

Bulletin

Wednesday, 27 June 2007

2007 State Budget

The NSW Treasurer, the Hon. Michael Costa MP, announced changes to mortgage duty and land tax as part of the 2007/2008 Budget.

Details of these are as follows:

Duties Act 1997 – mortgage duty

Mortgage duty will now be abolished in 3 stages, commencing with the abolition of duty on mortgages for the purposes of owner occupied housing from 1 September 2007.

At present, under the *Duties Act 1997* mortgage duty will be abolished on and from 1 January 2011. The changes announced bring forward the abolition date to 1 July 2009 and provide for 2 new exemptions from mortgage duty for mortgages that are associated with housing.

Both exemptions will be available only if the borrower under the mortgage or, if there is more than 1 borrower, each of the borrowers, is a natural person.

The first exemption, which takes effect on and from 1 September 2007, is an exemption for mortgages that are made in connection with owner occupied housing.

Mortgage duty will not be chargeable in respect of a mortgage if the mortgage secures an advance or

advances made, from 1 September 2007, for the purpose of owner occupied housing and no other advances. If the mortgage does secure an advance made for another purpose, mortgage duty will not be chargeable in respect of the advance made for the purpose of owner occupied housing.

An advance is made for the purpose of owner occupied housing if it is to be applied wholly or predominantly for one or more of the following purposes:

- financing the acquisition of a residence,
- financing the construction of a residence,
- financing alterations or additions to a residence,
- financing the acquisition of residential land,
- repaying another advance, if the advance to be repaid was made for the purpose of owner occupied housing.

A residence is defined as a private dwelling house that is used and occupied or intended to be used and occupied by the borrower, or by any of the borrowers, as a place of residence.

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The second exemption, which takes effect on and from 1 July 2008, is an exemption for mortgages that are made in connection with investment housing.

Mortgage duty will not be chargeable in respect of a mortgage if the mortgage secures an advance or advances made, from 1 July 2008, for the purpose of investment housing and no other advances. If the mortgage does secure an advance made for another purpose, mortgage duty will not be chargeable in respect of the advance made for the purpose of investment housing.

An advance is made for the purpose of investment housing if it is to be applied wholly or predominantly for one or more of the following purposes:

- financing the acquisition of investment housing,
- financing the construction of investment housing,
- financing alterations or additions to investment housing,
- repaying another advance, if the advance to be repaid was made for the purpose of investment housing.

Investment housing is defined as any private dwelling house that is used, or is intended to be used or sold, for business or investment purposes (or both) by the borrower or by any of the borrowers.

For the purpose of the changes in 2007 and 2008 'Alterations or Additions' in relation to a private dwelling house include:

- (a) any improvements to the parcel of land on which the dwelling house is constructed, and
- (b) the maintenance, repair or renovation of the dwelling house or of an improvement referred to in paragraph (a).

Land tax

The land tax rate will be reduced from 1.7 per cent to 1.6 per cent from the 2008 land tax year.

At present, under the *Land Tax Act 1956*, land tax is charged at a rate of 1.7 per cent of the taxable value of the land (to the extent that the taxable value of the land exceeds any tax-free threshold that is applicable in respect of the taxpayer).

The changes reduce the land tax rate to 1.6 per cent, with effect from the 2008 land tax year. This represents a reduction in the tax rate and will apply in addition to annual indexation of the threshold and 3 year averaging of land values and the tax free threshold.

Should further information be required, please do not hesitate to contact us.

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Assistance

If we are able to assist you in relation to the matters contained in this Bulletin or other property matters, please contact one of our Property & Construction Practice Group Team:

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