

**SOUTH AUSTRALIA**



**RevenueSA**

**Land Tax**

**Circular No. 254**

**STATE BUDGET 2005-2006**

**BACKGROUND**

In the State Budget handed down today, 26 May 2005, the Government announced the following land tax measures to apply from the 2005-2006 land tax assessment year:

- a revised land tax rate structure;
- a full principal place of residence to apply if a home business activity occupies less than 25% of the floor area of all buildings on the land that must have a predominantly residential character and a part-exemption for home business activities that occupy between 25% and 75% of that area based on a sliding scale that moves in 5% increments. No relief will be provided where the home business activity occupies more than 75% of the floor area of all buildings on the land;
- an exemption for land used for caravan parks, and land used for residential parks for retired persons;
- an exemption for land used for Supported Residential Facilities licensed under the *Supported Residential Facilities Act 1992*;
- a relaxation of the land tax rules applied to determine eligibility for a primary production exemption for owners of land located in defined rural areas; and
- recognition of individual undivided share title owners (moiety titles) as owners of their portion of the land for land tax assessment purposes.

The legislative amendments required to implement the above measures are contained in the *Statutes Amendment (Budget 2005) Bill 2005* ("the Bill") which was introduced into Parliament today.

## Revised Rate Structure

The revised rate structure from 2005-2006 will be:

Site value	Tax rate
\$	
0-110,000	Nil
110,001-350,000	\$0.30 for every \$100 or fractional part of \$100 over \$110,000
350,001-550,000	\$720 plus \$0.70 for every \$100 or fractional part of \$100 over \$350,000
550,001-750,000	\$2,120 plus \$1.65 for every \$100 or fractional part of \$100 over \$550,000
750,001-1,000,000	\$5,420 plus \$2.40 for every \$100 or fractional part of \$100 over \$750,000
above 1,000,000	\$11,420 plus \$3.70 for every \$100 or fractional part of \$100 over \$1,000,000

## Business Conducted from a Principal Place of Residence

From the 2005-2006 land tax assessment year, the requirement for home business activities to occupy no more than 28 square metres in order to receive a principal place of residence exemption will be abolished.

It will be replaced with exemption arrangements that allow a full principal place of residence exemption if any business activity conducted in the home occupies less than 25% of the total floor area of all of the buildings on the land. Outside/garden areas are excluded.

A partial exemption will apply on a sliding scale for home business activities that occupy between 25% and 75% of that area. No exemption will apply for home business activities occupying more than 75% of total floor area of all of the buildings on the land.

The sliding scale exemption will move in 5% increments as outlined below:

Area used for business or commercial purposes expressed as a percentage of the total floor area of all of the buildings on the land	% of site value that will attract land tax:
%	%
greater than 75	100
75	75
70-74	70
65-69	65
60-64	60
55-59	55
50-54	50
45-49	45
40-44	40
35-39	35
30-34	30
25-29	25
less than 25	0

For the exemption to be available all of the buildings on the land must have a predominantly residential character. This means that if the premises are of a predominantly commercial character a partial exemption will not be available, even if the premises are the owner's principal place of residence, and the commercial use is less than 75% of the total floor area of all buildings on the land.

RevenueSA will be writing to owners of land that might have a combined use, such as Bed and Breakfast establishments, to enable eligibility for the exemption to be determined. Alternatively, taxpayers should contact RevenueSA to discuss their particular circumstances.

### **Caravan Parks**

From the 2005-2006 land tax assessment year, Caravan Parks will be fully exempt from land tax.

### **Residential Parks**

From the 2005-2006 land tax assessment year, retired persons' relocatable home parks will be eligible for exemption where the relevant land is used for the purpose of establishing two or more relocatable homes over which rights of occupation for that purpose are granted by lease or licence predominantly to persons who are over the age of 55 years and have retired from full time employment.

A particular site within a residential park will be exempt in circumstances where there is a relocatable home on the site owned by a natural person and occupied by that person as his or her principal place of residence.

An exemption will also apply if it is likely that within the ensuing twelve months there will be a relocatable home on the site owned by a natural person and occupied by the natural person as his or her principal place of residence.

### **Supported Residential Facilities**

From the 2005-2006 land tax assessment year, an exemption will apply to land used for Supported Residential Facilities that are licensed under the *Supported Residential Facilities Act 1992*.

### **Primary Production land in the defined rural area**

From the 2005-2006 land tax assessment year the exemption criteria for primary production land in the defined rural area will be significantly relaxed.

Previously, in the defined rural area, all owners of primary production land had to demonstrate that primary production activity was their principal business.

From the 2005-2006 land tax assessment year land used for primary production that is situated within a defined rural area may be wholly exempted from land tax if:

1. The sole owner is a natural person who is engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business.

2. The land is owned jointly or in common by two or more natural persons at least one of whom is engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business and any other owner who is not so engaged is a **relative** of an owner so engaged.
3. The land is owned solely, jointly or in common by a retired person and the following conditions are satisfied:
  - the retired person was, prior to his or her retirement, engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business; and
  - the co-owner or co-owners of the land (if any) are **relatives** of the retired person; and
  - a **close relative** of the retired person is currently engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business.
4. The land is owned solely or by tenancy in common by the executor of the will, or the administrator of the estate, of a deceased person and the following conditions are satisfied:
  - the deceased person was, prior to his or her death, engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business; and
  - the co-owner or co-owners of the land (if any) are **relatives** of the deceased person; and
  - a **close relative** of the deceased person is currently engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business.
5. The land is owned by a company, or by two or more companies, or by a company or companies and one or more natural persons, and the main business of each owner is a relevant business.
6. The land is owned by a company and one of the following conditions is satisfied:
  - a natural person owns a majority of the issued shares of the company and is engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business; or
  - two or more natural persons own in aggregate a majority of the issued shares of the company and each of them is engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business; or

- two or more natural persons who are relatives own in aggregate a majority of the issued shares of the company and at least one of them is engaged on a substantially full-time basis (either on his or her own behalf or as an employee) in a relevant business.

A business is a **relevant business** in relation to land used for primary production that is situated within a defined rural area if:

- the business is a business of primary production of the type for which the land is used; or a business of processing or marketing primary produce; and
- the land or produce of the land is used to a significant extent for the purposes of that business.

For the purpose of the amendments a person is a **close relative** of another if:

- they are spouses; or
- one is a parent or child of the other; or
- one is a brother or sister of the other.

For the purpose of the amendments a person is a **relative** of another if:

- they are spouses; or
- one is an ascendant or descendant of the other, or of the other's spouse; or
- one is a brother or sister of the other or a brother or sister of the other's spouse; or
- one is an ascendant or descendant of a brother or sister of the other or of the other's spouse.

RevenueSA will be writing to all owners of primary production land within the defined rural area enclosing an application form to enable eligibility for the exemption to be determined. Alternatively, taxpayers can contact RevenueSA to discuss their particular circumstances.

### **Moiety Titles**

In an undivided share title ownership (Moiety title), the owner(s) registered on each of the Lands Titles Office Certificates of Title own an undivided share in the whole of the allotment.

The land tax liability in these cases is currently calculated on the whole non-exempt portions of the allotment. The land tax assessed is then apportioned between the numbers of undivided share title owners who do not qualify for a principal place of residence exemption.

From the 2005-2006 land tax assessment year the Act will recognise individual undivided share title owners as owners only of their portion of the land for land tax assessment purposes.

Land will be treated in this manner where the land is held under a tenancy in common, and is divided into separate portions where the owner of each undivided share in the land is entitled under a lease registered over the title to the land to occupy a particular portion of the land.

### **LEGISLATION**

The operation of all of the above provisions is subject to the Bill being passed by Parliament and being assented to by Her Excellency the Governor of South Australia.

### **FURTHER INFORMATION**

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COMMISSIONER OF STATE TAXATION