

JANUARY 2018

**TAX ALERT: NEW VACANT RESIDENTIAL LAND TAX APPLIES TO HOMES IN THE
MELBOURNE METRO AREA FROM 1 JANUARY 2018**

Introduction

From **1 January 2018**, a new vacant residential land tax (**VRLT**) applies to homes in inner and middle Melbourne that were vacant for more than six months in the preceding calendar year. This is a new Victorian tax, and is different to land tax, the absentee owner surcharge and the federal annual vacancy charge.

The VRLT is assessed by calendar year (1 January to 31 December) and the six months do not need to be continuous. If you own a property that was unoccupied for more than six months during 2017, you must notify the State Revenue Office (**SRO**) about the property through the SRO online portal by **15 January 2018**.

Where does the tax apply?

Vacant homes in the following municipal council areas may be affected:

Banyule	Glen Eira	Melbourne	Port Phillip
Bayside	Hobsons Bay	Monash	Stonnington
Boroondara	Manningham	Moonee Valley	Whitehorse
Darebin	Maribyrnong	Moreland	Yarra

How much is the VRLT?

The tax will be calculated as 1% of the capital improved value (**CIV**) of the residential land, and will apply in addition to any other applicable taxes or surcharges. For example, if a vacant home has a CIV of \$500,000, the VRLT will be \$5,000.

The CIV of a property is a value of the land, buildings and any other capital improvements made to the property, which is displayed on the council rates notice for the property.

What is residential property?

Residential property is land that is able to be used solely or primarily for residential purposes, such as a home or an apartment. It also includes land on which a residence is being renovated or where a former residence has been demolished and a new residence is being constructed.

It does not include vacant land, commercial residential premises, display homes, residential care facilities, supported residential services or a retirement village.

What does “vacant” mean?

A property is considered vacant if, for more than six months in the preceding calendar year, it has not been lived in by:



A member of
The International Accounting Group
worldwide network of independent accounting firms

Level 7 616 St Kilda Road Melbourne
Victoria Australia 3004
(PO Box 130 St Kilda Vic 3182)
T 61 (03) 9525 3777
F 61 (03) 9537 1104
E office@lowelippmann.com.au
W www.lowelippmann.com.au

- The owner, or the owner’s permitted occupier, as their principal place of residence (**PPR**), or
- A person under a lease or short-term leasing arrangement made in good faith:
 - The occupation does not need to be by the same occupant or for a single continuous period.
 - It is not enough that the property is available for occupation, such as by listing on a short term rental website. It must actually have been used and occupied for more than six months.

It is not enough for the property to be used intermittently or on a casual basis by friends or family of the owner.

Exemptions

Homes that are exempt from land tax are also exempt from VRLT. In addition, homes that are unoccupied for more than six months of the preceding calendar year may be exempt from the new VRLT if:

- Ownership of the property changes during the preceding calendar year.
- The property becomes “residential” property during the preceding calendar year.
- The property is used as a holiday home and occupied by the owner for at least four weeks of the preceding calendar year.
- The property is occupied by the owner for at least 140 days of the preceding calendar year for the purpose of attending their workplace.
- The property is under renovation or construction.

Notification requirements

If you own a property that was unoccupied for more than six months during 2017, you must notify the SRO about the property through the SRO online portal **by 15 January 2018**, website details: <https://www.e-business.sro.vic.gov.au/vacantlandtax/identity>.

Conclusion

It is recommended that residential land owners:

- Notify the SRO if your residential property was unoccupied for more than six months in the 2017 calendar year.
 - It is important to do this, as the SRO and city councils will likely be able to identify vacant land by monitoring the utility use of properties and other investigative methods.
 - It is also advantageous to notify, as the notification process allows owners to apply for an exemption at an early stage.
- Expatriates, interstate workers, and long-term travellers should ideally lease or have another person occupy the property in their absence.
 - It should be noted, technically leases or short term letting arrangements will need to be made in good faith, and not for the purpose of avoiding the VRLT.
 - Also note that if you lease your PPR for a period of more than 6 months, you may risk losing your PPR land tax exemption. This may result in a much larger tax burden than the new 1% VRLT surcharge.

Please do not hesitate to contact your Lowe Lippmann Relationship Partner if you wish to discuss any of these matters further.



A member of
The International Accounting Group
worldwide network of independent accounting firms

Level 7 616 St Kilda Road Melbourne
 Victoria Australia 3004
 (PO Box 130 St Kilda Vic 3182)
 T 61 (03) 9525 3777
 F 61 (03) 9537 1104
 E office@lowelippmann.com.au
 W www.lowelippmann.com.au