FACT SHEET

Taxation Related Legislation (Housing Availability and Payroll Relief) Bill 2018

- In the lead up to the 2018 Tasmanian State Election, the Government committed to introduce a number of tax initiatives should it be re-elected. Following the election the Government further committed to:
  - a one year land tax exemption for short-stay accommodation properties that are made available for long-term rental accommodation within the Greater Hobart Area (announced following the Housing Summit held on 15 March 2018); and
  - a one year extension of the current First Home Owner Grant of $20 000 to 30 June 2019.
- The Taxation Related Legislation (Housing Availability and Payroll Relief) Bill 2018 amends the necessary legislation to introduce the Government's commitments.

Amendment to the *Payroll Tax Act 2008* - New Arrangements

- The *Payroll Tax Act 2008* currently charges payroll tax of 6.1 per cent on payroll above $1.25 million.
- The Bill amends the Payroll Tax Act to introduce a reduced rate of payroll tax for wages between $1.25 million and $2 million. The rate applying to the payroll between these two thresholds will be 4 per cent.
- This amendment will provide a benefit to an employer of up to $15 750.
- The new payroll tax arrangements will commence on 1 July 2018.

Amendment to the *Payroll Tax Act 2008* - Relocation payroll tax exemption

- The Bill will amend the Payroll Tax Act to provide a three year payroll tax exemption for wages paid by a business to its employees in regional Tasmania, where the business relocates to Tasmania and establishes its operations in a regional area.
- This measure will promote employment in regional Tasmania and encourage mainland businesses to move to or expand into Tasmania. The measure allows three years of payroll tax exemptions on wages related to work done in regional Tasmania to encourage businesses to establish operations in Tasmania permanently.
- This measure is subject to both the employer and their employees meeting eligibility criteria. The criteria include that the employer must be an existing business and relocate or expand its business in part or entirety to regional Tasmania from outside of Tasmania within the eligible period by establishing physical operations in regional Tasmania. The employee is required to conduct 80 per cent of their work in regional Tasmania.

- The relocation payroll tax exemption will commence on 1 July 2018 and will be available until 30 June 2021.

Amendment to the *Payroll Tax Rebate (Apprentices, Trainees and Youth Employees) Act 2017* - Rebate extension in areas of skill shortage

- The Bill amends the *Payroll Tax Rebate (Apprentices, Trainees and Youth Employees) Act 2017* to:
    - extend the Payroll Tax Rebate Scheme as it relates to apprentices and trainees in areas of skills shortage to 30 June 2021; and
    - provide for the new payroll tax arrangements (introduction of the 4 per cent payroll tax rate for wages between $1.25 million and $2.0 million) when calculating the amount of the rebate.
- Under the current Payroll Tax Rebate Act, an employer who employs an apprentice, trainee or youth employee is eligible to receive a rebate equal to the payroll tax costs associated with the wages for that employee. The scheme was designed to provide an incentive for employers to provide employment opportunities for young people. The current scheme is due to finish on 30 June 2019.
- The Bill extends the operation of the scheme until 30 June 2021. However, the extension is targeted at apprentices and trainees who are working in the skills shortage areas of building and construction, tourism and hospitality, and manufacturing.
- The redesigned scheme will encourage people to upskill, improving their ability to earn income and increasing the value of their contribution to the Tasmanian economy.
- The provisions providing for the new payroll tax arrangements are administrative.

Amendments to the *Land Tax Act 2000* - Land tax exemption for new long-term rentals

- The Bill amends the *Land Tax Act 2000* to provide a three year land tax exemption on all newly built housing made available for long-term rental.
- The measure is designed to encourage the construction of more long-term rental accommodation and ease the rental squeeze.
- The land tax exemption applies to land on which a new dwelling is situated, with an Occupancy Permit issued between 8 February 2018 and 7 February 2021.
- Eligibility criteria apply, including that properties must be rented out entirely and under a lease with a duration of at least 12 months.
- The land tax exemption will commence on 1 July 2018.

Amendments to the *Land Tax Act 2000* - Land tax exemption for short-stay accommodation switching to long-term rental

- The Bill amends the Land Tax Act to provide a one year land tax exemption for short-stay accommodation properties that are made available for long-term rental accommodation within the Greater Hobart Area.

- The measure is intended to incentivise property holders to immediately switch to long-term rental and so relieve some of the pressure in the rental market.
- The measure applies to properties which switch to long-term rental accommodation between 15 March 2018 and 14 March 2019.
- Eligibility criteria apply, including that properties must be rented under a lease with a duration of at least 12 months and that the property must have been used for short-stay accommodation purposes for the majority of the three month period prior to being made available for long-term rental.

Amendments to the *First Home Owner Grant Act 2000* - Extension of the First Home Owner Grant

- The Bill amends the *First Home Owner Grant Act 2000* to extend the First Home Owner Grant for newly constructed dwellings.
- The FHOG is currently at $20 000 but is due to revert to $10 000 on 1 July 2018. These amendments will extend the FHOG at $20 000 for a further 12 months, until 30 June 2019.
- This measure will make it easier for first home buyers to build and will increase activity in the building industry.
- The FHOG extension will commence on 1 July 2018 and the eligibility criteria are unchanged from those which currently apply.

Amendments to the *Duties Act 2001* - Foreign Investor Duty Surcharge (FIDS)

- The Bill amends the Duties Act to introduce a Foreign Investor Duty Surcharge.
- The FIDS is designed to manage demand for property from foreign investors and to level the housing affordability playing field.
- The FIDS will apply an additional 3 per cent duty on the dutiable value for direct and indirect acquisitions of residential property by foreign persons and an additional 0.5 per cent of the dutiable value for direct and indirect acquisitions of primary production property by foreign persons.
- The FIDS will apply to dutiable transactions where foreign natural persons, foreign corporations and/or foreign trusts are the transferees.
- The FIDS will also apply to the landholder provisions so that there is neutrality between the methods that a purchaser can use to acquire land, within the limits of the currently existing landholder rules.
- The amendments to the Duties Act will commence on 1 July 2018.

Amendment to the *Duties Act 2001* - First Home Buyer Duty Concession

- The Bill will amend the *Duties Act 2001* to provide a 50 per cent duty concession to first home buyers of established homes with a dutiable value not exceeding $400 000, for a 12 month period.
- This is a measure to improve affordability and assist first home buyers into the market.
- For equity reasons, where applicable the eligibility criteria for the duty concession are similar to the First Home Owner Grant that applies to newly constructed dwellings. This includes the requirement that the first home owner resides at the property for a period of six months commencing within the first 12 months after the purchase.
- The amendments will be retrospective and will apply from the date of the Government's announcement of the concession on 7 February 2018. In line with the Government's announcement that the program would be reviewed after 12 months there is scope within the Bill to extend the eligible period.

Amendments to the *Duties Act 2001* - Downsizing duty concession

- The Bill will amend the Duties Act to provide a 50 per cent duty concession to eligible pensioners that sell their existing home and downsize to a home or unit with a dutiable value not exceeding $400 000 and a lower dutiable value than their existing home. The duty concession is available for a 12 month period.
- This measure is designed to remove impediments to downsizing and to improve the allocative efficiency of the housing market.
- There are a number of eligibility criteria which pensioners must meet to access the concession, including that they do not own any other home other than the home that they are selling and the home that they are buying.
- The amendments will be retrospective and will apply to relevant transactions (the sale of the existing home) undertaken from the date of the Government's announcement of the concession on 10 February 2018. In line with the Government's announcement, that the program would be reviewed after 12 months, there is scope within the Bill to extend the eligible period.