

General Information Bulletin



www.sro.vic.gov.au

Changes to State Taxes – June 2014

GEN 2/14 • JUNE 14

This Bulletin sets out recent changes to the *Duties Act 2000*, *First Home Owner Grant Act 2000*, *Land Tax Act 2005*, *Payroll Tax Act 2007*, *Planning and Environment Act 1987*, *Road Safety Act 1986*, and *Taxation Administration Act 1997*.

The *Building a Better Victoria (State Tax and Other Legislation Amendment) Act 2014* (the Amending Act) received Royal Assent on 17 June 2014 and introduces a number of changes (including certain measures announced in the 2014-15 Victorian State Budget) to the:

- *Duties Act 2000*
- *First Home Owner Grant Act 2000*
- *Land Tax Act 2005*
- *Payroll Tax Act 2007*
- *Planning and Environment Act 1987*
- *Road Safety Act 1986*, and
- *Taxation Administration Act 1997*.

Duties Act 2000

Abolition of Life Insurance Duty

As announced in the State Budget, duty payable on life insurance policies will be abolished from 1 July 2014. As a consequence of this measure, amendments to the insurance duty provisions of the *Duties Act 2000* are necessary to:

- provide a definition of 'insurer' to replace the definitions of 'general insurer' and 'life insurer' as there will no longer be a need to distinguish between the two types of insurers'
- define 'life insurance policy riders' to clarify when riders attached to life insurance policies are subject to insurance duty, and
- extend the requirement to be a registered insurer to certain insurers who are registered under the *Life Insurance Act 1995* (Cth) so that life insurers that also provide general insurance products are registered with the State Revenue Office (SRO).

Please refer to the Duties Act Bulletin D1/14 'Treatment of Life Insurance Policy Riders' for the treatment of riders attached to life insurance policies following the abolition of duty on life insurance.

Motor Vehicle Duty Rate Increase

From 1 July 2014, the rate of motor vehicle duty on the application for registration or transfer of registration of a motor vehicle will increase by 0.2 per cent. This means duty payable on the purchase of a new car valued at \$20,000 will rise by \$40 from \$600 to \$640.

First Home Owner Grant Act 2000 and Taxation Administration Act 1997

Disclosure of Information

The Amending Act allows the SRO to disclose certain information obtained in the administration of the *First Home Owner Grant Act 2000* to a number of government agencies being the Commonwealth Department of Human Services (for Child Support and Centrelink purposes), Foreign Investment Review Board and Independent Broad-based Anti-corruption Commission. This supports the agencies regulatory and enforcement functions, which have been established to protect the public interest.

A complementary amendment will be made to the *Taxation Administration Act 1997* (TAA) enabling the SRO to disclose information obtained in the administration of the various taxation laws to these three agencies.

Additionally, the TAA will be amended to enable the SRO to disclose taxation information to other State and Territory Revenue Offices to assist them in administering the First Home Owner Grant.

Land Tax Act 2005

Primary Production Land Tax Exemption – The Greater Melbourne Boundary

An exemption from land tax is available for primary production land. The exemption criteria depend on whether land is inside or outside the 'greater Melbourne' boundary. The Amending Act updates the greater Melbourne boundary by aligning it with the urban growth boundary, which is clearly defined in the *Planning and Environment Act 1987*. The new boundary will apply from the 2015 land tax year.

Accordingly, some land located outside the former greater Melbourne boundary that was exempt from land tax will fall within the new boundary. If that land is also in an urban zone, it may be subject to more stringent primary production exemption criteria from the 2015 land tax year. However, owners of any such land will not be adversely affected by this unless a trigger event has occurred on or after 7 May 2014 such as:

- a sale
- a subdivision, or
- an adjoining parcel of land is purchased,

making the land subject to the new criteria. If a trigger event does not occur and the land continues to meet the original exemption criteria, the land will continue to be exempt.

The SRO will contact affected landowners directly to explain the boundary change and the associated grandfathering arrangements.

Notices of Acquisition

In anticipation of the Electronic Lodgement Network (ELN) for land transfers in Victoria coming into operation in late 2014, the Amending Act will remove the requirement for a purchaser of land to lodge a notice of acquisition (in paper form) with the SRO when they use the ELN to process a land transfer.

Technical Amendments to Land Tax Trusts and Primary Production Land Tax Exemption Provisions

The Amending Act makes a series of minor technical amendments to the trust and primary production land tax exemption provisions to address some issues identified by the SRO. These amendments are consistent with the existing policy intent of the provisions and give effect to current administrative practice.

Use of Fire Services Property Levy Valuations for Land Tax Purposes

The Amending Act enables the SRO to use valuations prepared by councils for the Fire Services Property Levy (for both rateable and non-rateable land) for the purposes of assessing land tax.

Payroll Tax Act 2007

As announced in the State Budget, the payroll tax rate will be reduced from 4.90 per cent to 4.85 per cent. The reduced rate takes effect from 1 July 2014, in line with the commencement of the new payroll tax year.

Planning and Environment Act 1987

A new Metropolitan Planning Levy will be imposed for the privilege of making planning permit applications in metropolitan Melbourne from 1 July 2015. The levy, to be administered by the SRO, will only apply to planning permit applications in metropolitan Melbourne where the estimated cost of development exceeds \$1 million. This threshold will be indexed by CPI each year from 1 July 2016.

The amount of the levy is \$1.30 for every \$1000 of the estimated cost of the development. This means that if the estimated cost of a development is \$1,000,001 in the 2015-16 financial year, the levy will be \$1300.

Road Safety Act 1986

From 1 July 2014, there will be a \$25 increase in the fee payable for registration or renewal of registration of a car, motorcycle, trike or truck that has a gross vehicle mass of 4.5 tonnes or less.

The registration or renewal fee payable in the 2014-15 financial year will be \$270.40.