



2023/24 Victorian State Budget Update

14 June 2023

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What we are covering today



**COVID
Debt Levy**



**Land Tax
Changes**



**Transfer Duty
Reform**



**New CCIV
rules and
other
legislative
updates**



**Payroll Tax
Changes**



**WorkCover
Changes**



COVID Debt Levy – Land Tax

COVID debt levy

Land tax changes

Reduction in tax-free threshold for general taxpayers
from \$300,000 to \$50,000

Changes effective from the 2024 land tax year

For landholdings between \$50,000 and \$100,000	For landholdings between \$100,000 and \$300,000	For landholdings above \$300,000 (\$250,000 for Trust taxpayers)
Temporary fixed charge of \$500	Temporary fixed charge of \$975	A fixed charge of \$975 Land tax rate increased by 0.1%

COVID debt levy

Land tax rate changes – General Taxpayers

Taxable value of land holdings	Current land tax rates	Land tax rates from 2024 land tax year
\$0 – \$50,000	Nil	Nil
\$50,000 – \$100,000	Nil	\$500
\$100,000 – 300,000	Nil	\$975
\$300,000 – \$600,000	\$375 + 0.2% of excess over \$300,000	\$1,350 + 0.3% excess over \$300,000
\$600,000 – \$1,000,000	\$975 + 0.5% of excess over \$600,000	\$2,250 + 0.6% of excess over \$600,000
\$1,000,000 – \$1,800,000	\$2,975 + 0.8% of excess over \$1,000,000	\$4,650 + 0.9% of excess over \$1,000,000
\$1,800,000 – \$3,000,000	\$9,375 + 1.55% of excess over \$1,800,000	\$11,850 + 1.65% of excess over \$1,800,000
\$3,000,000+	\$27,975 + 2.55% of excess over \$3,000,000	\$31,650 + 2.65% of excess over \$3,000,000

COVID debt levy

Land tax rate changes

Taxable value of land holdings	Current land tax rates	Land tax rates from 2024 land tax year
\$0 – \$25,000	Nil	Nil
\$25,000 – \$50,000	\$82 + 0.375% of excess over \$25,000	\$82 + 0.375% of excess over \$25,000
\$50,000 – \$100,000	\$82 + 0.375% of excess over \$25,000	\$676 + 0.375% of excess over \$50,000
\$100,000 – \$250,000	\$82 + 0.375% of excess over \$25,000	\$1,338 + 0.375% of excess over \$100,000
\$250,000 – \$600,000	\$926 + 0.575% of excess over \$250,000	\$1,901 + 0.675% excess over \$250,000
\$600,000 – \$1,000,000	\$2,938 + 0.875% of excess over \$600,000	\$4,263 + 0.975% of excess over \$600,000
\$1,000,000 – \$1,800,000	\$6,438 + 1.175% of excess over \$1,000,000	\$8,163 + 1.275% of excess over \$1,000,000
\$1,800,000 – \$3,000,000	\$15,838 + 1.0114% of excess over \$1,800,000	\$18,363 + 1.1072% of excess over \$1,800,000
\$3,000,000+	\$27,975 + 2.55% of excess over \$3,000,000	\$31,650 + 2.65% of excess over \$3,000,000

COVID debt levy

Land tax estimates

Taxable value	Land tax payable now (using 2023 land tax rates)	Land tax payable under changes	Difference
\$30,000	Nil	Nil	Nil
\$50,000	Nil	\$500	\$500
\$100,000	Nil	\$975	\$975
\$500,000	\$775	\$1,950	\$1,175
\$1,000,000	\$2,975	\$4,650	\$1,675
\$2,000,000	\$12,475	\$15,150	\$2,675
\$3,000,000	\$27,975	\$31,650	\$3,675
\$5,000,000	\$78,975	\$84,650	\$5,675

COVID debt levy

Land tax estimates

Taxable value	Land tax payable now (using 2023 land tax rates)	Land tax payable under changes	Difference
\$30,000	\$100.75	\$100.75	Nil
\$50,000	\$175.75	\$676.00	\$500.25
\$100,000	\$363.25	\$1,338.00	\$974.75
\$500,000	\$2,363.50	\$3,588.50	\$1,225.00
\$1,000,000	\$6,438.00	\$8,163.00	\$1,725.00
\$2,000,000	\$17,860.80	\$20,577.40	\$2,716.60
\$3,000,000	\$27,975.00	\$31,650.00	\$3,675.00
\$5,000,000	\$78,975.00	\$84,650.00	\$5,675.00

What does this mean?



Taxpayers

Currently paying land tax on their landholdings should expect a higher land tax liability from the 2024 land tax year



Non-trust taxpayers

Investment properties and holiday homes with taxable values below the current \$300,000 threshold may be subject to land tax from the 2024 land tax year

Change in rates and tax-free threshold **meant to be** temporary (for 10 years), but will it be?

Other land tax changes



Absentee Owner Surcharge
from 2% to 4%



Tax-free threshold for non-trust absentee owners
from \$300,000 to \$50,000

Discretion to extend the land tax exemption

for construction / renovation of principal place of residence for up to two additional years where work is delayed due to builder insolvency

New exemptions

Properties owned by an immediate family member and used as a home by an individual eligible to be a beneficiary of a Special Disability Trust

Properties protected by a conservation covenant with Trust for Nature



Transfer duty reform

Transfer duty reform

Commercial and industrial properties to transition to a new system as they are sold from 1 July 2024



Annual property tax equal to 1% of the land's unimproved value



First purchaser after 1 July 2024 can choose to pay final duty liability as a lump sum, or as fixed instalments over 10 years – interest will apply



After 10 years the annual property tax will start applying to the property

Note: New regime does not apply to current owner of any commercial or industrial property purchased before 1 July 2024

Transfer duty reform

Purchase price of commercial property = \$10m

Property's unimproved value = \$6m

Annual property tax = 1% of property's unimproved value

	Purchased by 30 Jun 2024	Purchased on 1 Jul 2024	After 15 years
Duty payable	\$630,000	\$630,000 OR Instalments for 10 years including interest for total of \$744,534	\$630,000 OR Instalments for 10 years including interest* for total of \$744,534
Annual property tax	NA	NA	\$300,000 at \$60,000 per year
			Total
			\$1,044,534

*Interest at current 10 year Victorian treasury bond rate of 4.04% per annum

Transfer duty reform

Issues for clients to consider



Benefits of the proposed reform

Reduced upfront purchase cost

Reduced financing requirements

Property more readily transferable between related entities – helps internal restructures



Drawbacks of the proposed reform

Another land tax?

Increased holding costs for long-term investors

Two-tier market

New regime may not help everyone

Should potential purchases be brought forward prior to 1 July 2024 to avoid the annual property tax?

Transfer duty reform

Uncertain issues

- ⇒ **What** is an industrial or commercial property?
- ⇒ **What happens** if the property is to be converted to residential property after purchase?
- ⇒ **How** will the new regime interact with landholder duty?
- ⇒ **Will** landlords be able to pass the annual property tax on to tenants?



What happens if a property is sold prior to the owner making all the duty instalments? Will the balance need to be paid prior to transfer?

The Treasurer's current position is that the balance will be paid in full



New CCIV rules and other legislative updates

New Corporate Collective Investment Vehicle rules

Overview



New type of company limited by shares for funds management purposes



New alternative to pre-existing structure used for collective investment (managed investment schemes)



Regulatory and tax regime established at Federal level

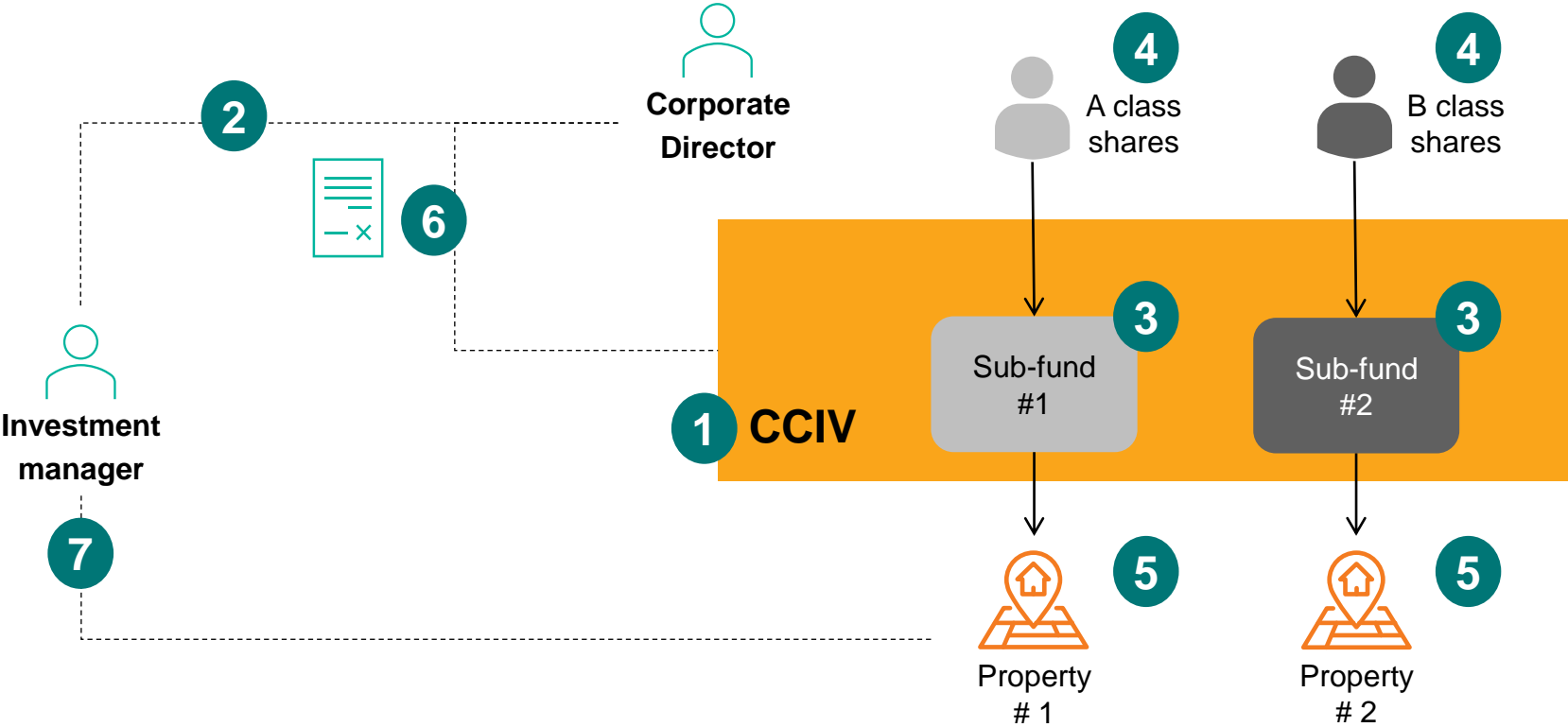
Key policy objective

To increase competitiveness of Australia's managed funds industry internationally to attract offshore investment

Federal rules do not set out the treatment of CCIVs and CCIV sub-funds with respect to state-based taxes

New Corporate Collective Investment Vehicle rules

Basic CCIV structure



New Corporate Collective Investment Vehicle rules

Overview

#	Item	Feature
1	CCIV	Corporate collective investment vehicle (company)
2	Corporate director	Sole (public company) director of CCIV that operates CCIV (AFSL authorisation)
3	Sub-funds	Registered under the CCIV as a separate sub-fund No legal personality
4	Class of shares	One or more classes made referable to a single sub-fund
5	Assets and liabilities	Allocated to each sub-fund Liabilities can only be satisfied by sub-fund assets
6	Constitution	Contract between the corporate director and each member of the CCIV
7	Manager	The corporate director can appoint an agent to perform

New Corporate Collective Investment Vehicle rules



Duty

- What is the type of entity for duty purposes?
- Is a sub-fund recognised?
- What is the significant interest percentage for landholder duty?
- Do you aggregate property and interests held in sub-funds?
- Do existing concessions apply (custody transfers, widely held unit trusts, etc)?



Land tax

- What is the type of entity for land tax purposes?
- Is a sub-fund recognised?
- Do you aggregate property held in sub-funds?
- At which level of a CCIV structure is land tax imposed?
- Do existing concessions apply (public unit trust schemes, wholesale unit trust schemes, etc)?

New Corporate Collective Investment Vehicle rules

Treatment for duty and land tax purposes



Each sub-fund of a CCIV to be treated as a separate unit trust scheme



CCIV to be treated as trustee of each unit trust scheme (sub-fund)



Property of the sub-funds to be treated as trust property

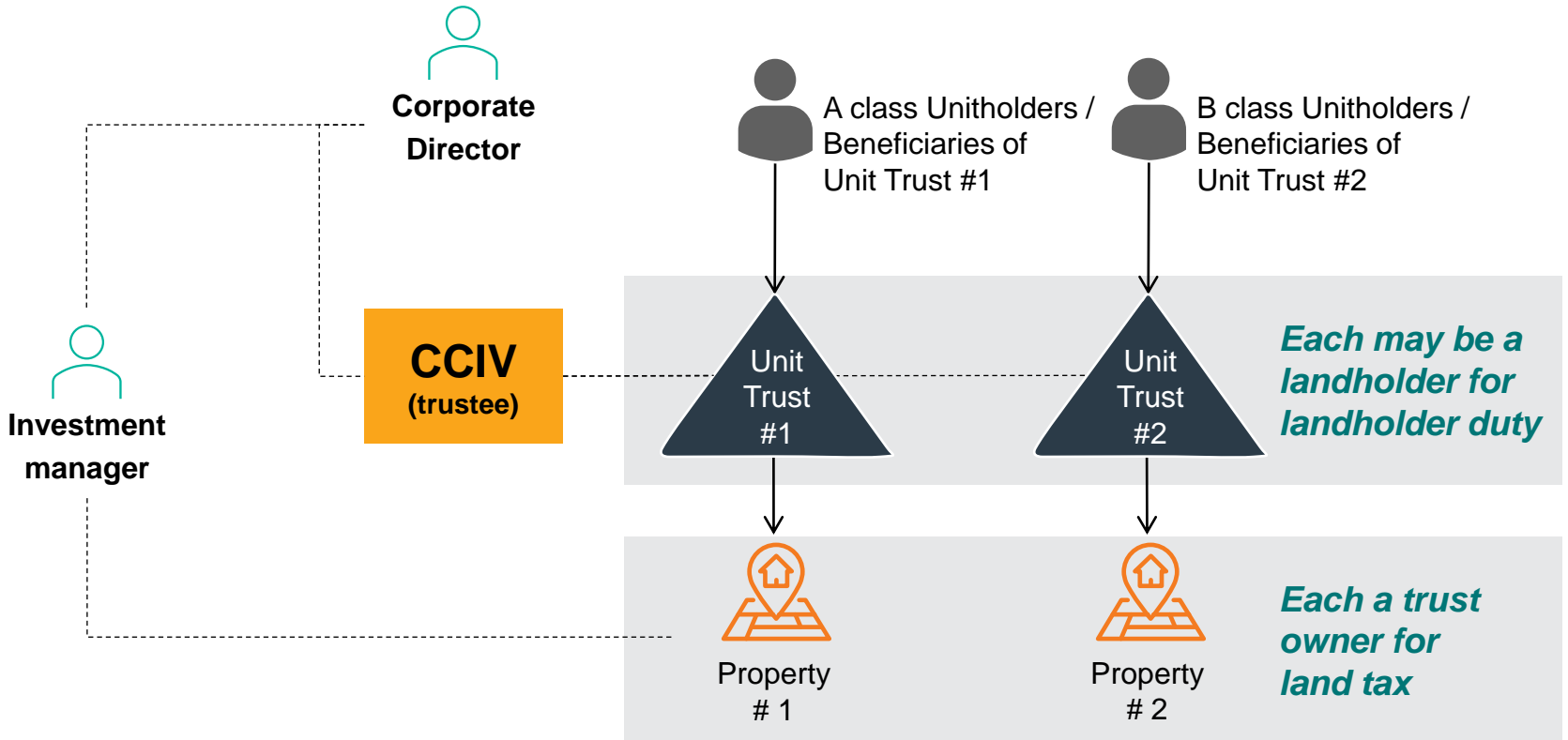


Members of each sub-fund to be treated as beneficiaries / unit holders

No duty will be payable on transfer of dutiable property between a CCIV as trustee of a sub-fund and custodian of the CCIV in respect of the same sub-fund unit trust scheme

New Corporate Collective Investment Vehicle rules

Treatment for duty and land tax purposes



PARLIAMENT OF VICTORIA

State Taxation Acts Amendment Bill 2023

Amendment in State Taxation Acts Amendment Bill 2023

Taxation Administration Act 1997 and *Valuation of Land Act 1960* to provide that:

An objector to a valuation used for Windfall Gains Tax purposes **must object to both valuations** used in the WGT assessment, regardless of whether the grounds for the objection relate to only one of those valuations

Amendment to allow the Valuer-General to amend both valuations used by the Commissioner of State Revenue in a Windfall Gains Tax assessment in determining a valuation objection concerning the Windfall Gains Tax assessment

7	Special disability trusts	9
8	New sections 38AB to 38AF inserted	10
9	New Division 4B of Part 5 of Chapter 2 inserted	14

State tax developments from Feb 2023

NORTHERN TERRITORY

Proposed abolition of duty on non-real property assets

WESTERN AUSTRALIA

Off the plan duty rebate threshold lifted to \$650,000 tapering to 50% concession from \$750,000
BTR land tax concession
Foreign surcharge & interaction with international treaties

SOUTH AUSTRALIA

Budget due 15 June 2023

VICTORIA

COVID debt levy
Stamp duty reform for commercial and industrial property
Foreign land tax surcharge increased to 4%
No change for foreign duty and land tax linked to treaty countries
Various land tax, payroll tax and WorkCover changes



QUEENSLAND

BTR land tax concession
Payroll tax measures for qualifying **medical practices, trainees and apprentices** and eligible **regional employers**

NEW SOUTH WALES

Budget due 19 September 2023
Foreign land tax and duty surcharge for citizens of certain countries removed / refunded
Removal of listed landholder
10% duty concession
First Home Buyer Choice legislated and then scrapped

AUSTRALIAN CAPITAL TERRITORY

Budget due 27 June 2023

Legislative updates for **landholder duty**

TASMANIA

Land tax exemptions for new dwellings made available for long-term rent
Increased threshold for duty concessions to \$600,000 for first home buyers and downsizers
Duty waiver for electric and hydrogen vehicles



Payroll Tax Changes

Payroll Tax threshold changes



The tax-free threshold
will increase to \$900,000
from \$700,000,
from 1 July 2024

Will increase to \$1m
from 1 July 2025



From 1 July 2024 phasing out
of the tax-free threshold for
**businesses with taxable
wages over \$3m**



**Businesses with taxable
wages of more than \$5m**
will no longer be entitled
to any tax-free threshold

Payroll tax Act to be amended to excludes amounts paid or payable by
a CCIV* to its corporate director as wages for payroll tax purposes

*Corporate Collective Investment Vehicles

Payroll Tax changes

COVID Debt Levy

**Imposition of a 0.5%
“temporary” levy**

on businesses with annual
Australian taxable wages of \$10m



A further 0.5% surcharge
on businesses with annual
Australian wages above \$100m

**Temporary Levy applies to Victorian wages
from 1 July 2023 until 30 June 2033**

Existing exemptions for charities, hospitals etc, will continue

COVID and Mental Health & Wellbeing Levy

Impact of levies on difference size Victorian businesses

Taxable wages	\$15 m	\$50 m	\$120 m	\$150 m	\$200 m
COVID Levy	\$25,000	\$200,000	\$650,000	\$950,000	\$1,450,000
Mental Health Levy	\$25,000	\$200,000	\$650,000	\$950,000	\$1,450,000
Grand total	\$50,000	\$400,000	\$1,300,000	\$1,900,000	\$2,900,000

Assumption Business employs in Victoria only

Rates and thresholds in Australia

How the States and Territories compare in relation to payroll tax

2023 Vic Budget announcements

State	Current tax-free thresholds	No threshold entitlement	Levy	Current rates
VIC	\$900,000	over \$5 m	COVID Levy Mental Health Levy	4.85%
NSW	\$1.2 m	N/A	N/A	5.45%
QLD	\$1.3 m	over \$10.4 m	Mental Health Levy	4.75% – 4.95%
WA	\$1 m	over \$7.5 m	N/A	5.5%
SA	\$1.5 m (deduction \$600,000)	N/A	N/A	0 – 4.95%
NT	\$1.5 m	N/A	N/A	5.5%
TAS	\$1.25 m	N/A	N/A	0% – 4% – 6.1%
ACT	\$2 m	N/A	N/A	6.85%

Note This table provides a high-level simplified summary of thresholds and rates in each jurisdiction as at 14 June 2023. The table is produced for demonstration purposes only and it does not take into account special rules which exist in many jurisdictions for different levels of taxable wages. The table doesn't take into account regional rates in Vic and Qld.

Payroll tax liability in Vic, NSW and Qld in FY 2024

Impact of levies on difference size Victorian businesses

Taxable wages	\$1 m	\$2 m	\$5 m	\$20 m	\$100 m
Victoria*	\$4,850	\$53,350	\$242,500	\$1,070,000	\$5,750,000
NSW^	\$0	\$43,600	\$207,100	\$1,024,600	\$5,384,600
Queensland^	\$0	\$41,562	\$219,687	\$1,015,000	\$5,175,000

Payroll tax costs will be higher in Victoria
compared to NSW and Qld

* Based on the updates contained in the 2023 Victorian State Budget

^ Based on the known rates as 6 June 2023, prior to NSW and Queensland government handing down their State's Budgets

Removal of payroll tax exemption

For non-government schools from 1 July 2024

The Minister for Education together with the Treasurer will determine which schools will retain exemption

Factors the Minister will consider



Fees and charges imposed by the school in relation to provision of education within that school



Any other financial contributions received



Any other matters the Minister considers relevant

4.85%

Rate of payroll tax applied for **non-regional schools**

1.12%

Rate of payroll tax applied for **regional Victorian schools**

>\$10m

of taxable wages mean schools liable for additional surcharges



WorkCover Changes

WorkCover Changes

The average premium rate will increase from 1.27% to 1.8%

42% increase in the cost of premiums

Other key reforms



**Establishing a
Return to Work Victoria**



**Adjusting eligibility for
mental injury claims**



**Introduction of a whole
person impairment
threshold of 20%** for
claims that receive weekly
benefits for more than
two and a half years

Q&A



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