

PERSPECTIVES.

RevenueSA

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Message from the Commissioner

This edition of Perspectives covers measures recently announced in the 2007/2008 State Budget. These measures relate to pay-roll tax and land tax and are subject to the *Statutes Amendment (Budget 2007) Bill 2007* coming into force as an Act. Also, we cover changes to taxation legislation which have been previously announced in relation to rental and mortgage duty which are effective from 1 July 2007.

We also note recent legislative changes which provide for the recognition of certain domestic relationships and the subsequent impact on legislation administered by RevenueSA.

I hope the 2006/2007 financial year was a success for you all and wish you a prosperous 2008/2007.

Mike Walker

Seventh Annual States' Taxation Conference

The Taxation Institute of Australia, in conjunction with the State Revenue Offices, present the Seventh Annual States' Taxation Conference. This national event will be held on Thursday 26th to Friday 27th July 2007 in Canberra.

For further information and registration form please [click here](#).



State Budget: Changes for 2007/2008

The South Australian Government announced a number of taxation related measures in the State Budget which was handed down on 7 June 2007. The legislative amendments required to implement these measures are contained in the *Statutes Amendment (Budget 2007) Bill 2007* (the "Bill") which was introduced into Parliament on the same day. The amendments relate to pay-roll tax and land tax. The operation of these measures is subject to the Bill coming into force as an Act. [Circular 278](#) outlines these measures.

Pay-roll Tax Rate

The pay-roll tax rate will reduce from 5.5% to 5.25% for wages paid or payable on or after the 1 June 2007. There is also a further reduction in the pay-roll tax rate from 5.25% to 5.0% for wages paid or payable on or after 1 June 2008.

The legislation required to implement the pay-roll tax initiatives has not been passed by Parliament prior to 1 July 2007. However, RevenueSA will accept pay-roll tax payments calculated at the rate of 5.25% in relation to wages paid or payable on or after 1 July 2007. In the event that the legislation is not passed by Parliament any underpayment of pay-roll tax will be adjusted as part of the Annual Reconciliation process.

Taxpayers who do not wish to avail themselves of the option of paying at the rate of 5.25% may continue to remit their pay-roll tax obligations at 5.5%. Following the passing of the legislation by Parliament any overpayment of pay-roll tax will be adjusted as part of the Annual Reconciliation process. Further information is outlined in [Circular 278](#).

Pay-roll Tax Harmonisation

A major national overhaul of payroll tax arrangements has been agreed to by State and Territory Treasurers in a meeting on 29 March 2007.

The reforms address eight important areas of pay-roll tax administration. The reforms will simplify and harmonise provisions across the country cutting red tape for thousands of Australian businesses.

States have agreed to adopt common provisions and definitions for:

1. Timing of lodgement
2. Motor vehicle allowances

3. Accommodation allowances
4. A range of Fringe Benefits
5. Work performed outside a jurisdiction
6. Employee share acquisition schemes
7. Superannuation contributions for non-working directors
8. Grouping of business

Control over individual rates and thresholds will remain with the respective States and Territories. These new arrangements will apply by no later than 1 July 2008 in all States and Territories.

As outlined in [Circular 280](#), South Australia will implement the following pay-roll tax reforms to improve Interjurisdictional consistency from 1 July 2008:

- standardised exemption thresholds for motor vehicle and accommodation allowances based on Australian Taxation Office rates;
- usage of the lower of the two gross-up rates available under Commonwealth fringe benefits tax legislation for the valuation of fringe benefits for pay-roll tax purposes;
- consistent provisions for work performed wholly or partly outside a jurisdiction;
- inclusion of superannuation contributions for non-employee directors in the pay-roll tax base;
- consistent provisions for the grouping of commonly controlled businesses; and
- specific legislative provisions to cover employee share acquisition schemes.

In addition, and consistent with further bilateral reforms agreed to by New South Wales and Victoria, South Australia will also introduce exemptions for:

- wages paid in respect of maternity and adoption leave (not including other forms of leave taken in conjunction with maternity or adoption leave);
- wages paid to bushfire and emergency services workers while performing volunteer activities;
- wages paid by charities in respect of employees directly undertaking charitable activities of the organisation; and
- wages paid to eligible employees engaged under the Community Development Employment Projects programme.

Legislation to give effect to these reforms will be drafted for introduction to Parliament in the first half of 2008 following ongoing consultation with other States and Territories and with tax practitioners in RevenueSA's consultative forums. The legislation will take effect from 1 July 2008.

This new approach to pay-roll tax will streamline administration for businesses that operate in more than one jurisdiction. In addition, those businesses that operate in just one jurisdiction will also benefit from reduced red tape and lower compliance costs.

Land Tax Anti-Avoidance Provisions

The Bill also inserts anti-avoidance provisions into the *Land Tax Act 1936* to address the practice where owners of more than one piece of land avoid paying higher marginal rates of land tax by structuring their ownerships so that another party (or parties) hold a small minor interest in an individual piece of land thereby creating different legal ownerships.

The proposed anti-avoidance provisions will enable the Commissioner of State Taxation to ignore any minor interest in land that is 5% or less unless the Commissioner is satisfied that there is no doubt that the interest was created solely for a purpose or entirely for purposes unrelated to reducing the land tax payable in respect of that, or any other, piece of land. If there is a legitimate reason for placing any very small interest in the ownership of another person or entity the parties will be able to satisfy the Commissioner of that fact.

Where a minor interest is greater than 5% the provision will not apply unless the Commissioner forms the opinion that the purpose or one of the purposes for which the interest was created was to reduce land tax. The Commissioner has no interest in attempting to aggregate holdings where there are legitimate reasons for the holding to be structured in that manner.

The land tax provisions will come into effect on 30 June 2008 and will operate from and including the 2008/2009 land tax assessment year.

Further information in relation to the operation of the land tax anti-avoidance measures is contained in RevenueSA [Circular 279](#).

Further information regarding these amendments may be obtained from RevenueSA.

Pay-roll Tax

phone: (08) 8204 9880

e-mail: payrolltax@saugov.sa.gov.au

Land Tax

phone: (08) 8204 9870

e-mail: landtax@saugov.sa.gov.au

Reduction in Duty Payable

Rental Duty

The 2005/2006 State Budget announced that rental duty would be phased out between 1 July 2007 and 1 July 2009.

Commercial hire purchase and other equipment finance arrangements for terms of not less than nine months currently attract duty at a rate of 0.75% of rental income. The duty rate will reduce to 0.5% from 1 July 2007, 0.25% from 1 July 2008 and will be abolished with effect from 1 July 2009.

All other rental business attracts duty at a rate of 1.8% on rental income in excess of \$6,000 per month. The duty rate will reduce to 1.2% from 1 July 2007, 0.6% from 1 July 2008 and will be abolished with effect from 1 July 2009.

Statements lodged must declare the total income received during the preceding period in respect of the dutiable components of the rental business. The dutiable components, which are defined within the *Stamp Duties Act 1923*, are based on when the contract was entered into as follows:

General Rental Business Income

Contracts entered into during the period	Annual Threshold	Rate
Prior to 30 June 2002	\$24,000	1.8%
1 July 2002 to 30 June 2003	\$52,000	1.8%
1 July 2003 to 30 June 2007	\$72,000	1.8%
1 July 2007 to 30 June 2008	\$72,000	1.2%
1 July 2008 to 30 June 2009	\$72,000	0.6%
Contracts entered from 1 July 2009	NIL	NIL

Equipment Financing Arrangement

Contracts entered into during the period	Annual Threshold	Rate
Prior to Oct 2003	NIL	1.8%
1 October 2003 to 30 June 2007	NIL	0.75%
1 July 2007 to 30 June 2008	NIL	0.5%
1 July 2008 to 30 June 2009	NIL	0.25%
Contracts entered from 1 July 2009	NIL	NIL

For further information, please visit our website at www.revenuesa.sa.gov.au or call 8204 9888 to speak with one of our Rental staff.

Mortgage Duty

From the 1 July 2007 duty chargeable on mortgages greater than \$6,000, where the loan funds are not for home acquisition or improvement purposes, will reduce from \$0.45 per \$100 or part thereof to \$0.30 per \$100 or part thereof. A further reduction will be applicable from 1 July 2008, \$0.15 per \$100 or part thereof, and no duty will apply from 1 July 2009.

Mortgages of \$400 or less are exempt from duty and a flat rate of \$10 is charged for mortgages between \$400 and \$6,000.

Mortgages taken out for the purpose of securing a loan that has been or is to be applied for home acquisition or improvement to existing principal place of residences have been exempt from duty since 1 July 2005.

Further IGA reforms will come into effect from 1 July 2009, phasing out duty on unlisted marketable securities and non-realty property transfers.

unlisted marketable securities

1 July 2009	reduce duty by ½ (\$0.30/\$100)
1 July 2010	no duty applies

non-realty property transfers

1 July 2009	reduce duty by ½
1 July 2010	no duty applies

Recent Legislative Changes

The *Statutes Amendment (Domestic Partners) Act 2006* and the *Regulations Variation (Domestic Partners) Regulations 2007* came into operation on 1 June 2007 and *inter alia* amend the *Family Relationships Act 1975* and the *De Facto Relationships Act 1998* (which is retitled the *Domestic Partners Property Act 1996*) to provide for the recognition of certain domestic relationships.

The amendments make changes to following legislation administered by RevenueSA:

- *Stamp Duties Act 1923*;
- *First Home Owner Grant Act 2000*;
- *First Home Owner Grant Regulations 2000*;
- *Land Tax Act 1936*;
- *Land Tax Act Remissions Regulations 2005*; and
- *Emergency Services Funding (Remissions – Land) Regulations 2000*.

Details regarding the changes to legislation administered by RevenueSA will be outlined in a number of Circulars to be released shortly.

Stamping Requirements for Deeds

Deeds formerly chargeable with stamp duty of \$10 have been exempt from duty as from 1 July 2006.

On 26 June 2006, advice was issued on the RevenueSA website to clarify which Deeds were still required to be stamped as exempt in light of the removal of the \$10 duty charge.

This matter has since been reviewed and the following arrangements now apply in relation to all such deeds, whenever executed.

Where a deed that is exempt from stamp duty is required to be relied upon as being “duly stamped” for other purposes under the *Stamp Duties Act 1923* (the “Act”) (e.g. to obtain the benefit of the exemption provisions of Section 71(5)(e) of the Act), the relevant deed may be stamped accordingly, however, RevenueSA will not insist on an exempt document being stamped to be accepted as “duly stamped”.

Reminder

Where property is transferred pursuant to a deed (stamped or unstamped), the deed must be submitted to this Office when the related conveyance is submitted for Opinion.

If a taxpayer is in any doubt as to whether a deed is exempt or whether it may constitute a dutiable conveyance, the instrument should be submitted for the Opinion of the Commissioner of State Taxation.

Common examples of situations where deeds are mistakenly considered to be exempt when they may in fact be chargeable with duty under the Act include:

- a Deed of Family Arrangement dealing with a deceased estate. NB: A transfer of property pursuant to a Deed of Family Arrangement must be submitted for the opinion of the Commissioner of State Taxation together with the Deed of Family Arrangement;
- a Deed of Dissolution of Partnership;
- a Deed of Variation of a Trust which adds new or potential corpus beneficiaries / objects to the Trust, and
- a Deed of Gift.

RevNet Pay-roll Tax Annual Reconciliation Feedback

As part of the 2005/06 pay-roll tax annual reconciliation process, users were invited to give feedback through RevNet. Feedback was in the form of general comments, rather than responses to specific questions.

A total of 404 comments were received. 75% of responses were complimentary and generally included comments about simplicity, ease of use and only requiring a short time to complete. Positive comments were also made about the RevenueSA RevNet system and process in comparison to that of other States and Territories.

One suggested area for improvement is providing for EFT payments. We are currently investigating the feasibility of this service. Other suggestions are being included in the requirements of the RevenueSA IT replacement project known as RISTEC.

We would like to thank all those who provided feedback on the annual reconciliation process.

If you have any comments you would like to make on RevNet, please e-mail us at revnet@saugov.sa.gov.au.

Land Tax: Correct addresses on transfers

There are occasions where home-buyers purchase a house which is to be used as their principal place of residence only to subsequently find that they are charged land tax.

It is important to be aware and ensure that where a client is purchasing a property that is to become their principal place of residence in the near future, the postal address shown on the transfer is the address of the property being transferred. If the residential property purchased is for investment purposes then the postal address on the transfer document should reflect the current residential postal address of the new owner.

When settling on a sale of land, arrangements should be made for the payment of the current financial year's land tax and any other arrears.

Conveyancers should also check with vendors to ensure that they have not made a quarterly instalment payment after a Certificate has been requested and received, as this will minimise land tax overpayments.

Taxpayer Business Survey

We would like to thank the participants in our latest Taxpayer Business Survey. The survey closed on 8 June 2007 and over 800 responses were received.

A review of the information obtained is currently underway and findings will be published on www.revenuesa.sa.gov.au once they are finalised. An overview of the results will also be published in the next edition of Perspectives, to be released in December.

Taxpayer Information Sessions

As part of RevenueSA's Taxpayer Education Program, sessions were recently held in Port Lincoln and Adelaide.

The Port Lincoln session was held on 16 May 2007. Experts in stamp duty, pay-roll tax, land tax and the emergency services levy presented the session and were available to answer questions from the participants.

Following feedback from previous information sessions, a different approach was taken this year in the delivery of the Adelaide sessions. Two sessions were held on 22 May 2007.

The morning session related to pay-roll tax. Greg Hillman presented an overview of pay-roll tax, covering:

- basis for tax
- becoming liable for pay-roll tax;
- liability to register;
- definition of wages including specific wage types including:
 - fringe benefits;
 - third party payments; and
 - service contract payments;
- when wages are liable to South Australian pay-roll tax;
- calculation of a pay-roll tax liability;
- exemptions from pay-roll tax;
- grouping of organisations;
- return types;
- rebates; and
- future initiatives.

This was followed by a demonstration, by Tom Colmer, of the annual reconciliation function in RevNet.

The afternoon session related to stamp duty and land tax and was presented by Ian Grimshaw and Karl Moore. Ian gave an overview of stamp duty covering:

- recent legislative changes:
 - Section 71CB; and
 - Section 71CBA;
- State budget changes 2005/2006/2007;
- drought relief mortgage stamp duty;
- land transfer – GST;
- objections & appeals;
- family farms;
- Section 67;
- Trust transactions:
 - oral trust arrangements & transfers;
 - Section 71(6);
 - transfer of land to a Trust; and
- cloned Trusts and split Trusts;

followed by Karl's land tax presentation, covering:

- land tax & rates;
- instalments;
- penalty tax;
- Moiety Titles;
- Trusts;
- exemptions;
 - primary production exemption;
 - principal place of residence exemption; and
 - other exemptions;
- addresses on transfers; and
- RevNet.

Further sessions will be held later in the year. To be notified of future sessions, we recommend you join our free subscription service which will notify you via e-mail of newly released information, including upcoming information sessions.

To register, please visit www.revenuesa.sa.gov.au and select "Publications" from the menu on the left. Select "Subscribe" from the drop down options. Here you can select the areas of interest to you and enter your e-mail details.

We are interested to hear from you if you have a suggestion on any tax matter to be included at a future session.

What's new on www.revenuesa.sa.gov.au?

RevenueSA is often contacted by people enquiring about employment within our organisation. We have therefore recently added a new section called "Careers".

The "Careers" section gives valuable information as to the functions of our office, our commitment to staff and where to find job advertisements. The "Careers" section can be accessed from the top, horizontal navigation bar.

We have also updated our Service Standards. The [RevenueSA Service Standards 2007](#) brochure is available for download from the "Publications" area accessed from the left-hand navigation bar. This brochure outlines the services and standards to which we are committed and gives information as to what you can do if you are dissatisfied with the service you have received.

The RevenueSA website is a valuable source of information, forms and latest news.
Visit www.revenuesa.sa.gov.au

Recent Circulars Issued

- 275** Private Unit Trusts
- 276** Stamp Duties Act 1923
Rental Business Provisions
Summary Of Changes Effective From 1 July 2007
- 277** Transfer of Quoted Financial Products
- 278** State Budget 2007/2008
- 279** State Budget 2007/2008 (Land Tax)
- 280** State Budget 2007/2008 - Measures to Improve Consistency (Pay-roll Tax)
- 281** Taxation Administration Act 1996
Change of Interest Rate
From 1 July 2007