

SOUTH AUSTRALIA



RevenueSA

Land Tax

Circular No. 252

LAND TAX RELIEF

On 7 February 2005, the Government announced measures that will reduce the level of land tax payable in South Australia. This Circular briefly sets out the proposed measures that will be introduced.

The measures involve:

- legislative changes to the land tax thresholds and tax rates to apply from the 2005/2006 land tax assessment year;
- an *ex gratia* land tax **rebate** for 2004/2005; and
- the introduction of further legislatively based **exemptions** and amendments to some existing exemption arrangements.

LAND TAX RATES

The following land tax rates will apply from the 2005/2006 land tax assessment year:

Site value	Tax rate
\$	
0-100,000	Nil
100,001-350,000	\$0.30 for every \$100 or fractional part of \$100 over \$100,000
350,001-550,000	\$750 plus \$0.70 for every \$100 or fractional part of \$100 over \$350,000
550,001-750,000	\$2,150 plus \$1.65 for every \$100 or fractional part of \$100 over \$550,000
750,001-1,000,000	\$5,450 plus \$2.40 for every \$100 or fractional part of \$100 over \$750,000
above 1,000,000	\$11,450 plus \$3.70 for every \$100 or fractional part of \$100 over \$1,000,000

LAND TAX REBATES

The Government has approved the one off payment of *ex gratia* land tax rebates in relation to 2004/2005 land tax assessments for all taxpayers.

Land tax *ex gratia* rebates for the 2004/2005 financial year will be processed progressively from the commencement of April 2005.

Rebates will not be paid to taxpayers who have land tax outstanding from previous years. Taxpayers who have partially paid their 2004/2005 liability by virtue of meeting their instalment arrangements (or have not yet been required to make their first instalment) will still receive an *ex gratia* payment.

The rebate amount is equal to 50% of the tax savings from applying the new tax scale to 2004/2005 taxable land values.

Example

Person A owns taxable land with a site value of \$500,000. Based on the current rate structure Person A was issued with a land tax assessment of \$4,175 (\$875 plus \$1.65 per \$100 or fractional part of \$100 of site value over \$300,000).

When calculated using the rates to apply from the 2005/2006 land tax assessment year, Person A's land tax liability would be \$1,800 (\$750 plus \$0.70 per \$100 or fractional part of \$100 of site value over \$350,000).

The rebate amount is calculated as \$4,175 minus \$1,800, with the balance of \$2,375 divided by two, resulting in a rebate amount of \$1,187.50.

If a taxpayer has purchased a property and paid a portion of land tax at settlement, they will be rebated a portion of the amount of land tax paid. The basis of the rebate calculation for the purchaser will be the number of days that the taxpayer owned the land for the 2004/2005 land tax assessment year and the land tax payable for that year. The vendor will receive the balance of the rebate.

This process will only occur up to the date at which rebate cheques are issued (targeted to occur progressively from April 2005). Where properties are sold subsequent to rebate cheques being issued, the Land Tax Certificate System will operate as normal. Whilst the Certificate will note the amount of any rebate paid on the specific property, it will be the responsibility of the purchaser and vendor to agree as to any subsequent apportionment of the rebate.

As the rebate is an *ex gratia* payment it will not be possible to directly credit the amount of the rebate to the owner's nominated account. Owners will be required to meet the full amount owing as shown on their 2004/2005 account as and when it falls due. The rebate cheque will be the subject of a separate process. However, if a taxpayer has yet to pay their land tax bill before they receive their rebate cheque, the rebate cheque can be endorsed to the "Commissioner of State Taxation" and returned to RevenueSA together with any balance outstanding.

Any owners who receive an *ex gratia* rebate and who subsequently are found to be exempt from land tax for a particular property in their ownership for 2004/2005 will be required to repay the relevant portion of the rebate.

EXEMPTIONS

Exemptions will be available for:

- caravan parks; and
- residential parks.

Eligibility criteria will be relaxed for the following exemptions:

- the principal place of residence where a portion of the residence is used to conduct a business; and
- land used for primary production in defined rural areas.

Full details of the eligibility criteria will be contained in legislation to be tabled in Parliament.

Separate circulars will be issued on these matters once the legislation has been passed by Parliament, however a brief explanation follows.

BUSINESS CONDUCTED FROM THE 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 the home business activity, including accommodation for boarders, occupies less than 25% of the combined residential and income earning areas of the property. 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 the combined area. No exemption will apply for home business activities occupying more than 75% of the combined area.

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

Proportion of combined house and income producing areas used for B&B or other income earning activity	% 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

Example

Person A runs a podiatry business from a home with a site value of \$220,000 which is also their principal place of residence. 50% of the area of the home is used in the podiatry business. Land tax would be calculated on a land value of \$110,000 which is the business portion of the premises.

Caravan parks and residential parks

From the 2005/2006 land tax assessment year, an exemption will be provided for land used for caravan parks and residential parks.

Primary production in defined rural areas

From the 2005/2006 land tax assessment year, the criteria for determining eligibility for a primary production exemption for owners of land located in “defined rural areas” (close to Adelaide and Mount Gambier) used for primary production are to be relaxed.

Examples

Previously, all of the owners of land had to demonstrate that the income derived from the primary production activity was their principal source of income. Now, if a co-owning spouse is deriving significant income from other sources (eg, a spouse working as a teacher or mechanic), this will not prevent a primary production exemption.

Previously, if a natural person owned the land and was working the land but the primary production business was operated by a company controlled by the land owner, a primary production exemption was denied. An exemption will now be available in this circumstance.

FURTHER INFORMATION

Location

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