

Information Circular No: 23

General

State Budget 2011-12

Issued 9 June 2011

Background

As part of the State Budget handed down today, 9 June 2011, the Government announced the phase out of the \$8000 First Home Bonus Grant (the "Bonus") by 1 July 2013.

The Bonus will be reduced to \$4000 from 1 July 2012 and will be fully abolished from 1 July 2013.

At the same time, commencement and completion conditions for the building of new homes will be introduced for eligible transactions entered into on or after 10 June 2011.

The legislative amendments to implement these measures are contained in the *First Home Owner Grant (Budget 2011) Amendment Bill 2011* (the "Bill") which was introduced into Parliament today. The operation of these measures is subject to the Bill coming into force as an Act.

Mike Walker
COMMISSIONER OF STATE TAXATION

9 June 2011

1. First Home Bonus Grant Rates

The Bonus was retargeted and enhanced in the 2010-11 Budget so as to only be available to eligible first home buyers who purchase or construct a new home. At the same time the Bonus was increased to \$8000 for an eligible transaction with a market value of up to \$400 000, with it phasing out where the market value of the home is between \$400 000 and \$450 000.

The Bonus will continue to be available where the commencement date of the eligible transaction is on or before 30 June 2012, subject to defined commencement and completion criteria being met.

The Bill provides for the Bonus to then be reduced to \$4000 (and phase out between \$400 000 and \$450 000) from 1 July 2012 and then to be fully abolished from 1 July 2013.

The \$7000 First Home Owner Grant and its eligibility conditions remain unchanged. First home buyers of an established or a new home will continue to be eligible for the \$7000 First Home Owner Grant.

2. First Home Bonus Grant Conditions

In recognition that the Bonus is now only available for a limited timeframe, the Bill includes similar commencement and completion conditions for the building of new homes as were in place for the Commonwealth's First Home Owner Boost Grant, which was provided for a specific period of time as part of the Commonwealth Government's economic stimulus measures.

Where the eligible transaction is a comprehensive home building contract for a new home, laying of the foundations must commence within 26 weeks after the contract is made and the contract must specify a completion date for building work within 18 months of the laying of the foundations or otherwise construction must be completed

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within 18 months after the laying of the foundations. The completion date is the date the building is ready for occupation as a place of residence.

Where the eligible transaction is the building of a new home by an owner builder, construction of the home must be completed within 18 months after its commencement date. The commencement date is the date when laying of the foundations commences or another date the Commissioner of State Taxation (the "Commissioner") considers appropriate in the circumstances of the case, whilst the completion date is the date the building is ready for occupation as a place of residence.

Where the eligible transaction is a contract for an 'off-the-plan' purchase of a new home, for an eligible transaction with a commencement date that is:

- ▶ on or after 10 June 2011 and before 1 July 2012, the contract must state that the new home will be completed on or before 31 December 2013 or otherwise the home is actually completed on or before that date; or
- ▶ on or after 1 July 2012 and before 1 July 2013, the contract must state that the new home will be completed on or before 31 December 2014 or otherwise the home is actually completed on or before that date.

The commencement date for an 'off-the-plan' purchase of a new home is the date when the contract is made, whilst the completion date is the date (i) the purchaser becomes entitled to possession of the home under the contract and (ii) if the purchaser is to obtain a registered title to the land on which the home is situated - the date the necessary steps to obtain registration of the purchaser's title have been taken.

3. Extensions of Time for Commencement and/or Completion

The Bill also provides the Commissioner with discretion to allow a longer period for either the commencement of and/or the completion of the building of a home.

The commencement date discretion applies only in the case of a comprehensive home building contract.

In limited circumstances, the Commissioner may approve an extension to the commencement date where the delay was outside the control of the applicant(s) and could not have been foreseen at the time of entering into the contract. An indefinite extension will not be granted and requests for an extension must include a reasonable estimate as to when construction will commence.

If an extension is granted but building does not commence within the extended time approved by the Commissioner, a further request for an extension will need to be made.

A request for an extension to the commencement date will only be considered once an application for the First Home Owner Grant has been received, and each request for extension will be considered on a case by case basis.

The following list (non-exhaustive) provides factors that are likely to be considered favourably:

- ▶ delays in the registration and release of a new subdivision of land;
- ▶ delays in obtaining council approvals;
- ▶ inclement weather, provided that disruption caused is substantial;
- ▶ industrial disputes;
- ▶ natural disasters; and
- ▶ any specific project delays.

Requests for extension should be forwarded in writing to the Commissioner and the following documents should be included in support of the request:

- ▶ a letter from the applicant(s) requesting an extension stating the reason for the delay and providing the applicant(s):
 - full name(s);
 - purchase property address; and
 - UIN (if known);
- ▶ a copy of the fully executed contract to build; and
- ▶ a letter from the relevant third party (e.g. builder, developer, local council or private surveyor) that clearly states the nature of the delays and the actual or anticipated dates foundations were/or are to be laid.

In relation to the discretion to allow a longer period for the completion of the building of a home, the Commissioner may approve an extension in a particular case if it is considered there are proper reasons for doing so.

Further Information

Further information can be obtained from RevenueSA.

Location	RevenueSA State Administration Centre 200 Victoria Square East ADELAIDE SA 5000
Postal	Commissioner of State Taxation RevenueSA GPO Box 1353 ADELAIDE SA 5001
Telephone	(08) 8226 3750
Facsimile	(08) 8226 3737
Email	fhog.support@sa.gov.au
Website	www.revenuesa.sa.gov.au