

Land tax is an annual tax levied on land owners in Australia for properties which exceed the threshold value as at midnight on 31 December. This article provides a general overview on when and how land tax is applied and paid in New South Wales (NSW) and Victoria (VIC).



A. DO YOU NEED TO PAY?

Land tax is levied on those who own or partly own any property and is applicable everywhere in Australia except the Northern Territory. For land tax purposes in NSW, an owner is defined as:

- A sole owner;
- Joint owners;
- A company;
- Owners of company title units;
- A trustee of any trust;
- A beneficiary of a trust (not including a special trust);
- A society or organisation (whose land is not exempt);
- Unit holders with interest in a unit trust;
- Trustees of superannuation funds; or
- Certain lessees of Crown or local council land.

Similarly in VIC, owners are those who:

- Hold the freehold title to land;
- Hold a lease of Crown land;
- Hold a licence of Crown land with an absolute or conditional right to acquire the land;
- Are life tenants;
- Are beneficiaries or unitholders of certain trusts;
- Manage a title-based, time-sharing scheme; or
- Are beneficiaries or unitholders of certain trusts.

During the sale of land, both the existing and incoming owner of the land may be considered the owner for land tax purposes.

B. WHAT LAND IS TAXED?

You may need to pay land tax if you are the owner, or part owner, of:

- Vacant land, including vacant rural land;
- Land where a house, residential unit or flat has been built;

- A holiday home;
- An investment property or properties;
- Company title units;
- Residential, commercial or industrial units, including car spaces;
- Commercial properties, including factories, shops and warehouses; or
- Land leased from state or local government.

C. EXEMPTIONS AND CONCESSIONS

In NSW, some types of land are exempt from land tax. These include:

- Principal place of residence;
- Primary production land;
- Boarding houses;
- Low cost accommodation (within a 5-kilometre radius of the Sydney GPO);
- Residential parks (including caravan parks)
- Non-profit organisations; and
- Retirement villages, aged care establishments and nursing homes.

As well as the above land types, VIC also recognises the following as exempt:

- Crown land;
- Municipal and public land;
- Land vested in public statutory authority;
- Land vested in armed services personnel;
- Land vested in friendly societies;
- Health centres and services;
- Residential services for people with disabilities; and
- Mines.



D. RATES AND THRESHOLDS

Land tax is paid when the total value of land owned as at 31 December, excluding exempt land such as your home, is equal to or exceeds the threshold. The rate, which determines the amount of land tax payable, and threshold figures change each year depending on land value.

In 2021, the NSW thresholds and rates are:

Threshold	Rate
< \$755,000	NIL
\$755,000	\$100 plus 1.6% up to the premium threshold.
\$4,616,000 and over (Premium threshold)	\$61,876 for the first \$4,616,000, then 2% over that.

From 2009 to present, the VIC thresholds and rates have been:

Threshold	Rate
< \$250,000	Nil
\$250,000 to < \$600,000	\$275 plus 0.2% of amount > \$250,000.
\$600,000 to < \$1,000,000	\$975 plus 0.5% of amount > \$600,000.
\$1,000,000 to < \$1,800,000	\$2,975 plus 0.8% of amount > \$1,000,000.
\$1,800,000 to < \$3,000,000	\$9,375 plus 1.3% of amount > \$1,800,000.
\$3,000,000 and over	\$24,975 plus 2.25% of amount > \$3,000,000.

E. HOW IS LAND VALUE DETERMINED?

The amount of land tax payable is dependent on the value of land. In NSW, land valuations are conducted by the Valuer General as at 1 July. The land value of the previous year is used for the current tax year. To determine land value, the value for the current year is added to the values of the previous two years where an average is calculated.

For Strata units, land value is calculated on a proportional basis using unit entitlement, for each unit, and the aggregate for the strata scheme.

Land valuations in VIC, however, take place every two years on 1 January and can be performed by either the Valuer General or municipal councils. Details of the land valuation appear in the council rates notice.

F. DISAGREEING WITH LAND VALUATION

In NSW, if you disagree with the valuation of your land, you are able to write to the Land and Property Information (NSW) within 60 days of receiving your notice of assessment. Note that land tax still needs to be paid on the specified date or interest will be accrued.

In VIC, the Valuation of Land Act allows you to object land value within two months from the issue of your council rates notice.

G. HOW DO I REGISTER FOR LAND TAX?

If the value of your land is greater than the threshold, you are required to register for land tax.

In NSW, you can register:

- Online at <https://www.revenue.nsw.gov.au/help-centre/online-services/land-tax-online>;
- By calling the Revenue NSW at 1300 139 816 ; or
- By submitting a Land tax - Variation Return form.

After you have registered, a notice of assessment will be issued annually which shows the amount of tax payable on your land.

In VIC, there is no need to register as land tax assessments are automatically sent to you between January and May each year.

H. AM I ABLE TO REDUCE MY LAND TAX?

Although there is no way of avoiding the payment of land tax, some measures can be taken to reduce its value.

H.1. INVEST IN PROPERTY IN SEVERAL STATES

As land tax is assessed on a state by state basis and the threshold only applies to property within that state, owning properties in multiple states, compared to owning them in just one state, could minimise land tax.

H.2. PURCHASE UNITS INSTEAD OF HOUSES

A Strata unit usually has a much lower land value than a house due to its size meaning land tax could be reduced.

H.3. BUY PROPERTIES USING DIFFERENT BUYING ENTITIES

Purchasing properties with different entities, such as owning one property jointly and the other under a trust, is likely to lessen land tax as the tax is payable by each individual entity.

I. Land Tax Surcharge for Foreign Persons in New South Wales

Foreign persons owning residential land in NSW are liable to pay a surcharge of 0.75% from the 2017 land tax year onwards. There is no tax-free threshold for the surcharge land tax. Australian citizens are excluded from the definition of a foreign person.

As at 31 December each year, the surcharge on the taxable value must be paid for all residential land including the principal place of residence. The usual principal place of residence exemption does not apply for surcharge land tax.

According to the Revenue NSW, a foreign person is:

- an individual who is not ordinarily resident in Australia (other than an Australian citizen);
- a corporation in which an individual "not ordinarily resident in Australia", a foreign corporation or a foreign government holds a substantial interest;
- a corporation in which two or more persons, each of whom is an individual not ordinarily resident in Australia, a foreign corporation or a foreign government, hold an aggregate substantial interest;
- the trustee of a trust in which an individual not ordinarily resident in Australia, a foreign corporation or a foreign government holds a substantial interest;
- the trustee of a trust in which two or more persons, each of whom is an individual not ordinarily resident in Australia, a foreign corporation or a foreign government, hold an aggregate substantial interest;
- a foreign government;
- a foreign government investor; or
- general partners of limited partnerships.

An individual (who is not an Australian citizen) is taken to be ordinarily resident in Australia at a particular time if:

- a. the person has actually been in Australia during 200 or more days of the preceding 12 month period; and
- b. at the time:
 - the person is in Australia and the person's continued presence in Australia is not subject to any limitation as to

time imposed by law; or

- the person is not in Australia, but, immediately before the person's most recent departure from Australia, the person's continued presence in Australia was not subject to any limitation as to time imposed by law.

For land tax purposes in NSW, residential land is defined as:

- a parcel of land on which there are one or more dwellings, or a parcel of land on which there is a building under construction that, when completed, will constitute one or more dwellings;
- a strata lot, if it is lawfully occupied as a separate dwelling, or suitable for lawful occupation as a separate dwelling;
- a utility lot if its use is restricted to the owner or occupier of a strata lot;
- a land use entitlement, if it entitles the holder of the land use entitlement to occupy a building, or part of a building, as a separate dwelling e.g. company title and residential flats; or
- a parcel of vacant land that is zoned or otherwise designated for use for residential or principally for residential purposes.

Note that the surcharge applies if a building has both residential and commercial purposes in which case the land value must be apportioned.

I.1. EXEMPTIONS AND CONCESSIONS

The same exemptions and concessions apply for foreign owners in NSW, except for the principal place of residence exemption.

For more information, you can:

- phone the Revenue NSW on 1300 139 816;
- email the Revenue NSW at Landtax.lodgements@revenue.nsw.gov.au; or
- post an inquiry to GPO Box 4269, Sydney NSW 2001.

Comasters can assist clients in land tax issues.

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