



Buying & Selling Property New Taxes and Duties Changes

Recently both the Federal and NSW State Governments announced changes to taxes and duties relating to property transactions. What are the changes and how do they affect first home buyers, investors, foreign investors and purchasers?

First Home Buyers

Stamp Duty:

As from 1 July 2017, stamp duty for first home buyers on all homes (new and existing) up to \$650,000 has been abolished (a saving of \$24,740.00), and there are reductions in stamp duty for all homes (new and existing) between \$650,000 and \$800,000 in value.

Insurance Duty

As from 1 July 2017, Insurance Duty on lenders mortgage insurance premiums (which was 9%) has been abolished for all home buyers, not only first home buyers. Mortgage insurance is generally required for loans in excess of 80% of the value of the property. For example, on a home valued at \$800,000, a buyer with a \$50,000 deposit who needs lender's mortgage insurance could save about \$2,900.

First Home Super

Saver Scheme:

From 1 July 2017 individuals can make voluntary superannuation contributions up to \$15,000 per year (\$30,000 for couples) into a separate account in their superannuation fund. These contributions are made from the person's pre-tax salary and are taxed 15%. All earnings on these contributions whilst in the fund will be taxed at 15%. Contributions made can be withdrawn from 1 July 2018 to be used as a deposit on a first home and, when withdrawn, will be taxed at the person's marginal tax rate less 30%.

Investors

Stamp Duty:

From 1 July 2017, the \$5,000 New Home Grant Scheme which provided a \$5,000 reduction in stamp duty to purchasers (who are not first home buyers) of new homes will cease.

From 1 July 2017, the ability to defer payment of stamp duty for 12 months for purchasers (who are not first home buyers) of residential off-the-plan properties will cease.

Depreciation:

Investors who actually incur amounts to purchase plant and equipment for their residential investment property after 9 May 2017 will be able to claim a deduction over the effective life of the asset. However, subsequent owners of a property (even if that property is new) will be unable to claim deductions for plant and equipment purchased by a previous owner



of that property (acquisitions of existing plant and equipment items will instead be reflected in the cost base for capital gains tax purposes)

Travel Expenses:

From 1 July 2017, Investors can no longer claim a tax deduction for travel expenses incurred to inspect their residential investment property.

Foreign Investors

Stamp Duty:

The surcharge payable by foreign investors when they purchase residential real estate will double from 4% to 8%.

Land Tax:

The surcharge payable by foreign investors on land tax will rise from 0.71% to 2%.

All Purchasers

Capital Gains

Withholding Tax:

From 1 July 2017, purchasers of properties where the market value is \$750,000 (inclusive of GST) or more (currently this is only where the market value is \$2 million or more) must withhold 12.5% (currently 10%) of the sale price and remit it to the Australian Taxation Office (ATO) unless the vendor supplies a current Clearance Certificate from the ATO prior to or at settlement.

GST:

From 1 July 2018 purchasers of newly constructed residential properties or new residential land subdivisions, will be required to withhold the GST payable by the developer in respect to the sale and remit it directly to the ATO on settlement of the purchase.

Seniors Downsizing

From 1 July 2018, persons aged 65 and over who have owned their principal place of residence for 10 years or more, who sell it to downsize will be able to make non-concessional contributions of up to \$300,000 to their superannuation fund from the sale proceeds and their contributions will not count to their existing contribution caps and are exempt from the \$1.6million cap on non-concessional contributions.

Conclusion

If you or someone you know would like more information about buying or selling property, please contact our [accredited property law specialists, John Bateman or Michael Battersby](mailto:property@batemanbattersby.com.au) on 02 4731 5899 or email us at property@batemanbattersby.com.au.