

Time to sell an investment property?



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By **LOUISE AITKEN**

SPRING IS usually a busy time in Melbourne for those thinking of selling or buying, and this year seems like it will be no different.

However, this year may be particularly busy with the sale of investment properties.

There are a number of reasons for the influx in the sale of investment properties, including, but not limited to, the cost-of-living pressures, the increase in land tax, and the introduction of the Vacant Property Tax.

If you are thinking of selling your investment property this spring, here are some things you should consider before putting your property on the market.

Land Tax

New laws introduced as of January 1, 2024, prevent the adjustment of land tax between the vendor and purchaser on contracts for the sale of land, except for contracts in excess of \$10 million.

This means that when selling your investment property subject to land tax, you will no longer have the right to have this apportioned between you

and the purchaser.

You must pay all outstanding land tax associated with the investment property being sold at settlement.

This is particularly important if you are negotiating a sale before or after the following assessment year, especially if you wish to avoid paying a further year's land tax.

It may be worthwhile negotiating an earlier settlement date prior to Christmas 2024 to save yourself additional land tax for the 2025 assessment year.

Land Tax is re-assessed on January 1 of each year.

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, which 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 is vacant for more than six months, between January 1, 2024, and December 31, 2024, you may be affected by this change.

Properties that are deemed to be vacant are taxed at a rate of one per cent of the capital improved value of the property in the first year, two per cent in the second year, and three per

cent in the third and subsequent years.

For 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, \$20,000 in the second year, and \$30,000 in the third and subsequent years.

There are some exceptions to this, including holiday homes that are occupied by the owner for at least four weeks each year and those that change ownership during the year.

Get in touch with your Conveyancer or Property Lawyer

It's ideal to instruct your Conveyancer or Property Lawyer at least 2-3 weeks prior to putting your home on the market.

Things that your conveyancer or property lawyer may need from you to complete a Section 32, Vendor Statement include:

- Details of any structural or non-structural works completed on the property over the last seven years. There may be further requirements in this respect, and your Conveyancer or Property Lawyer will be able to guide you.
- If your home was built less than seven years ago, it must meet additional requirements, including Domestic Building Insurance, an Occupancy Permit, and Building Permits.

- A copy of pool/spa registration and pool/spa barrier compliance.
- Any easements or covenants on the property, and checking to ensure that there has not been any non-compliance.
- If you're selling a unit within an Owner's Corporation, you must include up-to-date Owner's Corporation Certificates. You should note that it will disclose any costs that may be upcoming or special levies that may be payable in the future. It is important to be aware of those as any future works may affect the sale of your property and negotiations.
- What services are or are not connected.

Early access to the deposit paid under Section 27 Deposit Release

If you wish to apply for the early release of the deposit by the purchaser, you need to ensure that you know how the Section 27 deposit release process works so that there are no surprises.

You should discuss with your Conveyancer or Property Lawyer at the time of instructing them that you would like to access the deposit prior to settlement, so that they can step you through the process and discuss whether you meet the appropriate criteria.

Photo: UNSPLASH



There is a common assumption that your deposit can just be released once the Contract of Sale is unconditional.

However, this is not always the case and is not very common in most circumstances.

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