



General

Circular No. 278

STATE BUDGET 2007-2008

BACKGROUND

In the State Budget handed down today, 7 June 2007, the Government announced the following taxation related measures.

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 today. The operation of these measures is subject to the Bill coming into force as an Act.

PAY-ROLL TAX

From 1 July 2007:

- A reduction in the pay-roll tax rate from 5.5% to 5.25% for wages paid or payable on or after this date.

From 1 July 2008:

- A further reduction in the pay-roll tax rate from 5.25% to 5.0% for wages paid or payable on or after this date.

The legislation required to implement the pay-roll tax initiatives will not be passed by Parliament prior to 1 July 2007.

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 passage of the legislation by Parliament any overpayment of pay-roll tax will be adjusted as part of the Annual Reconciliation process.



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LAND TAX

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 minority 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 minority interests in land that are 5 per cent 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 minority interest is greater than 5 per cent 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 will be contained in RevenueSA Circular No. 279 to be issued on 14 June 2007.

FURTHER INFORMATION

Further information regarding these amendments may 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) 8204 9880 (PRT)

(08) 8204 9870 (LT)

Website

www.revenuesa.sa.gov.au

Facsimile

(08) 8226 3805 (PRT)

(08) 8207 2100 (LT)

E-mail

payrolltax@saugov.sa.gov.au

landtax@saugov.sa.gov.au

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COMMISSIONER OF STATE TAXATION

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