RevenueSA
DEPARTMENT OF TREASURY AND FINANCE

Information Circular No: 64

First Home and Housing Construction Grants Act 2000

Calculation of Market Value
Comprehensive Home Building Contract

Issued 19 September 2013

Background

The *First Home Housing and Construction Grants Act 2000* (the "Act") provides a number of house purchase assistance measures, including the First Home Owner Grant and the Housing Construction Grant. These housing assistance grants are available for properties below a defined market value.

Market value in the case of a comprehensive home building contract is defined under the Act as:

- the sum of the consideration for the building contract and the market value of the property on which the home is to be built, as at the time when the building contract is made; or
- where the consideration for the building contract is less than the actual costs, the sum of the actual costs to build the home and the market value of the property on which the home is to be built as at the time when the building contract is made.

Discussion

The market value of any property includes the market value of the land, the home and any other improvements.

In the case of a comprehensive home building contract, the Act provides that the value of the home will be the total consideration payable for the building work.

In determining the consideration 'payable for the building work', RevenueSA considers that genuine inclusions in a comprehensive home building contract over and above those necessary for a home to be ready for occupation, should not be included in the market value of the home.

In particular, where an applicant is able to satisfactorily demonstrate that the comprehensive home building contract includes a specified value for items that are not necessary for occupation as a place of residence, RevenueSA will deduct these components from the consideration payable for the building work, when determining the market value of the property.

Items that are considered not necessary for occupation as a place of residence include:

- retaining walls*, fencing and gates;
- driveway and paving;
- landscaping;
- pergolas;
- air-conditioning;
- light fittings;
- curtains, blinds and carpets;
- TV antenna; and
- built in robes.

The above list is not exhaustive. If you are unsure about additional inclusions that may be excluded from the market value of the home, it is important that you contact RevenueSA for clarification before proceeding with your application.

To be able to satisfactorily demonstrate that the contract includes additional inclusions, the contract must clearly itemise the nature of these inclusions, including style, volume and commercial value of those inclusions.

The Commissioner of State Taxation has the discretion to disregard the value stated in the contract if it is considered to over inflate the value of the inclusions.

*Retaining Walls

It should be noted that in order to exclude the cost of retaining walls from the market value of the home it will be necessary to demonstrate to the Commissioner of State Taxation that the retaining walls are not an integral component of the house construction.

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Examples

Example 1

Kate owns a vacant block of land that is valued at $210 000.

Kate signs a comprehensive home building contract to build a new home on the land for consideration of $250 000. The contract specifies that the following items are included in the contract price:

Retaining walls, fencing & gates	$8500
Split system air-conditioner	$3500
Light fittings to all rooms	$1750
Covered pergola with paving	$3250
Perimeter paving & driveway	$7000
Landscaping, plantings, auto-irrigation, clothes line, letter-box, toolshed	$15 000
TV antenna (supply and install)	$450
Curtains & blinds	$2750
Carpet to bedrooms, vinyl to remainder	$5250
Sliding door robes	$1650
TOTAL	**$49 100**

Kate will be eligible for the HCG because the value of the home will be $410 900 [$210 000 + ($250 000 - $49 100)] which is below the value cap of $450 000.

Where individual component costs are not specified within the contract, the total consideration paid for the comprehensive home building contract will be used when determining the market value of the property.

Example 2

John owns a vacant block of land that is valued at $210 000.

John signs a comprehensive home building contract to build a new home on the land for consideration of $250 000. The cost of items included in the contract price that are not necessary for occupation as a place of residence are not individually itemised.

John is not eligible for the HCG because the value of the home will be $460 000 which is above the value cap of $450 000.

Mike Walker
COMMISSIONER OF STATE TAXATION

19 September 2013

Further Information

Further information relating to the HCG, including the eligibility requirements, is outlined in **Information Circular 51** and on **www.revenuesa.sa.gov.au**.

If you are unsure about any aspect concerning your eligibility, it is important that you contact RevenueSA for clarification before proceeding with your application.

This Information Circular is effective from 19 September 2013.

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