

# The important property taxes that you should be aware of



By **LOUISE AITKEN**

THE COMMENCEMENT of the new year has brought with it major Victorian property tax changes, which came into effect on January 1, 2024.

For those of you thinking of selling or purchasing a property, it is helpful to be informed about these changes, as they can be hidden costs that you may be unaware of.

## Land Tax changes

The new law prevents the adjustment of land tax between the vendor and purchaser in contracts for the sale of land, except in contracts in excess of \$10 million.

This new law applies to all contracts entered into and signed after January 1, 2024.

This means that when selling a property, the Vendor will be responsible for all land tax payable on a property.

Contracts of sale entered into and signed before January 1, 2024,

will still have the land tax adjusted proportionately at settlement, and the new legislative changes do not apply to these contracts.

This means that the purchaser will pay the proportion of the land tax assessment for the period in which they will own the property in the specified calendar year, whilst the vendor will pay the proportion for the period in which they owned the property in the specified calendar year.

## Changes to Windfall Gains Tax

Recent legislative changes also prevent passing on or adjusting any Windfall Gains Tax (WGT) liability assessed on the subsequent sale of land, with the Vendor now responsible for the WGT pertaining to all contracts entered into from January 1, 2024.

Vendors are liable to WGT, where a government rezoning results in a taxable value uplift to their land of more than \$100,000.

The taxable value uplift is the difference in the capital-improved value of the land before and after the rezoning takes effect.

There are several exemptions and

exclusions from the WGT, including residential land exemptions and land rezoned to or from the Urban Growth Zone within the Growth Areas Infrastructure contribution.

## Vacant Property Tax

Vacant properties are subject to a Vacant Residential Land Tax.

From January 1, 2025, the Victorian Government will implement changes to the Vacant Residential Land Tax that will apply to all properties that have not been occupied for six months in the previous 12-month period.

This means that if your property has been vacant for more than six months, including between January 1, 2024, and January 31, 2024, you may be affected by this change.

Properties that are deemed to be vacant are taxed at a rate of 1 per cent of the capital improved value of the property in the first year, 2 per cent in the second year, and 3 per cent in the third and subsequent years.

By way of example, if you have a vacant property with a capital improved value of \$1M, the vacant

residential land tax would be \$10,000 in the first year, increasing to \$20,000 in the second year, and \$30,000 in the third and subsequent years.

Some exceptions exist, including holiday homes occupied by the owner for at least four weeks each year and a change of ownership during the year.

## Selling

Thinking of selling?

Land Tax assessments are now starting to flow through from the State Revenue Office.

With it, some significant increases in the land tax assessed, particularly when you own multiple properties, due to the market value threshold being reduced, meaning the calculation of land tax has become greater.

If Land Tax applies to you and you have recently received an assessment or are about to receive an assessment, this is a timely reminder to check those assessments.

Check that the correct property has been noted as your Principal Place of Residence.

Similarly, if you have bought a new

home but have yet to sell your Principal Place of Residence within the same assessment year, discuss with your Financial Advisor or the State Revenue Office about any concessions that may apply to you.

Many investment properties are units and historically may not have been subject to land tax due to the lower market value.

Many of those investment properties are now being assessed with land tax.

The threshold for land tax assessments has been reduced to properties whereby the market value is deemed to be \$50,000 or more and is payable on a sliding scale.

This is in comparison to the previous year (2023), whereby land tax would have been assessed on properties with a market value greater than \$300,000.

For further information about land tax, we strongly suggest you seek appropriate financial and legal advice.

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