RevenueSA
DEPARTMENT OF TREASURY AND FINANCE

Information Circular No: 18

General

State Budget 2010-11

Issued 16 September 2010

Background

The following taxation measures were announced by the Government as part of the State Budget handed down today, 16 September 2010:

1. Retargeting and enhancement of the First Home Bonus Grant and the introduction of a property value cap for the First Home Owner Grant in relation to eligible transactions entered into on or after 17 September 2010.
2. Introduction of a payroll tax exemption on wages paid to apprentices and trainees from 1 July 2010.
3. Abolition of the Petroleum Subsidy Scheme from 1 January 2011.
4. The phased abolition of the Payroll Tax Exporters Rebate from 1 July 2011.
5. The replacement of the existing land rich provisions in the *Stamp Duties Act 1923* with a landholder model from 1 July 2011.

The legislative amendments to implement the first three measures are contained in the *Statutes Amendment (Budget 2010) Bill 2010* (the “Bill”) which was introduced into Parliament today. The operation of these measures is subject to the Bill coming into force as an Act.

Mike Walker
COMMISSIONER OF STATE TAXATION

16 September 2010

1. First Home Buyers

Retargeting and Enhancement of the First Home Bonus Grant

The First Home Bonus Grant was announced in the 2008-09 Budget to replace the first homebuyer stamp duty concession. Under existing arrangements, first home buyers who qualify for the Government’s First Home Owner Grant are also eligible for a First Home Bonus Grant of up to $4000. A $4000 First Home Bonus Grant is provided in respect of first homes with a market value up to $400 000 and phases out for first home purchases valued between $400 000 and $450 000.

The First Home Bonus Grant will increase from $4000 to $8000 for first home buyers who build or purchase a newly constructed home in relation to eligible transactions entered into on or after 17 September 2010. First home buyers who build or purchase a newly constructed home valued up to $400 000 will receive the full benefit of the bonus. The bonus phases out for first home purchases of newly constructed homes valued between $400 000 and $450 000.

The First Home Bonus Grant will no longer be available to purchasers of existing homes. Eligible purchasers of existing homes will however continue to receive the $7000 First Home Owner Grant.

Until the Bill is passed by Parliament, the First Home Bonus Grant will be provided by way of an *ex gratia* payment.

Introduction of a Property Value Cap

A cap of $575 000 on the market value of properties eligible for the First Home Owner Grant has also been introduced. The cap will be introduced for eligible transactions entered into on or after 17 September 2010.

The new *Intergovernmental Agreement on Federal Financial Relations* (IGA) signed in December 2008 allows states and territories to impose a cap on the market value of homes eligible for the First Home Owner Grant. The cap cannot be less than 1.4 times the relevant jurisdiction's capital city median house price. The Adelaide median house price as at the June quarter 2010 was $410 000. Accordingly, a cap of $575 000 is consistent with IGA requirements.

The cap will be reviewed annually once June quarter median house price data is available from the State Valuation Office.

2. Payroll Tax Exemption for Apprentices and Trainees

The Bill also provides employers with an exemption from payroll tax on wages paid or payable to apprentices and trainees from 1 July 2010, consistent with the Government's announcement during the 2010 election campaign.

RevenueSA has been administering the *Payroll Tax Act 2009* as if the exemption came into effect from 1 July 2010, and will continue to administer the legislation on this basis until the Bill has been passed by Parliament.

Further information in relation to how RevenueSA has been administering the trainee exemption is contained in **Revenue Ruling PTA036** issued on 13 July 2010.

3. Petroleum Subsidy Scheme

The Petroleum Subsidy Scheme will be abolished from 1 January 2011.

Petrol subsidies were introduced in South Australia following the invalidation of franchise fee arrangements by the High Court in August 1997.

Subsidies were applied in designated rural areas to offset the difference between the higher replacement Commonwealth excise surcharge (which due to Constitutional limitations cannot be applied at different rates of excise in each state) and the zonal petrol franchise fees which had previously applied.

South Australia pays subsidies for two zones. Those zones are as follows:

Zone 2	is that part of the state (excluding Yorke Peninsula) between 50km and 100km from the Adelaide GPO
Zone 3	is that part of the state (including Yorke Peninsula) over 100km from the Adelaide GPO

Current subsidy rates in South Australia are summarised below.

Zone	Subsidy Rate (cents per litre)		
	Unleaded petrol	leaded petrol	On road diesel
Zone 2	0.82	0.66	-
Zone 3	3.33	3.17	1.94

Subsidies are only claimed by manufacturers/ distributors.

Further information regarding the abolition of the scheme will be provided closer to the abolition date of 1 January 2011. RevenueSA will also communicate with recent past recipients of the petrol subsidy to advise that the scheme will be abolished.

4. Payroll Tax Exporters Rebate

The Government has also announced the phased abolition of the Payroll Tax Exporters Rebate, with the rebate to be halved from 20% to 10% of the payroll tax paid on wages attributable to export production from 1 July 2011 and abolished from 1 July 2013.

No legislative amendment is required for abolition as the Payroll Tax Exporters Rebate was implemented on an administrative basis.

RevenueSA will communicate with employers closer to the first phase of abolition of the Payroll Tax Exporters Rebate.

5. Stamp Duty - Landholder

The Government has also announced the replacement of the existing land rich provisions in the *Stamp Duties Act 1923* with a landholder model, with the landholder provisions to commence from 1 July 2011.

Under existing land rich provisions in the *Stamp Duties Act 1923*, the acquisition of an interest of 50% or more in a land rich entity is subject to *ad valorem* conveyance rates of duty on the South Australian land held by the entity, as if the land was being purchased directly. Entities have to meet a land valuation test of $1 million and a land to all property percentage test (currently 60% for all entities other than primary production entities which is set at 80%).

It is proposed that the land value threshold will remain at $1 million consistent with the existing land rich arrangements.

Adoption of the landholder model will mean that the 60% and 80% tests are removed. Under the landholder model, if control of an entity changes and that entity holds South Australian land assets above a threshold, conveyance rates of duty will apply to the land assets being transferred.

It is proposed to include listed entities within the landholder model. Listed entities are currently not captured by the land rich provisions. Listed entities will be subject to the landholder provisions where 90% or more of the shares or units are acquired in a listed entity. Duty for listed entities will be charged at a concessional rate of 10% of the amount of duty otherwise payable.

It is expected that draft legislation will be introduced into Parliament in the first half of calendar year 2011. Prior to this, the legislative amendments to implement the landholder provisions will be circulated to relevant industry bodies for comment.

Further Information

Further information can be obtained from RevenueSA.

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