

m3 Dimensions

The Impact of Changes to Victorian Land Tax

June 2006

Recent announcements in the 2006-07 Victorian Budget will impact how land tax is calculated in the State from the 2007 calendar year.

Scale of Charges

Change: The top marginal rate for land values over \$2.7 million will be reduced from 3.50% in 2006 to 3.00% in 2007, in addition to reductions to the middle land tax rates, as outlined below.

Unimproved Value	2006 Scale	2007 Scale
Up to \$199,999	Nil	Nil
\$200,000 to \$539,999	\$200 + 0.20%	\$200 + 0.20%
\$540,000 to \$899,999	\$880 + 0.50%	\$880 + 0.50%
\$900,000 to \$1,189,999	\$2,680 + 1.00%	\$2,680 + 0.80%
\$1,190,000 to \$1,619,999	\$5,580 + 1.50%	\$5,000 + 1.20%
\$1,620,000 to \$2,699,999	\$12,030 + 2.25%	\$10,160 + 1.80%
\$2,700,000 & over	\$36,330 + 3.50%	\$29,600 + 3.00%

Impact: According to the Budget Papers, the Government estimates land tax revenue in the upcoming financial year to be \$747.6 million. This is a forecast decrease in total land tax revenue of around 3% from the current financial year. Therefore most owners should not budget for significant reductions to their land tax from what they have paid in 2006. This also indicates to us, with the scale of charges being lowered, owners will experience increases to their Site Value assessments when 1 January 2006 levels of value are issued in Council Rate Notices from this July.

Valuations & Indexation Factors

Under the existing legislation 2006 Land Tax Notices adopt Site Value assessments undertaken at 1 January 2004 levels of value. The same Site Value assessments were to be adopted in the 2007 year, but adjusted by indexation factors.

Change: The Government has announced that 1 January 2006 levels of value will now be adopted in 2007 Land Tax Notices and indexation factors will be abolished in the second year these assessments are used.

Land Tax Year	Current	Proposed Change
2006	1 Jan 2004 Site Value	No change
2007	1 Jan 2004 Site Value x Indexation Factor	1 Jan 2006 Site Value
2008	1 Jan 2006 Site Value	1 Jan 2006 Site Value
2009	1 Jan 2006 Site Value x Indexation Factor	1 Jan 2008 Site Value

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Valuations & Indexation Factors continued

Impact: The abolition of indexation factors will provide owners with more certainty in relation to land tax budgeting and will mean land tax is not calculated on artificially adjusted values. In 2005, the last time indexation factors were used, the average factor for the metropolitan municipalities was 1.20. The factors allowed for the movement in statutory valuations for all non-exempt asset classes as a group and there was no opportunity to object to them.

Objections

In most instances owners currently cannot object to the levels of value within their Land Tax Notices. The opportunity to object to the Site Values is when they are issued in Council Rate Notices.

Change: From 2007 objections to the levels of value within Land Tax Notices will be allowed.

Impact: It appears owners will have the chance to object to 1 January 2006 levels of values when they are issued in Council Rate Notices from July of 2006, and additionally object to Site Value assessments in their Land Tax Notices, likely to be issued from February 2007. We will provide more details once the relevant legislation has been released. In the meantime, we remind you the objection period for Council Rate Notices is 60 days from receipt of the first instalment notice. We recommend objections be lodged at this time pending release of legislation which will allow objections to value levels within Land Tax Notices.

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