

The *Land Tax Act 1958* (the Act) imposes an annual tax on the total unimproved value of all land in Victoria owned by a taxpayer as at midnight on 31 December of the year preceding the year of assessment. This includes land leased from the Crown or occupied subject to a life estate.

Land Tax exemptions

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Land Tax is assessed on a calendar year basis and the State Revenue Office (SRO) issues assessments annually.

You may be eligible for one of the several exemptions other than the general exemption which applies to all landowners. These exemptions are outlined below. This publication also includes an explanation of 'Special Land Tax' and when it applies.

Principal place of residence

A principal place of residence (PPR) exemption has been available from 1998 for properties owned as the principal residence of a natural person*. Any jointly owned land which is the principal place of residence of any one of the joint owners who is a natural person is exempt from Land Tax in the joint ownership assessment.

Where substantial business activity is conducted on land used as a principal place of residence, Land Tax is imposed on the portion of the property attributable to the business use.

The PPR exemption also extends to trustees of certain trusts (excluding discretionary and unit trusts) allowing for some circumstances where land owned by a trustee of a fixed trust is eligible for an exemption. These circumstances include situations where:

- The property is held in trust for an incapacitated person who resides at the property;
- The property is transferred under a will to an executor who uses the property as their principal place of residence and holds the property on trust for themselves and others under the terms of a will;
- The property is held by a trustee appointed under a will on trust for all beneficiaries who reside in the property as their principal place of residence;
- The property under a will is vested in a trustee on trust for a life tenant who uses the property as a principal place of residence;
- The property is occupied by a natural person (or more than one specified natural person) with the right of residence granted under a will; and
- The property owned by a trustee of a fixed trust to the extent that a beneficiary under the trust occupies the property as their principal place of residence.

Where more than one beneficiary is specified under the particular trust and not all the beneficiaries reside at the property, Land Tax is assessed on a proportional basis which provides an exemption to the share of the resident beneficiaries.

Several other restrictions and concessions are provided within the PPR exemption as follows:

- a) Land owners must have occupied their principal place of residence for at least six months before 31 December of the year prior to the year of assessment or have purchased and occupied their principal place of residence since 1 July of the year prior to the assessment year.
- b) The exemption will continue for up to six years in cases where the owner is temporarily absent but intends to resume occupancy (properties available for rent are not eligible for the exemption).
- c) Land adjoining the PPR exempt land owned and used by the owner to enhance the principal residence land is exempt.
- d) In the event of the death of the land owner, the exemption will continue for up to 12 months from the date of that person's death or the date of the land transfer, whichever comes first.
- e) Land which becomes unfit for occupation due to damage or destruction (such as fire or flood), continues to be exempt for up to three years from the date the land became unfit for occupancy.
- f) Where land is vacant or unoccupied and then becomes the principal place of residence of the owner for a period of at least six months, a refund is available for the tax paid for up to three years. This concession is only available if no other item of land had received the PPR exemption in the assessment year.

The PPR exemption is available for only one residence regardless of where it is located. It is not available for companies and other organisations.

Change of principal residence

The PPR exemption provisions allow for a concession if you are in the process of changing your principal place of residence and you own both properties at midnight on 31 December preceding the year of assessment. This concession can only be granted on the condition that you

* 'Natural person' means an individual and not a company (or other body), which is classed as an artificial person.



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have commenced to occupy the new PPR and that you intend to reside at this property continuously for at least six (6) months. This must occur within 12 months of you becoming the owner of the property.

However, if your former residence remains unsold at 31 December of the assessment year, the exemption will be revoked and the Land Tax will be re-assessed to include this property.

Primary production exemptions

Generally, land used for primary production is exempt from Land Tax. The exemptions extend to an item of land used for primary production where the land is located:

- Wholly outside the metropolitan area;
- Wholly or partly within the metropolitan area but not in an urban zone; or
- Wholly or partly within the metropolitan area and wholly or partly in an urban zone.

Further information about exemptions for land used for primary production is available in the Primary Production Exemption publication which is available on request.

Other exemptions

There are specific exemptions available for land held by a particular type of body or used for a specific purpose.

Please note that exemptions 4 to 9 do not apply if the land is used for banking or insurance purposes or if the land is leased to or occupied by other parties for business purposes.

1. Land owned by the State of Victoria

Land is exempt if it is owned by the Crown in the right of the State of Victoria or vested in a Minister of the Crown. However, where land is leased from the Crown, the lessee may be liable for Land Tax.

2. Mines

Land is exempt if it is used exclusively as a mine as defined in the Act. It is important to note that special Land Tax may apply if this exemption ceases.

3. Retirement village

Land which is used for a retirement village as defined in the Act is exempt whether the retirement village is operated commercially or for charitable purposes. If the land is not used wholly for the purpose of a retirement village, only a partial exemption is available.

4. Public statutory authorities

Land is exempt if it is vested in a public statutory authority except in cases where the Governor in Council has declared it as taxable by order published

in the Government Gazette. It is important to note that special Land Tax may apply if this exemption ceases.

5. Municipalities

Land is exempt if vested in a municipality. Land is also exempt if vested in trustees appointed under the Act and held in trust for public or municipal purposes.

6. Charities

Land is exempt if it is used by a charitable institution exclusively for charitable purposes or if it is leased to be used for outdoor sporting, recreational, cultural or similar outdoor activities, where the proceeds from the lease are applied exclusively for charitable purposes.

7. Ex-servicemen's associations

Land is exempt if it is vested in, or held in trust for, an ex-servicemen's association or an association of dependants of ex-servicemen and is used for the purpose of the association.

8. Bodies that provide or promote outdoor sporting, recreation or cultural activities

Land is exempt if vested in and used by a body that provides or promotes outdoor sporting, recreational, cultural, or similar outdoor activities. Profits must be applied to promote the objectives of the body and payment of dividends to members is prohibited. This exemption is not available to a body that promotes or controls horse racing, pony racing or harness racing in Victoria. It is important to note that special Land Tax may apply if this exemption ceases.

9. Friendly societies

Land is exempt if vested in or held in trust for a friendly society.

10. Agricultural Shows

Land is exempt if vested or held in trust for a body, established for the purposes of conducting agricultural shows, farm machinery field days or activities of a similar nature. Profits must be applied to promote the objectives of the body and payment of dividends to members is prohibited.

11. Caravan Parks

From 2005, an exemption will be available for land which is used as a caravan park. It is important to note that Special Land Tax, at a rate of five per cent will apply if the land ceases to be exempt. This may occur through the land ceasing to be used by the owner as a caravan park or being sold for an alternative use.

Partial exemption

A partial exemption may apply where land is owned and occupied by a club or association that is carried on

exclusively to provide for the social, sporting, cultural, recreational, literary or educational interests of its members, or for the promotion or control of horse, pony or harness racing in Victoria. To satisfy this exemption, the club or association must not be carried on for the purposes of the profit or gain of its individual members. If the partial exemption applies, the liability for Land Tax is limited to a maximum of 0.357 cents for every dollar of the unimproved value of the land.

Special Land Tax

Land which was exempt under exemptions 2, 4, 8 or 11 and which subsequently ceases to be exempt under the same exemption, will become subject to special Land Tax. Special Land Tax is a one-off tax charged in certain circumstances on land that is no longer exempt. It is charged at a rate of five cents for each dollar of the unimproved value of the land, and is set on the date that the land ceased to be exempt.

Special Land Tax may also apply in certain circumstances where land, which was exempt under one of the primary production exemptions, ceases to be exempt. (See the publication, Primary Production Exemptions, for more information).

How do I apply for an exemption from Land Tax?

You should contact us if you believe you qualify for an exemption. If you have already been assessed and believe you are entitled to a particular exemption for one or more of the properties that you own, then you will need to formally object to your assessment.

Your objection must be in writing and should state your customer number, assessment number and all the reasons on which your objection is based. Objections must be received by the SRO no later than 60 days from the date your assessment notice was served. The date of service will be taken to be two days after the date printed on the assessment.

To assist us in processing your request for an exemption, please complete the Exempt Land Assessed section under Part 3 of the Land Tax Objection form which is available on the SRO website or alternatively if you do not have access to the Internet you may fill out the objection form provided with your assessment.

Only the State Revenue Office can approve an exemption from Land Tax.

Further information

A *General Information* leaflet is available from the SRO on request.

Up-to-date information about Land Tax can be found on the SRO website www.sro.vic.gov.au.

The SRO has also produced the following information leaflets:

Principal Place of Residence Exemption

Grouping Provisions

Primary Production Exemptions

Joint Ownership

Hardship Relief

Valuations and Indexations Factors

State Revenue Office Victoria

Internet www.sro.vic.gov.au

Email sro@sro.vic.gov.au (Attn: Land Tax Branch)

Phone 13 2161 (cost of a local call)

Facsimile 03 9628 6856

Enquiries may be made in person. Please phone 13 2161 in order to arrange an appointment.

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