

STATE BUDGET 2008-2009

BACKGROUND

The following measures were announced by the Government as part of the State Budget handed down today, 5 June 2008.

The legislative amendments to implement these measures are contained in the *Statutes Amendment (Budget 2008) Bill 2008* (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

In relation to wages paid or payable on or after 1 July 2008:

- An increase in the pay-roll tax threshold from \$504,000 to \$552,000.

(The pay-roll tax rate will also be reduced to 5% for wages paid or payable on or after 1 July 2008 which was a measure announced in the 2007-2008 budget and which has already been passed by Parliament).

In relation to wages paid or payable on or after 1 July 2009:

- a further increase in the pay-roll tax threshold to \$600,000; and
- a reduction in the pay-roll tax rate from 5.00 per cent to 4.95 per cent.

The legislation required to implement the pay-roll tax initiatives may not be passed by Parliament prior to 1 July 2008.

RevenueSA will accept pay-roll tax returns which calculate the relevant deduction entitlement based on the increased threshold of \$552,000 in relation to wages paid or payable on or after 1 July 2008. 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 this option may continue to calculate their deduction entitlement based on the existing pay-roll tax threshold. Following the passing of the legislation by Parliament any overpayment of pay-roll tax will be adjusted as part of the Annual Reconciliation process.

FIRST HOME BONUS GRANT

Effective from today, first home buyers who qualify for the Government's \$7,000 First Home Owner Grant ("FHOG") will also be eligible for a first home bonus grant of up to \$4,000 subject to satisfying one further eligibility criterion.

The first home bonus grant will be available to first home buyers who have entered into a first home contract on or after 5 June 2008 and for owner builders who commence construction on or after 5 June 2008, subject to applicants meeting the eligibility criteria for the FHOG.

Until the Bill is passed by Parliament, the first home bonus will be provided by way of an *ex gratia* payment.

A \$4,000 first home bonus grant will be provided in respect of first homes with a market value up to \$400,000. The \$4,000 bonus will phase out for first homes with a market value between \$400,000 and \$450,000 at a rate of \$8 for every \$100 in excess of \$400,000.

ANTI – AVOIDANCE PROVISION

A first home bonus grant will not be payable if the Commissioner is satisfied that the contract that forms the basis of the relevant eligible transaction replaces a contract made before 5 June 2008 where the earlier contract was for the purchase of the same home or was a comprehensive home building contract to build the same or a substantially similar home.

FARMS

If an eligible transaction relates to a home on a genuine farm the part of the farm constituted by the home and its curtilage or that part of the land that is to constitute the site and curtilage of a home that is to be built ("the relevant component"), will be taken to constitute the property on which the home is situated or is to be built.

The market value of the home will be determined by the Commissioner based on the relevant component of the farm and not the whole of the land.

A genuine farm is defined to be land which the Commissioner is satisfied is to be used for primary production by the applicant and that the land either by itself or in conjunction with other land owned by the applicant is capable of supporting economically viable primary production operations.

MARKET VALUE

The market value of a home for the purposes of the first home bonus will be determined on the following basis.

Established Homes

Where the eligible transaction relates to an established home, the consideration for the eligible transaction will be taken to be the market value unless the Commissioner considers that the consideration for the eligible transaction may be less than the market value. In such cases the market value will be determined by the Commissioner.

Any method that the Commissioner considers reasonable may be approved or adopted for the purposes of determining the market value of the home, which in relation to established homes will in the first instance involve seeking a valuation from the Valuer General.

Comprehensive Home Building Contracts

Where the eligible transaction relates to a comprehensive home building contract, the market value of the home will be taken to be the sum of the following:

- the consideration for the comprehensive home building contract, (unless the Commissioner considers that the total consideration payable for the relevant building work may be less than the actual cost to build the home in which case the consideration for the comprehensive home building contract will be the actual cost to build the home as determined by the Commissioner.)

plus

- the market value of the property on which the home is to be built as at the time when the building contract is made as determined by the Commissioner.

Any method that the Commissioner considers reasonable may be approved or adopted for the purposes of determining the actual costs to build the home or determining the market value of the property on which the home is to be built. In relation to the market value of the property on which the home is to be built, the Commissioner will in the first instance seek a valuation from the Valuer General.

Owner Builders

Where the eligible transaction relates to an owner builder, the market value of the home will be taken to be the market value of the property on which the home is situated as at the time when the building is ready for occupation as a place of residence.

Any method that the Commissioner considers reasonable may be approved or adopted for the purposes of determining the market value of the home, which in relation to owner builders will in the first instance involve seeking a valuation from the Valuer General.

STAMP DUTY FIRST HOME CONCESSION

The Stamp Duty First Home Concession scheme will no longer apply where a conveyance:

- gives effect to a contract entered into on or after 5 June 2008;
- relates to land where a party to the conveyance has on or after 5 June 2008 entered into a contract for the construction of a home on the land; and
- relates to land where the construction of a dwelling house has commenced on or after 5 June 2008.

Transitional issues

Prior to the Bill being assented to, it may be possible for some first home buyers to be eligible for both the stamp duty concession and an *ex gratia* payment in relation to the first home bonus grant.

The Bill ensures that a first home buyer will only receive a maximum benefit of \$4,000 for an eligible transaction.

Applications for the Stamp Duty First Home Concession will not be accepted via RevNet on or after 5 June 2008.

Further information regarding this change can be obtained from RevenueSA.

Location

RevenueSA
State Administration Centre
200 Victoria Square East
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Website

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COMMISSIONER OF STATE TAXATION

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