000,000 attracts a rate of \$975 plus 0.5% on any amount above \$600,000.
- Land valued between \$1,000,000 and \$1,800,000 attracts a rate of \$9,375 plus 1.3% for any amount greater than \$1,000,000.
- From \$1,800,000 to \$3,000,000 and over is taxed at \$24,975 plus 2.25% of an amount greater than \$1,800,000.

<sup>66</sup> Land Tax Assessment Act 2002 (WA) s 27.

<sup>67</sup> Land Tax Act 2000 (Tas) s 10.

<sup>68</sup> Land Tax Act 2005 (Vic) s 36.

<sup>69</sup> Land Tax Act 2005 (Vic) s 9.



### **Exemptions**

There are a number of exemptions from land tax, most of which are similar to other States. The land may be exempt if it is used for primary production, as a principal place of residence, for charity or as a rooming house.

A person may also apply for land tax relief if payment of the full amount would cause them or their dependants serious hardship.<sup>70</sup> A relief of less than \$1000 may be made to the Commissioner, and a relief of more than \$1000 may be to the Land Tax Hardship Relief Board.

### **NORTHERN TERRITORY**

There is no land tax applicable in the Northern Territory for both investors and owner occupiers.

### **Conclusion**

Land tax is a State-based tax that is levied on the value of land held by a person. As there is very little harmonisation between the States and Territories, liability of land tax will differ depending on the relevant State or Territory. Those with a portfolio of properties in different States and Territories should check the relevant assessment in each State to see what their potential liability might be.

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<sup>70</sup> Land Tax Act 2005 (Vic) s 91.