

The *Land Tax Act 2005* imposes an annual tax on the total taxable value of all land owned in Victoria by a taxpayer at midnight on 31 December of the year preceding the year of assessment. Land tax is assessed on a calendar year basis and the State Revenue Office issues assessments annually.

Land tax exemptions

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Introduction

Land tax is assessed on a calendar year basis and the State Revenue Office (SRO) issues assessments annually.

You may be eligible for one of several exemptions other than the general exemption (threshold) which applies to all landowners. These exemptions are outlined below. This publication also includes an explanation of 'special land tax' and when it applies.

Principal place of residence

A principal place of residence (PPR) exemption is available for properties owned and occupied as the PPR of a natural person*.

Where the land is jointly owned and is the PPR of one or more of the joint owners, who are natural persons, the property is exempt from land tax in the joint ownership assessment.

Where a substantial business activity is conducted on land used as a PPR, land tax is imposed on the portion of the property attributable to the business use.

The PPR exemption also extends to trustees of certain trusts (excluding discretionary and unit trusts) allowing for some circumstances where land owned by a trustee of a fixed trust is eligible for an exemption. These circumstances include situations where:

- the property is held in trust for an incapacitated person who resides at the property
- the property is transferred under a will to an executor who uses the property as their PPR and holds the property on trust for themselves and others under the terms of a will
- the property is held by a trustee appointed under a will on trust for all beneficiaries who reside in the property as their PPR
- the property under a will is vested in a trustee on trust for a life tenant who uses the property as a PPR
- the property is occupied by a natural person (or more than one specified natural person) with the right of residence granted under a will, and
- the property, owned by a trustee of a fixed trust, to the extent that a beneficiary under the trust occupies the property as their PPR.

Where more than one beneficiary is specified under the particular trust and not all the beneficiaries reside at the property, land tax is assessed on a proportional basis which provides an exemption to the share of the resident beneficiaries.

Several other restrictions and concessions are provided within the PPR exemption.

- Land owners must have occupied their PPR for at least six months before 31 December of the year prior to the year of assessment, or have purchased and occupied their PPR since 1 July of the year prior to the assessment year.
- The exemption will continue for up to six years in cases where the owner is temporarily absent but intends to resume occupancy (properties rented for a period of six consecutive months or more in a particular assessment year are not eligible for the exemption).
- Land adjoining the PPR exempt land owned and used by the owner to enhance the principal residence land is exempt.
- In the event of the death of the land owner, the exemption will continue for up to three years from the date of that person's death or the date of the land transfer, whichever comes first.
- Land which becomes unfit for occupation due to damage or destruction (such as fire or flood) continues to be exempt for up to two years from the date the land became unfit for occupancy. It may be extended for two more years if the Commissioner of State Revenue (the Commissioner) is satisfied that there has been an acceptable delay beyond the control of the landowner. This exemption is not available if the landowner has been claiming another PPR.
- Where land is vacant or unoccupied (i.e. this may be due to the landowner building a principal residence on vacant land or renovating an existing residence) and then becomes the PPR of the owner for a period of at least six months, a refund is available for the tax paid for up to two years. A refund is only payable for one year if the landowner has been claiming another PPR, or up to two years if no other PPR exemption has been claimed. A refund of tax for up to four years is available in cases where an acceptable delay in construction or renovation has occurred.

The PPR exemption is available for only one residence regardless of where it is located. It is **not** available for companies and other organisations.

* 'Natural person' means an individual and not a company (or other body), which is classed as an artificial person.



Change of principal residence

The PPR exemption provisions allow for a concession if you are in the process of changing your PPR and you own both properties at midnight on 31 December of the year preceding the year of assessment. This concession can only be granted on the condition that you have commenced to occupy the new PPR and that you intend to reside at this property continuously for at least six months. This must occur within 12 months of you becoming the owner of the property.

However, if your former residence remains unsold at 31 December of the assessment year, the exemption will be revoked and the land tax will be re-assessed to include this property.

Primary production exemptions

Generally, land used for primary production is exempt from land tax. The exemptions extend to an item of land used for primary production where the land is located:

- wholly outside greater Melbourne
- wholly or partly within greater Melbourne but not in an urban zone, or
- wholly or partly within greater Melbourne and wholly or partly in an urban zone.

An exemption will also be granted to land which is being prepared for use primarily for primary production, provided the land becomes exempt as primary production land within 12 months after the preparatory work commenced. The Commissioner may extend this period by a further 12 months.

Further information about exemptions for land used for primary production is available in the Land Tax - Primary Production Exemptions publication, available via the SRO website www.sro.vic.gov.au or on request.

Other exemptions

There are specific exemptions available for land held by a particular type of body or used for a specific purpose.

Please note that exemptions 4 to 10 do not apply if the land is used for banking or insurance purposes, or if the land is leased to or occupied by other parties for business purposes.

1. Crown land exemption

Land is exempt if it is owned by the Crown in the right of the State of Victoria or vested in a Minister of the Crown. However, where a person is entitled to land under a lease of Crown land, that land is not exempt under the Crown land exemption.

2. Mines

Land is exempt if it is used exclusively as a mine, as defined in the *Land Tax Act 2005* (the Act). It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

3. Retirement village

Land which is used for a retirement village as defined in the Act is exempt whether the retirement village is operated commercially or for charitable purposes. If the land is not used wholly for the purpose of a retirement village, only a partial exemption is available.

4. Public statutory authorities

Land is exempt if it is vested in a public statutory authority except in cases where the Governor in Council has declared it as taxable by order published in the Government Gazette.

It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

5. Municipalities

Land is exempt if it is vested in a municipality. Land is also exempt if vested in trustees appointed under an Act and held in trust for public or municipal purposes.

6. Charities

Land is exempt if it is used by a charitable institution exclusively for charitable purposes or if it is leased to be used for outdoor sporting, outdoor recreational, outdoor cultural or similar outdoor activities, and is available for use for one or more of these activities by members of the public, where the proceeds from the lease are applied exclusively for charitable purposes.

7. Health Centres and Services

Land is exempt if it is used exclusively for the purposes of an ambulance service, a community health centre, a denominational hospital, a multi purpose service, a public health service and a public hospital or the Victorian Institute of Forensic Mental Health.

8. Armed services personnel

Land is exempt if it is vested in, or held in trust for, an association of armed services personnel or of dependants of armed services personnel and is used by the members of the association for the purpose of the association.

9. Bodies that provide or promote sporting, outdoor recreation or outdoor cultural activities

Land is exempt if it is vested in and used by a body that provides or promotes sporting, outdoor recreational, outdoor cultural, or similar outdoor activities. Profits must be applied to promote the objectives of the body and the payment of dividends to members is prohibited. This exemption is not available to a body that promotes or controls horse racing, pony racing or harness racing in Victoria. It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

10. Friendly societies

Land is exempt if it is vested in or held in trust for a friendly society.

11. Agricultural shows

Land is exempt if it is vested or held in trust for a body established for the purposes of conducting agricultural shows, farm field machinery days or activities of a similar nature. Profits must be applied to promote the objectives of the body and the payment of dividends to members is prohibited.

12. Caravan Parks

Land is exempt if it is used as a caravan park. It is important to note that special land tax at a rate of five per cent will apply if the land ceases to be exempt. This may occur through the land ceasing to be used by the owner as a caravan park or being sold for an alternative use.

13. Rooming houses

Land is exempt if it is used as a registered rooming house within the meaning of the *Residential Tenancies Act 1997*. A request for exemption must satisfy the Commissioner that the land is used and occupied primarily for low cost accommodation by people with low incomes. The Commissioner's guidelines for determining eligibility for exemption are set out in Revenue Ruling LTA-003 which is available on the SRO website www.sro.vic.gov.au

It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

14. Residential care facilities and supported residential services

Land is exempt if it is used as a residential care facility within the meaning of the *Aged Care Act 1997* and is operated by an approved provider within the meaning of that Act, or is a supported residential service as defined in the *Health Services Act 1988*.

It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

15. Residential services for people with disabilities

Land is exempt if it is occupied, or currently available for occupation, as a residential service within the meaning of the *Disability Act 2006*.

It is important to note that special land tax at the rate of five per cent may apply if this exemption ceases.

Concessional tax rate for club land

A concessional rate may apply where land is owned and occupied by a club or association that is carried on exclusively to provide for the social, cultural, recreational, literary or educational interests of its members, or for the promotion or control of horse, pony or harness racing in Victoria. To satisfy this exemption, the club or association must not be carried on for the purposes of profit or gain of its individual members. If the concessional rate applies, the liability for land tax is limited to a maximum of 0.357 cents for every dollar of the taxable value of the land.

Special land tax

Special land tax is a one-off tax charged in certain circumstances (refer to paragraphs 2, 4, 9, 12, 13, 14 and 15) on land that is no longer exempt. It is charged at a rate of five cents for each dollar of the taxable value of the land, and is set on the date the land ceased to be exempt.

However, it will not apply if land ceases to be exempt land only because it is compulsorily acquired.

How to apply for a land tax exemption

You should contact us if you believe you qualify for an exemption. If you have already been assessed and believe you are entitled to a particular exemption for one or more of the properties that you own, then you will need to formally object to your assessment.

Your objection must be in writing and should state your customer number, assessment number and all the reasons on which your objection is based.

An objection can be lodged either online using LTX Express or by completing the Land Tax Objection form (LTX-Form-2b) which is available on the SRO website www.sro.vic.gov.au

If you do not have access to the Internet an objection form can be requested by contacting the land tax enquiries line. Objections must be received by the SRO no later than 60 days from the date your assessment notice was served. The date of service will be taken to be two days after the date printed on the assessment.

To assist us in processing your request for an exemption, please complete the Exempt Land Assessed section under Part 3 of the Land Tax Objection Form.

Only the SRO can approve an exemption from land tax.

Further information

Up-to-date information about land tax can be found on the SRO website www.sro.vic.gov.au

A Land Tax - General Information publication is available from the SRO on request or can be downloaded from the SRO website.

The SRO has also produced the following information publications:

Land Tax - Principal Place of Residence Exemption Provisions

Land Tax - Primary Production Exemptions

Land Tax - Grouping Provisions

Land Tax - Hardship Relief

Land Tax - Trusts General Information

Land Tax - Joint Ownership

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Wed – 8.30 am to 1.00 pm

Enquiries may be made in person. Please phone 13 21 61 to arrange an appointment.

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