

# Victorian State Budget – what it means for commercial and property transaction clients

Stephen Teale & Stephanie Collins | May 2014 | Commercial Disputes and Transactions

## Summary

The Victorian Government announced the State budget this week and it includes plans for sweeping changes to taxation and revenue raising across the board. Particularly of interest in the area of commercial and property transactions, is the forecast of an increase in the State Revenue Office revenue by 7.2 % due to a growth in stamp duty and land tax collections and the introduction of a new planning tax to help fund the new Metropolitan Planning Authority<sup>1</sup>. There are also changes to duties payable, with first home buyers set to receive an increased reduction in stamp duty and the duty payable on life insurance policies is to be abolished.

## Who does it impact?

Home buyers, developers, parties purchasing life insurance products and companies which market life insurance products.

## Stamp Duty Changes

### First Home Buyers

Those eligible for the first home buyer stamp duty reduction will see an increase in the reduction from 40% to 50% as from 1 September 2014. This latest increase is the last stage of a plan that was to be phased in over four years<sup>2</sup>. The increase in the first home owner duty reduction is good news for new home purchasers struggling to purchase their first home in an increasingly expensive market.

### Life Insurance Duty

The duty payable on life insurance policies will be abolished in Victoria from 1 July 2014 saving consumers \$16 million over four years<sup>3</sup>. Victoria is the first state to do this, following the ACT, which abolished duty on life insurance policies in 2013.

This will be welcomed by both individuals and commercial enterprises dealing in life insurance products.

## Planning Tax

A new tax of \$1.30 per \$1,000 will be introduced for all planning permits where construction costs are over \$1 million (approximately 6% of all planning permits). This will be administered by the State Revenue Office and is set to raise approximately \$17 million a year from 2015. The tax is to fund the new Metropolitan Planning Authority, which is the authority to implement 'Plan Melbourne', a government initiative to work with developers' and Councils, in 'unlocking land opportunities across Victoria and expanding our central city and urban renewal areas'. While this is an increased cost in planning for developers, it is intended that this will be offset by a more efficient planning system.

## Conclusion

While the changes announced by the State Government are good news for first home buyers, individuals with life insurance products and companies selling life insurance products, it remains to be seen whether 'Plan Melbourne' will create the intended benefits for property developers to justify the increased tax on planning permits. It will be interesting to see what new planning and urban development procedures and plans are implemented by the Metropolitan Planning Authority, and what affect these will have on property development and the property market in Victoria.

<sup>1</sup>The Age Victoria - <http://www.theage.com.au/victoria/state-budget-2014-key-points-20140506-zr5nd.html#ixzz30z4WfOwh>

<sup>2</sup>State Revenue Office website - <http://www.sro.vic.gov.au/sro/SROnav.nsf/LinkView/C88211C9E07486F0CA2578B70001025018E490D796850F8ECA2575C1008187C7>

<sup>3</sup>Treasurer's Speech 2014-15 – Budget Paper No. 1, pg 3.

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