Changes to stamp duty for spouse transfers from 1 July 2017

The 2017/2018 Victorian Budget has made substantial changes to land duty and tax payments in a bid to make the system for housing affordability more equitable.

New home buyers and investors need to be aware of changes to the duty now applicable to certain property transfers.

Part of the Budget changes include the abolition of stamp duty exemptions on some property transfers between spouses and domestic partners.

Duty exemptions abolished for spouse / partner transfers

Victoria's duty laws have traditionally been quite generous in this area, with property transfers between spouses and domestic partners being exempt from stamp duty. Many of these types of transfers relate to investment property and are carried out for strategic purposes, resulting in favourable tax outcomes.

However, from 1 July 2017, unless the property is a principal place of residence, these exemptions no longer apply and stamp duty, calculated on the current market value of the property, is payable.

This is a significant change meaning that transfers of investment property between partners will attract the same duty liability as the purchase of any other property.

A change in ownership in property that is mortgaged will also require consent from the financial institution. This will generally involve qualifying or requalifying the person in whose name the property will be held.

Transfers of property resulting from the breakdown of a relationship will remain exempt from duty.

First Home Owners to benefit

The Budget delivered some good news to first home buyers with stamp duty being abolished for eligible purchasers of a home with a value of $600,000 or less. Discounts, to be applied on a sliding scale, are available for eligible first home buyers of properties valued between $600,000 and $750,000.

These stamp duty exemptions and concessions will bring significant savings to first home owners and apply to contracts entered into from 1 July 2017.

The First Home Owners Grant for the purchase of a new-build property in regional Victoria to the value of $750,000 will be increased from $10,000 to $20,000. The grant will apply to contracts entered into from 1 July 2017 to 30 June 2020.

Vacant Residential Property Tax

In an effort to address housing supply shortfalls, a new tax of 1% will be levied on vacant residential properties in certain inner and middle suburbs of Melbourne. This is aimed to encourage investors to make these properties available for lease or purchase. The tax will apply from 1 January 2018 and will be assessed on the capital improved value of the property.

A property will be considered vacant if it is unoccupied for a period of six months in any calendar year, whether or not the vacancy is for a continuous period.

Holiday houses, city units owned for work purposes, and deceased estates will be exempt from the tax. Exemptions will also apply for legitimate temporary absences such as overseas travel or vacancies for medical reasons.

Conclusion

The Budget changes are aimed at addressing housing affordability and shortfall, and supporting first home buyers.

Property investors however no longer benefit from generous exemptions in transferring property interests between spouses and partners.

Our lawyers are experienced in all areas of property transactions and can provide advice or assistance in relation to these changed laws and other transactions.

If you or someone you know wants more information or needs help or advice, please contact us on 03 9387 2424 or email info@rrrlawyers.com.au.