IPTI Xtracts
Property Tax and Assessment News from Around the World

AUSTRALIA – May 2022

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NSW LAND TAX - CONCESSION FOR UNOCCUPIED LAND INTENDED TO BE YOUR PRINCIPAL PLACE OF RESIDENCE

In brief - If you purchase land for a new home in NSW, you can normally claim the "principal place of residence" (PPR) exemption from land tax while it is unoccupied, but you must not claim the PPR exemption for another family home in the same tax year and you must complete your new home within four years

This article considers under what circumstances you may be eligible for this exemption, and relates to land tax years from 2017. The exemption was available in prior years, but different criteria apply.

Exemption from land tax - principal place of residence (PPR) - your home

Land tax is an annual tax levied at the end of the calendar year on all property that you own. Certain concessions and exemptions apply.

Your PPR is exempt from land tax. Your PPR is the one place that you continually "use and occupy" as your residence among all places globally. It is more commonly thought of as your "home". We refer to it as such. (Refer also to the NSW Government's Revenue Ruling LT 082v5 The principal place of residence exemption.)

Concession for unoccupied land intended to be your home

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You may claim a PPR exemption for "unoccupied land" that you own if you hold an intention to occupy it as your home after completing building works.

This exemption applies only if:

- Your land is unoccupied because you intend to build or are building your home.
- No income is derived from your land after you have "physically commenced" work on your home.
- The intended use and occupation of your land is not unlawful (i.e., is permitted by the relevant planning laws of local and state government authorities).

Unoccupied land includes both:

- vacant land; and
- land on which an existing building is to be renovated or demolished and rebuilt.

Principal place of residence exemption period

The exemption period is a maximum of four tax years. There are no extensions available.

The exemption period commences:

- on the first day of the first tax year after you became the owner of your land (the "tax year" starts on 1 January and ends on 31 December); or
- if your land is occupied by any person (e.g., a tenant) for residential purposes, the start of the first tax year after that person ceases to occupy your land.

For example, if you purchase land that is not occupied by any person and become the owner on 1 August 2018, the exemption period commences on 1 January 2019.

Land that is occupied but subsequently ceases to be occupied for residential purposes

If your land is occupied but ceases to be occupied, the Chief Commissioner must, at the end of the first tax year of your exemption period, be satisfied that you will take or have taken "significant steps" to enable building work for your home to physically commence on your land. The preparation and lodgement of a development application is generally considered a significant step.

For example, if you took ownership of your land in February 2018 with a tenant, and your tenant leaves so that your land became unoccupied in March 2019:

- Your exemption period commences on 1 January 2020.
- The Chief Commissioner must, by 31 December 2020, be satisfied that you will take or have taken "significant steps".

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- If you lodged your development application by 31 December 2020, you have likely taken "significant steps". If you have not, you may be challenged and risk the revocation and reassessment of any concessions received for the 2020 land tax year.

Occupation requirement

You (or another owner) must, before the end of the exemption period:

- actually use and occupy your home as your PPR; and
- continue to do so for at least six months.

If you do not comply with the occupation requirement, the Chief Commissioner may revoke the concession for each tax year for which it has previously been allowed and your land will be reassessed for land tax for all those years.

When does the concession not apply?

The concession does not apply if:

- You, or any member of your family, is entitled to claim the PPR exemption for another residence. A "family" consists of a cohabiting spouse (married or de facto) and any dependent children (including step children). Children are "dependent" if under 18 years of age and not legally married.
- Under state planning laws more than two dwellings can be lawfully built on your land, including any adjoining land that you own.

When has building work physically commenced?

Building work is normally considered to have "physically commenced" when demolition has commenced, footings excavated or other such preparatory work is undertaken.

It is insufficient to create a bore hole for soil testing, remove water or soil for testing, carry out survey work, conduct acoustic testing, remove vegetation and mark the ground to indicate how land will be developed.

PROPERTY PRICES IN SYDNEY AND MELBOURNE RECORD FIRST QUARTERLY DECLINE SINCE 2020

Australia's two biggest property markets have experienced their first quarterly decline in prices since the onslaught of COVID-19 in 2020.

New data from property firm CoreLogic showed that in the last three months Sydney property prices fell 0.5 per cent to just over $1.1 million while Melbourne's prices fell 0.1 per cent to $806,144.

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The prices – which represent the median of both freestanding houses and apartments – are still far higher than they were a year ago, with Sydney still boasts an annual lift in prices of 14.7 per cent and Melbourne a growth of 8.4 per cent over the past 12 months.

CoreLogic's Research Director Tim Lawless said several factors are weighing on Australia's runaway property prices, the most pressing of which is a looming hike in interest rates.

"With the RBA cash rate set to rise, potentially as early as tomorrow, we are likely to see a further loss of momentum in housing conditions over the remainder of the year and into 2023," he says.

"Stretched housing affordability, higher fixed term mortgage rates, a rise in listing numbers across some cities and lower consumer sentiment have been weighing on housing conditions over the past year.

"As the cash rate rises, variable mortgage rates will also trend higher, reducing borrowing capacity and impacting borrower serviceability assessments."

But not every capital city experienced the same downturn as Sydney and Melbourne.

Brisbane is now the best-performing capital in the country, with prices growing 5.7 per cent over the quarter to $770,808.

It is closely followed by Adelaide (up by 5.4 per cent to $619,819) and Perth (up 2.4 per cent to $552,128).

On a national basis, Australia's property prices as a whole grew 1.9 per cent over the past quarter to a national median value of $748,635.

Mr Lawless said the gulf between supply and demand in Sydney and Melbourne is shortening, with the balance of power shifting back towards buyers.

CoreLogic's data showed Sydney's advertised stock levels are now back in line with its five-year average, while Melbourne's remains 8.2 per cent higher.

"With higher inventory levels and less competition, buyers are gradually moving back into the driver's seat. That means more time to deliberate on their purchase decisions and negotiate on price," Mr Lawless said.

He stressed that while today's data was an early indication of Australia's property market losing steam, it was important to keep in mind the stratospheric growth experienced over the past two years.

"Although we are expecting the housing market to move into a downturn through the second half of the year, it is important to remember the context of the recent growth phase," he said.

"Since the onset of the pandemic, national housing values have increased by 26.2 per cent, adding approximately $155,380 to the median value of an Australian dwelling."

Australia's Median Property Prices, April 2022*

Capital City:	Quarterly Change:	Median Value:
Sydney	- 0.5 per cent	$1,127,723
Melbourne	- 0.1 per cent	$806,144
Brisbane	+ 5.7 per cent	$770,808
Adelaide	+ 5.4 per cent	$619,819
Perth	+ 2.4 per cent	$552,128
Hobart	+ 1.2 per cent	$735,425
Darwin	+ 2.2 per cent	$501,182
Canberra	+ 2.7 per cent	$947,309
National	+ 1.9 per cent	$748,635

**CoreLogic's Hedonic Home Value Index as of 30 April 2022*

TASMANIAN PARLIAMENT APPROVES LAND TAX CHANGES, BUT QUESTIONS REMAIN ON HOW IT WILL HELP RENTERS - IF AT ALL

Parliament has approved land tax cuts for secondary property owners and landlords, promised by the Liberals in last year's state election.

Now, a person with property or land other than their residential property will not have to pay land tax if it is valued under $100,000.

If the value is between $100,000 and $499,999, the property owner will pay $50 and 45 cents for each dollar of the assessed land value each year.

If the value exceeds $500,000, the property owner will pay $1850 and 1.5 cents for each dollar of the assessment land value each year.

The government has argued that the tax break for landlords primarily would result in lower rents for the state's tenants.

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It is estimated the cuts will cost $39 million each year in state revenue, but result in between $581 and $1625 in savings on an individual land tax bill.

Murchison independent MLC Ruth Forrest said she could not understand what made the government so confident that land tax reductions would be passed on to tenants in the form of lower rents when the market was so tight.

"Maybe a few might pass on the tax savings ... but to imagine there's a be a general tendency to do so is delusionary," she said.

"In my view, it simply won't happen for the vast majority."

Nelson independent Meg Webb said 12 House of Assembly members and eight Legislative Council members detailed interests in more than one Tasmanian property in 2020-21.

She said this raised concerns over potential conflicts of interest in voting on the bill.

Ms Webb said she has a property that had been tenanted since the last declarations of interests were made.

She said 70,000 landowners were expected to benefit from the tax cuts. "This bill does nothing to provide any guarantee that financial benefits or relief from financial pressures that it provides will be targeted to those most in need," Ms Webb said.

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