

# Land Tax 2014 – LTX 1

## Joint ownership

The *Land Tax Act 2005* (the Act) imposes an annual tax on the total taxable value of all land owned in Victoria by a taxpayer as 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 (SRO) issues assessments annually.

Both natural persons\* and companies, who own land in Victoria with a total taxable value equal to or above the land tax threshold of \$250,000, must pay land tax. The total taxable value does not include exempt land.

### What is a joint owner?

If you own land with one or more other persons, you are considered to be a joint owner of land. Each combination of two or more joint owners is considered to be a different joint ownership.

Joint owners may own other land, either in their own right or together with other persons.

*e.g. Mr and Mrs White jointly own land together which is their principal place of residence (PPR). Mrs White also owns a business premises with her business partner Ms Black. In this case, Mr and Mrs White are considered joint owners and Mrs White and Ms Black are considered different joint owners. Thus, we have two different joint ownerships.*

### How will I be assessed for land tax, if I am a joint owner of land?

Under the Act joint owners of land are assessed in three stages. Refer overleaf for a practical example of the application of the three stages.

Note that any jointly owned land, which is the PPR of any one of the joint owners who is a natural person, is exempt from land tax in the joint ownership assessment. Joint owners who do not occupy their jointly owned land as their PPR are individually assessed on their share of the jointly owned land.

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

### Stage One

Each joint ownership is assessed for land tax for all jointly owned land. This is referred to as the 'primary assessment'. This assessment excludes land that is owned by any of the joint owners in their own right.

*e.g. Mrs White and Ms Black are assessed for the land held jointly by them. However, Mrs White and her partner Mr White are not assessed for land jointly owned by them as the only land that they jointly own is their PPR.*

### Stage Two

Each member of a joint ownership is further assessed separately for all land in which they have an interest. This is referred to as the 'secondary assessment' and ensures that all of a person's interests in land are included. This would include any land that is owned by the individual in his or her own right as well as any interests in jointly owned land.

### Stage Three

A deduction in the joint owner's secondary assessment is allowed to avoid double taxation of the joint owner's share in the jointly owned land. The deduction is the lesser of either the individual owner's share of the tax paid in the primary assessment or the amount of tax calculated in the secondary assessment for the share of the jointly owned land.

### How are land tax assessments for joint owners of land served?

Where it is necessary to assess two or more owners as joint owners, they will be served with a land tax assessment in one of the following ways:

- an assessment will be issued to one joint owner, nominated by the Commissioner of State Revenue, or
- where a written request has been made by all the joint owners, an assessment will be issued to the joint owner who has been nominated as the person to receive the assessment.

Irrespective of which option is used, all parties to the joint ownership are jointly liable for the land tax payable.

## Example - Calculation of land tax liability

For the purpose of the example below, the 2014 land tax rate has been used.

At midnight on 31 December of the year preceding the year of assessment, Mrs White and Ms Black jointly own Property A (50 per cent each), which has a taxable value of \$280,000.

Ms Black owns Property B in her own right (100 per cent). The taxable value of Property B is \$200,000.

Ms Black also owns Property C in her own right (100 per cent). Property C is Ms Black's PPR. As Property C is Ms Black's PPR, it is not included in the calculation of Ms Black's land tax liability.

### Stage 1 - Calculating the land tax for the joint owners (primary assessment)

The taxable value of the jointly owned land (Property A) is \$280,000.

The general land tax rate for land holdings valued between \$250,000 and less than \$600,000 is \$275 plus 0.2 per cent of the amount greater than \$250,000.

$$\text{Tax} = \mathbf{\$335.00} \text{ being} \\ \$275 + ((\$280,000 - \$250,000) \times 0.2\%)$$

### Stage 2 – Calculating the land tax for all of Ms Black's land holdings (secondary assessment)

Property B (100%)	\$200,000
Property A (50%)	<u>\$140,000</u>
Total taxable value	\$340,000

$$\text{Tax} = \mathbf{\$455.00} \text{ being} \\ \$275.00 + ((\$340,000 - \$250,000) \times 0.2\%)$$

### Stage 3 – Applying the deduction to Ms Black's secondary assessment

1. Taxpayer's share of the jointly owned land	X	Tax on jointly owned land	
$\frac{\$140,000}{\$280,000}$	X	\$335.00 =	<b>\$167.50</b>
2. Taxpayer's share of the jointly owned land	X	Tax on taxpayer's total land holdings	
$\frac{\$140,000}{\$340,000}$	X	\$455.00 =	<b>\$187.35</b>

As the lesser of the two calculations is **\$167.50**, the land tax payable by Ms Black in the secondary assessment is **\$287.50** (being \$455.00 - \$167.50).

Similar calculations are made for the other joint owner, Mrs White. In this case, as she does not own any other land, no tax is payable.

## Land tax tutorial videos

The SRO has developed a range of online videos which are available on our website. The videos cover a selection of topics to help you understand land tax and your assessment notice.

Visit our website, or use the QR code scanner on your smart phone or tablet device to view our land tax tutorial videos.



[www.sro.vic.gov.au/ltxvideos](http://www.sro.vic.gov.au/ltxvideos)

## Further information

Up-to-date information about land tax can be found on the SRO website.

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