

LAND TAX

Policy Background

Generally, land tax may have to be paid if you own property in Victoria. Whether land tax is payable depends on what land is owned, what it is used for, and its total value. How much you pay is also dependent on a number of factors including whether you are a trust or an absentee owner.

Property that is subject to land tax

The types of property subject to land tax include:

- Rental/investment properties
- Commercial properties such as retail shop, office premises and factories
- Holiday homes
- Vacant land
- Any other non-exempt land.

The primary exemptions to land tax include:

- Principal place of residence
- Primary production land
- All land that is owned where total site value is under the threshold of \$250,000
- Rooming houses
- Charitable institutions

There are many other exemptions that apply in certain circumstances and these exemptions must be applied for.

Land ownership

Land can be owned solely, jointly or as a trustee. When land is sold, both the existing owner and the incoming owner of the land are considered the owner for land tax purposes. The personal representative of a deceased estate also has several land tax obligations during the administration period.

Policy Issues

Land tax is calculated by applying the appropriate rate to the total taxable value (site value) of the land holdings (excluding exemptions). Site value is the unimproved value of the land excluding capital improvements such as buildings.

From 1 July 2018 land valuations were centralised under the Valuer-General Victoria (VGV), with a new annual cycle of valuations for land tax, the Fire Services Property Levy and council rates setting purposes. However, individual councils can 'opt out' of VGV centralisation until 2022. VGV is the valuation authority for 75 councils in the first annual revaluation.

Victoria has one of the lowest thresholds among the states for land tax at \$250,000 which means more properties and/or property portfolios will be subject to land tax. The threshold for Trusts is also very low at \$25,000.

Generally speaking, Victoria compares favourably to other states in terms of land tax payable at the lower value of land holding (up to approximately \$7M). Trust pay more at the lower end of the scale. It is at the higher end that the significant impact of land tax is realised with Victoria imposing a 2.25% rate, higher than other states except for South Australia.

The significant uplift in property prices has seen alarming increases in the land tax obligation across the board, but more specifically at the higher end of the market.

Victoria's Land Tax Rates

Total taxable value of land holdings	Land Tax payable
< \$250,000	Nil
\$250,000 to < \$600,000	\$275 plus 0.2% of amount > \$250,000
\$600,000 to < \$1,000,000	\$975 plus 0.5% of amount > \$600,000
\$1,000,000 to < \$1,800,000	\$2975 plus 0.8% of amount > \$1,000,000
\$1,800,000 to < \$3,000,000	\$9375 plus 1.3% of amount > \$1,800,000
\$3,000,000 and over	\$24,975 plus 2.25% of amount > \$3,000,000

Policy

The REIV does not support a broad-based land tax system.

The threshold for the implementation of land tax should be raised and adjusted annually or at least on a regular basis.

A review of all property taxes (including land tax) should be undertaken to reduce the government's reliance on this source of revenue.

Levying higher land tax rates on larger holdings discourages land-based investment by institutional investors. The REIV supports a reduction in the rate of land tax at the upper values of land holdings.

A comparison table for basic land tax rates for individuals*

State	Threshold	\$500k	\$1M	\$2M	\$7M	\$10M	\$20M
Vic	\$250k	\$775	\$2,975	\$11,975	\$114,975	\$182,475	\$407,475
NSW	\$629k	-	\$6,036	\$22,036	\$114,652	\$174,652	\$374,652
Qld	\$680k	-	\$4,500	\$21,000	\$97,500	\$150,000	\$375,000
SA	\$369k	\$655	\$6,982	\$40,979	\$225,979	\$336,979	\$706,979
WA	\$300k	\$500	\$1,750	\$12,550	\$106,550	\$166,550	\$426,850

*Figures relevant as at 1/12/2018