



Stamp duty, land tax, payroll tax and more

VIC 2021-22 State Budget

June 2021

Pitcher Partners Advisors Proprietary Limited
ABN 80 052 920 206



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What we are covering today
Victorian State Budget



Stamp duty



New Windfall
Gains Tax



Land Tax



Payroll Tax

PARLIAMENT OF VICTORIA

**State Taxation and Mental Health Acts Amendment
Bill 2021**

TABLE OF PROVISIONS

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Passed the Legislative Assembly, now with the Legislative Council

All measures covered today are subject to change

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Stamp duty changes

Stamp duty changes

Premium duty rate

Duty increase for properties with dutiable value above \$2m



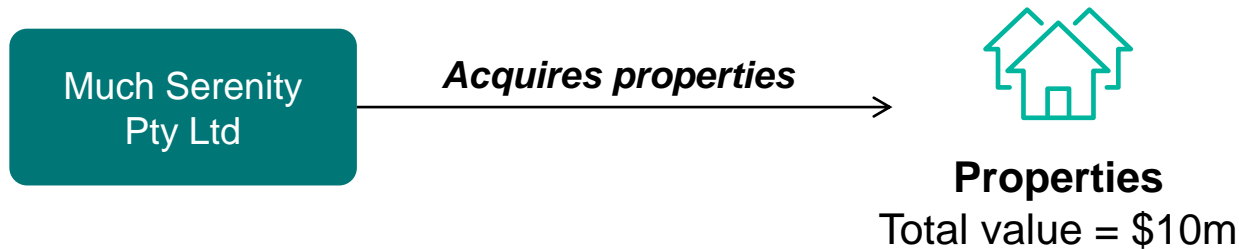
\$110,000 plus 6.5% of dutiable value > \$2m



Contracts pre-1 July 2021 that settle after 1 July 2021
not subject to premium stamp duty rate

Premium duty rate

Assume the acquirer is not a “foreign corporation” for duty purposes



	Current rules	New rules
Dutiable value	\$10m	\$10m
Duty payable	\$550,000 \$10m x 5.5%	\$630,000 \$110,000 plus 6.5% of \$8m being dutiable value exceeding \$2m

Under new rules, additional **\$80,000** of duty payable

Premium duty rate

Duty comparisons

Dutiable value	Duty payable now*	Duty payable under changes*	Difference in duty
\$2,000,000	\$110,000	\$110,000	Nil
\$2,200,000	\$121,000	\$123,000	\$2,000
\$2,500,000	\$137,500	\$142,500	\$5,000
\$3,000,000	\$165,000	\$175,000	\$10,000
\$3,500,000	\$192,500	\$207,500	\$15,000
\$4,000,000	\$220,000	\$240,000	\$20,000
\$4,500,000	\$247,500	\$272,500	\$25,000
\$5,000,000	\$275,000	\$305,000	\$30,000
\$10,000,000	\$550,000	\$630,000	\$80,000
\$15,000,000	\$825,000	\$955,000	\$130,000

* Assuming FPAD is not payable

Duty rates compared with other states

STAMP DUTY			LAND TAX
State	Top rate	Tax on the sale of \$2.2m property (\$)	Tax on residential land with \$5m taxable value held by a company (\$) (without foreign land tax surcharge)
Vic (now)	5.50% over \$1m	121,000	69,975
Vic (new regime)	5.50% over \$1m	–	78,975
	6.50% over \$2m	123,000	–
SA	5.50% on all land	114,830	99,038
NT	5.95% over \$500k	108,900	n/a
WA	5.15% over \$2m	107,215	66,550
NSW	5.50% over \$2m	106,005	69,556
ACT	5.00% over \$1.5m	99,880	55,456
Qld	5.75% over \$2m	99,850*	75,000
Tas	4.50% over \$500k	94,185	71,588

* Home concession applied for existing principal place of residence

SOURCE: PITCHER PARTNERS, PWC

From Victoria embarks \$15b “budget repair” AFR 20 May 2021

*Stamp duty
changes
Off the plan
(OTP)
concession*

Temporary widening of OTP duty concession



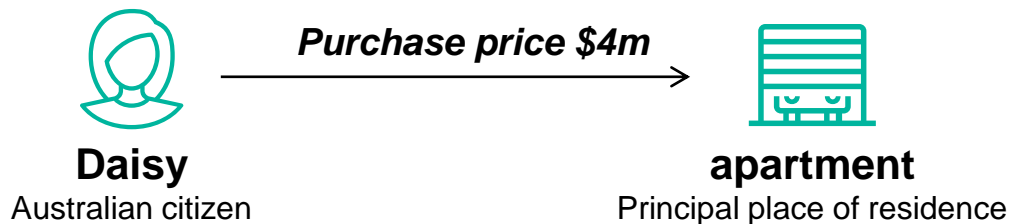
Dutiable value ceiling
increased to \$1m



Other requirements
the same – e.g. not
available to investors

Applies to **contracts** (not replacements) entered into
between 1 July 2021 and 30 June 2023 inclusive

Off the plan concession



	Contract pre-1 Jul 2021	Contract on or after 1 Jul 2021
OTP concession	Not qualify	Qualify
Dutiable value based on OTP fixed percentage method calculation		\$1m $\$4m \times 75\% \text{ (high rise fixed \%)} = \$3m$ $\$4m - \$3m = \$1m$
Duty payable	\$220,000	\$55,000

Without concession, duty = \$240,000 (new premium duty rate), saving of \$185,000

Stamp duty changes

Temporary residential duty exemption



Exemption for

- bona fide purchaser
- new home
- located within City of Melbourne
- **unsold and unoccupied for ≥ 12 months post-completion**
- dutiable value of property up to \$1m

Applies to

Contracts entered into between
21 May 2021 and 30 Jun 2022 inclusive

All buyers including investors

Exemption **does not** apply to

- Foreign Purchaser Additional Duty
- Landholder Duty

Stamp duty changes

Temporary residential duty concession



50% concession for

- bona fide purchaser
- new home
- located within City of Melbourne
- **unsold and unoccupied for < 12 months post-completion**
- dutiable value of property up to \$1m

Applies to

Contracts entered into between
1 Jul 2021 and 30 Jun 2022 inclusive

All buyers including investors

Concession **does not** apply to

- Foreign Purchaser Additional Duty
- Landholder Duty



Temporary residential duty exemption / concession **“New Home”**

Building (affixed to land) that may lawfully be used as a place of residence and is, in the Commissioner's opinion, a suitable building for use as a place of residence

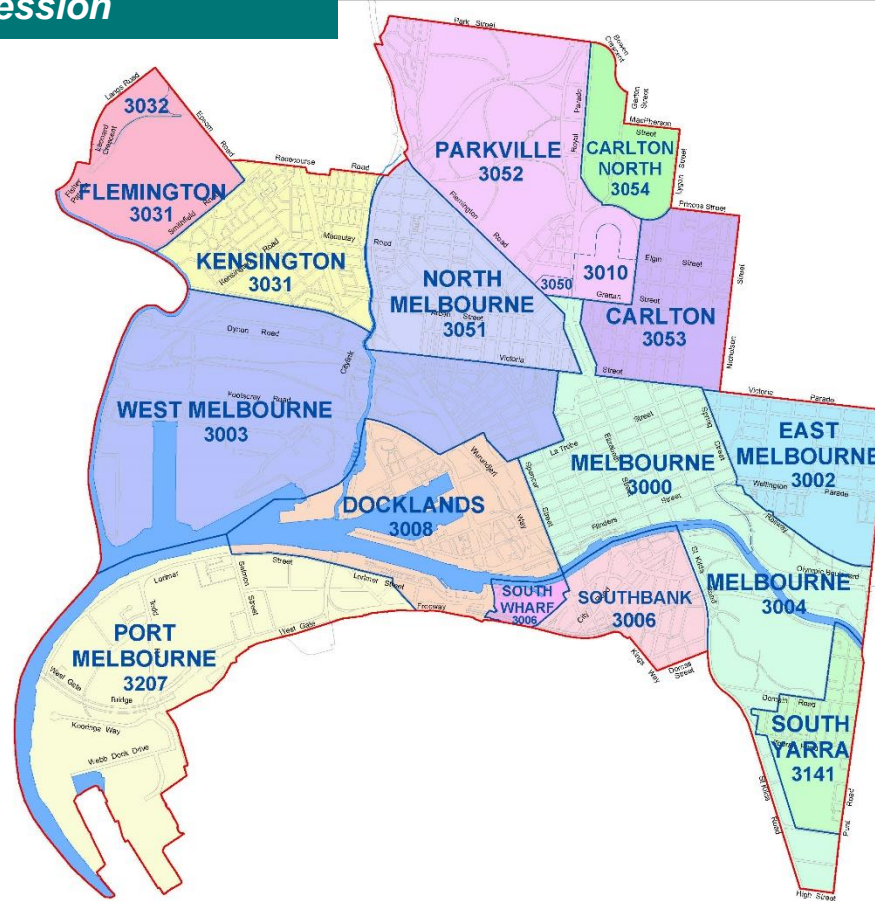
Not previously occupied or sold as a place of residence or for the provision of short term accommodation

Includes a substantially renovated home and a home built to replace demolished premises

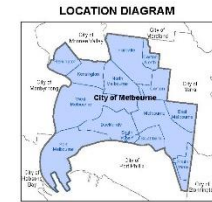


Areas covered by temporary residential duty exemption / concession

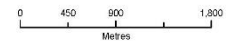
Carlton
 Carlton North
 Docklands
 East Melbourne
 Flemington
 Kensington
 Melbourne
 North Melbourne
 Parkville
 Southbank
 South Wharf
 South Yarra
 West Melbourne



SUBURBS & POSTCODES CITY OF MELBOURNE



MAP SCALE 1:30,000 AT A3

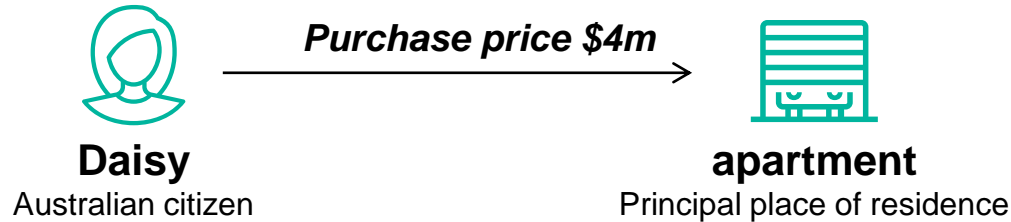


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Temporary residential duty (TRD) concession



	Contract pre-1 Jul 2021	Contract on or after 1 Jul 2021
OTP concession	Not qualify	Qualify
Dutiable value		\$1m
Duty payable	\$220,000	\$55,000
OTP concession		
Duty payable		\$27,500
OTP concession PLUS TRD		50% x \$55,000

*to be confirmed by State Revenue Office

Without concession, duty = \$240,000 (new premium duty rate), saving of \$212,500

Windfall Gains Tax

Tax of 50% of value uplift of more than \$500,000 due to rezoning

Rezoning between zone types (e.g. industrial to residential) **rather than**
between sub-categories (e.g. GRZ1 to GRZ2)

Exempt re-zonings

Rezoning to Public Land Zones

Land subject to Growth Areas
Infrastructure Contribution (GAIC)



To apply from 1 July 2022

Windfall Gains Tax

Tax of 50% of value uplift of more than \$500,000 due to rezoning

Rezoning between zone types (e.g. industrial to residential) **rather than**
between sub-categories (e.g. GRZ1 to GRZ2)

Value uplift	Tax
\$0 - \$100,000	\$0
\$100,001 – \$499,999	62.5% of excess over \$100,000
≥ \$500,000	50% of excess over \$500,000

- **Option to defer** paying until next dutiable transaction or subdivision
- **Value of land** to be determined by VG



Land tax measures

Threshold changes

Tax-free threshold **increased** from \$250,000 to \$300,000 for individuals and companies (**absentee and non-absentee**)

Tax-free threshold for trusts **unchanged** at \$25,000

Applies from 2022 land tax year onward



Increase to land tax rates

Applies from 2022 land tax year to absentee & non-absentee owners

Taxable value	Land tax rates*	
	Current rates	New rates
General rates (individuals, companies)		
\$1,800,000 to \$2,999,999	\$9,375 + 1.3% of amount > \$1,800,000	\$9,375 + 1.55% of amount > \$1,800,000
\$3,000,000 +	\$24,975 + 2.25% of amount > \$3,000,000	\$27,975 + 2.55% of amount > \$3,000,000
Trust surcharge rates (trusts)		
\$1,800,000 to \$2,999,999	\$15,838 + 0.7614% of amount > \$1,800,000	\$15,838 + 1.0114% of amount > \$1,800,000
\$3,000,000 +	\$24,975 + 2.25% of amount > \$3,000,000	\$27,975 + 2.55% of amount > \$3,000,000

*Assume the taxpayer is a non-absentee owner

Comparison of land tax payable

Taxable value	Current land tax payable*	Land tax payable under new rates	Difference
General rates (individuals, companies)			
\$2,500,000	\$18,475	\$20,225	\$1,750
\$5,000,000	\$69,975	\$78,975	\$9,000
\$10,000,000	\$182,475	\$206,475	\$24,000
Trust surcharge rates (trusts)			
\$2,500,000	\$21,168	\$22,918	\$1,750
\$5,000,000	\$69,975	\$78,975	\$9,000
\$10,000,000	\$182,475	\$206,475	\$24,000

*Assume the taxpayer is a non-absentee owner

Land tax increases

Multi-tenanted properties

		Current rates		New rates	
Tenant	Taxable value	Single holding tax	Proportional tax	Single holding tax	Proportional tax
1	\$1m	\$2,975	\$21,437	\$2,975	\$24,287
2	\$1m	\$2,975	\$21,437	\$2,975	\$24,287
3	\$1m	\$2,975	\$21,437	\$2,975	\$24,287
.....			\$21,437		\$24,287
40	\$1m	\$2,975	\$21,437	\$2,975	\$24,287
Total	\$40m	\$119,000	\$857,475	\$119,000	\$971,475



Vacant residential land tax (VRLT)

Currently exemption from VRLT for land which became residential land in the preceding year

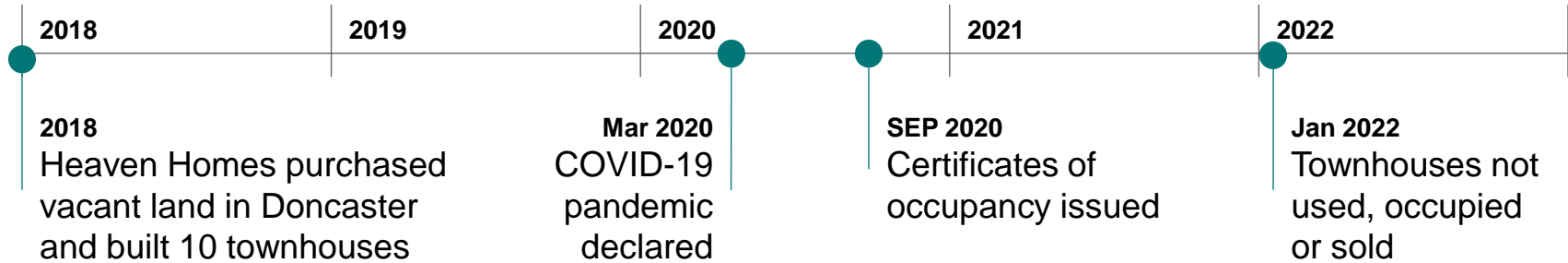
From 2022 land tax year, exemption extended an additional year, provided:

- no change in ownership
- dwelling has not been used or occupied since completion

Exemption does not apply to land already **residential land** prior to construction



VRLT exemption



Current rules	New rules
<p>Townhouses became residential land in 2020 when OPs issued</p> <p>Exempt from VRLT in 2021 Each townhouse became 'residential land' in preceding tax year</p> <p>Subject to VRLT in the 2022</p>	<p>Exempt from VRLT in 2021 Each townhouse became 'residential land' during the 2nd year preceding the tax year</p> <p>Exempt from VRLT in 2022 Effectively 2 year exemption from completion</p>

Land held by a nominee on behalf of a partnership

Applies from 2022 land tax year

Partnership treated as fixed trust

Partners deemed to have beneficial interest in partnership property

Consistent with SRO's current approach

If nomination made	
Nominee	Assessed at general rates
Partners	<div>Individually assessed on their interest in<ul style="list-style-type: none">• partnership property• other partnership property in which the partnership has a direct / indirect interest• other taxable property• credit applied at individual level</div>

Liabilities of the partnership disregarded
when calculating each partner's beneficial interest in property

Land held by a nominee on behalf of a partnership

Assuming all partners are Australian

Land tax for Accounts Plus Pty Ltd

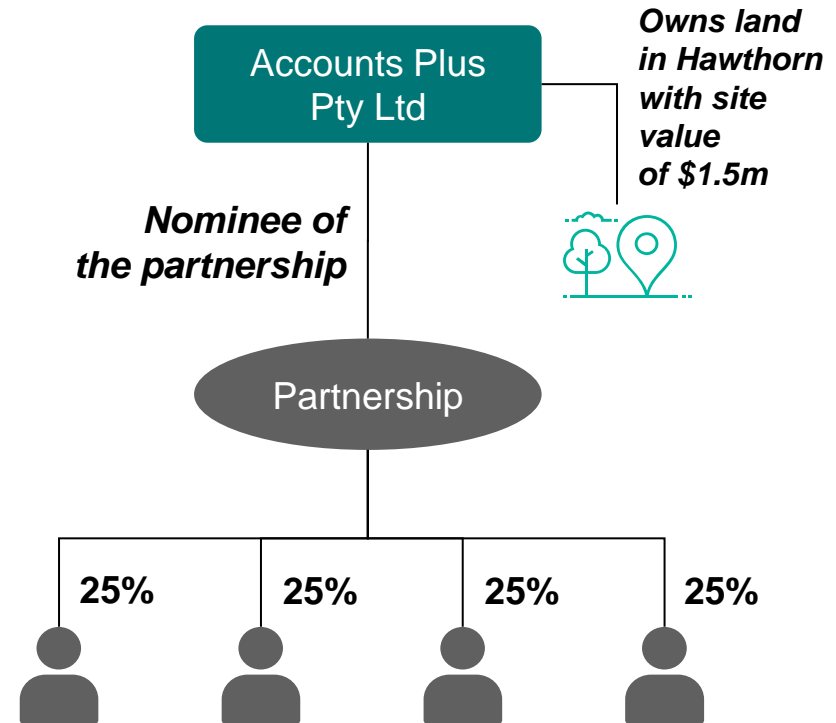
2021 land tax based on trust surcharge rates \$12,313

2021 land tax at general rates AFTER nomination \$6,975

Land tax savings \$5,338

Each partner will receive an individual assessment if they own other taxable land

- Interest in the partnership land will be assessed
- Credit will be applied for land tax already paid by the partnership





Other State taxes measures



Other changes
Private gender-exclusive clubs

Removal of land tax exemption for private gender-exclusive clubs

Awaiting legislation to give effect to this measure

Applies from **1 January 2022***

*Announced but not yet legislated





Other changes **Shared equity arrangements**

Persons who enter into shared equity arrangement with the State

- State's interest **excluded** for purposes of assessing land tax, or eligibility for exemptions / concessions

Applies from **2022** land tax year





Other changes **Discretionary trusts**

Formula **amended** to calculate land tax for pre-2006 land owned

- By trustee of a discretionary trust
- Used and occupied by nominated beneficiary as PPR

Applies from **2022** land tax year



Duty, windfall gains tax, land tax

Stone Throw Pty Ltd

Purchased land with intention to subdivide the land into 50 residential lots

Foreign purchaser for Victorian duty purposes and an **absentee owner** for land tax purposes

	Jan 2022	Dec 2022
Market value	\$8m	\$75m
Zoning	FZ, not subject to GAIC	UGZ

Duty, windfall gains tax, land tax

Stamp duty

Stone Throw Pty Ltd

Purchased land with intention to subdivide the land into 50 residential lots

Foreign purchaser for Victorian duty purposes and an **absentee owner** for land tax purposes

	Jan 2022	Dec 2022
Market value	\$8m	\$75m
Zoning	FZ, not subject to GAIC	UGZ

Stamp duty on dutiable value of \$8m

Contract signed prior to 1 Jul 2021

$$\$8m \times 13.5\% = \mathbf{\$1,080,000}$$

Contract signed after 1 Jul 2021

$$[\$110,0000 + (\$8m - \$2m) \times 6.5\%] + [\text{FPAD of } \$8m \times 8\%] = \mathbf{\$1,140,000}$$

$$\$110,0000 + (\$8m - \$2m) \times 6.5\% = \mathbf{\$500,000}$$

$$\text{FPAD of } \$8m \times 8\% = \mathbf{\$640,000}$$

Under new rules, additional **\$60,000** of duty payable

Duty, windfall gains tax, land tax

Windfall Gains Tax

Stone Throw Pty Ltd

Purchased land with intention to subdivide the land into 50 residential lots

Foreign purchaser for Victorian duty purposes and an **absentee owner** for land tax purposes

	Jan 2022	Dec 2022
Market value	\$8m	\$75m
Zoning	FZ, not subject to GAIC	UGZ

Tax payable on 50% of total uplift

\$67m

Total uplift based on
\$75m - \$8m

\$33.5m

50% of the uplift

\$33.5m

Windfall gains tax payable

Duty, windfall gains tax, land tax

Land Tax

Stone Throw Pty Ltd

Purchased land with intention to subdivide the land into 50 residential lots

Foreign purchaser for Victorian duty purposes and an **absentee owner** for land tax purposes

	Jan 2022	Dec 2022
Market value	\$8m	\$75m
Zoning	FZ, not subject to GAIC	UGZ

The land is taxable

Site value of land \$75m until 2027	Current rules	New rules
Land tax payable p.a.	\$3.145m	\$3.354m
Additional tax payable	\$219,000 p.a. or \$1.1m over 5 years	



Payroll Tax



Payroll tax

2021 State Budget Payroll tax announcements

- Good news for some taxpayers
- Mental Health and Wellbeing Levy (“Levy”)

Comparing Victoria to other States and Territories



2021 State Budget payroll tax announcements

Favourable changes commencing 1 July 2021



Increase in the tax-free threshold from \$650,000 to \$700,000



Decrease in the payroll tax rate for regional employers from 2.02% to 1.2125%



Businesses with payroll tax liability of \$100,000 or less can **move to annual reporting and payment of payroll tax**

Mental Health and Wellbeing Levy to be imposed from 1 January 2022

Mental Health and Wellbeing Levy



Proposed to be imposed from 1 January 2022

Payable on Victorian wages of businesses with annual **Australian Group wages** above \$10m

Surcharge rates for taxable wages

0.5%

More than \$10m / less than \$100m

1.0%

Above \$100m

Mental Health and Wellbeing Levy

Impact on different size businesses

Victorian taxable wages	\$15,000,000	\$50,000,000	\$120,000,000	\$150,000,000	\$200,000,000
Total payroll tax	\$693,500	\$2,391,050	\$5,786,050	\$7,241,050	\$9,666,050
Total Levy	\$25,000	\$200,000	\$650,000	\$950,000	\$1,450,000
Grand total	\$718,550	\$2,591,050	\$6,436,050	\$8,191,050	\$11,116,050
Effective payroll tax rate	4.79%	5.18%	5.36%	5.46%	5.56%

Assumptions

Business employs in Victoria only

Business is entitled to full threshold

Comparing Victoria to other States and Territories

State	Current thresholds	Current rates
VIC	\$700,000	4.85%
NSW	\$1,200,000	4.85%
QLD	\$1,300,000	4.75% – 4.95%
WA	\$1,000,000	5.5%
SA	\$1,500,000 Deduction \$600,000	0 – 4.95%
NT	\$1,500,000	5.5%
TAS	\$1,250,000	0% – 4% – 6.1%
ACT	\$2,000,000	6.85%

This table provides a high-level summary. It does not take into account special rules which exist in many jurisdictions for different levels of taxable wages, nor does it take into account regional rates. All rates and thresholds are current as of June 2021, the Victorian threshold of \$700,000 will be available from 1 July 2021.

Comparing Victoria to other States and Territories

Payroll tax liability comparison including new payroll tax threshold but not the Levy

Taxable wages	1,000,000	2,000,000	5,000,000	10,000,000	20,000,000	50,000,000	100,000,000	200,000,000
Approx. No. of employees*	13	25	63	125	250	625	1,250	2,500
TOTAL VIC	14,550	63,050	208,550	451,050	936,050	2,391,050	4,816,050	9,666,050
NSW	-	38,800	184,300	426,800	911,800	2,366,800	4,791,800	9,641,800
Qld	-	41,563	219,688	495,000	990,000	2,475,000	4,950,000	9,900,000
WA	-	63,462	253,846	550,000	1,100,000	2,750,000	5,500,000	11,500,000
SA	-	69,300	217,800	465,300	960,300	2,445,300	4,920,300	9,870,300
NT	-	34,375	240,625	550,000	1,100,000	2,750,000	5,500,000	11,000,000
TAS	-	30,000	213,000	518,000	1,128,000	2,958,000	6,008,000	12,108,000
ACT	-	-	205,500	548,000	1,233,000	3,288,000	6,713,000	13,563,000

● Victoria
 ● Payroll tax liability is less than in Victoria
 ● Payroll tax liability is greater than in Victoria

Comparing Victoria to other States and Territories

Payroll tax liability comparison including new payroll tax threshold and the Levy

Taxable wages	1,000,000	2,000,000	5,000,000	10,000,000	20,000,000	50,000,000	100,000,000	200,000,000
Approx. No. of employees*	13	25	63	125	250	625	1,250	2,500
Levies	-	-	-	-	50,000	200,000	450,000	1,450,000
TOTAL VIC	14,550	63,050	208,550	451,050	986,050	2,591,050	5,266,050	11,116,050
NSW	-	38,800	184,300	426,800	911,800	2,366,800	4,791,800	9,641,800
Qld	-	41,563	219,688	495,000	990,000	2,475,000	4,950,000	9,900,000
WA	-	63,462	253,846	550,000	1,100,000	2,750,000	5,500,000	11,500,000
SA	-	69,300	217,800	465,300	960,300	2,445,300	4,920,300	9,870,300
NT	-	34,375	240,625	550,000	1,100,000	2,750,000	5,500,000	11,000,000
TAS	-	30,000	213,000	518,000	1,128,000	2,958,000	6,008,000	12,108,000
ACT	-	-	205,500	548,000	1,233,000	3,288,000	6,713,000	13,563,000

● Victoria
 ● Payroll tax liability is less than in Victoria
 ● Payroll tax liability is greater than in Victoria

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