

VICTORIA FIRST HOME OWNER BENEFITS

1. First Home Owner Grant

Are you eligible for the FHOG?

If you are buying or building a new home, you may be eligible for the FHOG (\$10,000) if you signed your contract on or after 1 July 2013.

Your new home can be a house, townhouse, apartment, unit or similar, but it must be valued at \$750,000 or less and be the first sale of the property as a residential premises. You're not eligible for the FHOG if you or your spouse/partner have already:

- Received the FHOG in Australia,

- Owned a home in Australia, either jointly or separately, prior to 1 July 2000,

- Lived in a home in Australia in which either of you owned or part-owned on or after 1 July 2000, for a continuous period of at least six months

These criteria apply even if your spouse/partner is not an applicant with you for the FHOG.

Additionally:

- All FHOG applicants must be at least 18 at settlement or completion of construction (although there is discretion with this age requirement),

- You (or at least one applicant) must be an Australian citizen or permanent resident at the time of settlement or completion of the home's construction, and

- You (or at least one applicant) must intend to live in the home as your PPR for at least 12 months, commencing within 12 months of settlement or completion of construction

New Zealanders holding a special category visa under s32 of the Migration Act 1958 and anyone holding a permanent visa under s30(1), are considered to be a permanent resident of Australia. To be eligible, NZ citizens must be in Australia at the time of settlement.

First-home buyer duty reduction

If you are buying your first home and it is valued at \$600,000 or less – regardless of whether it is a new or established property – you may be entitled to a duty reduction of up to 50 per cent.

The amount of your duty reduction will depend on when settlement occurs. If your settlement is on or after 1 September 2014, you will receive the full 50 per cent reduction.

Meeting the eligibility requirements of the FHOG will entitle you to the duty reduction.

First-home owners with a family

A duty exemption or concession may be available to eligible first-home buyers with a family who bought their home on or after 1 January 2006.

A full exemption is available where the property's total value is not more than \$150,000. A concession is available where the property's total value is not more than \$200,000.

There are eligibility requirements. Most importantly, you must have a dependent child at the date of the contract of sale. A dependent child means a child under 18 in the custody, care and control of, and ordinarily resident with the person/s buying the property.

If you bought the home with your spouse/partner, you must both be eligible.

Eligibility for the PPR concession

A principal place of residence (PPR) simply means the primary home in which you live. This does not include holiday or investment properties.

As a first-home buyer, you may be eligible for a PPR concession from duty if you intend to live in your home for a year within 12 months of your settlement or completion of construction. This is called the residency requirement.

The concessional rate of duty you pay depends on the value of your PPR and the date on which you signed the contract of sale.

2. Off-the-plan sales concession

The off-the-plan concession applies to purchases of land and building packages or refurbished lots. It allows a deduction of the cost of construction or refurbishment which occurs on or after the contract date from the contract price.

This means duty is only paid on the improved value of the land, the non-deductible costs and the completed construction or refurbishment including GST as at the contract date.

Land and building packages

A land and building package, for the purpose of the concession, is a contract for the purchase of land and the construction of a new house, townhouse, apartment or unit.

The concession applies to either a single lot development (for example, a suburban house and land package) or a multi-lot horizontal development (for example an apartment in a residential tower).

The concession is available whether or not there has been a new subdivision.

Refurbished lots

A refurbished lot, for the purpose of the concession, is a contract for the refurbishment of an existing building where the refurbishment is not complete at the date of contract.

Examples of refurbishment are the conversion of an office building or warehouse into residential apartments and where new construction works take place internally but the facade or shell of the original building is retained.

For refurbished lots, the off-the-plan concession only applies to the first sale after registration of the plan of subdivision. It does not apply to subsequent transactions, including transactions which are sub-sales under Part 4A of the Act.

Details required to apply for an off-the-plan concession

Base land value

The base land value is the value attributable to the un-subdivided land immediately before any infrastructure is in place, taking into account the unit entitlement ratio (UER).

Unit entitlement ratio (UER)

The UER is the apportionment of a lot compared to the total land being subdivided.

For example, where a \$1 million block of land or shell of a building to be refurbished is divided into 10 equal lots, each lot would have a UER of 1/10, and each lot would have a base value of \$100,000. If there is no subdivision, the UER is 100 per cent.

Off-the-plan land value

The off-the-plan land value is the value the infrastructure adds to the land. Where it has increased by more than 25 per cent because of infrastructure, the actual increase should be provided.

GST

The statutory declaration to be completed by the purchaser requires a disclosure of the GST payable by the vendor with regard to the sale of the property.

Construction costs

- Legal costs associated with the permit or bringing the building to completion,
- Surveyors and consultants fees,
- Planning permits,
- Water and sewerage connections,

Buildings permits and other similar fees,
VicRoads approval,
Gas and electricity approval,
Required road access or utilities works,
Site decontamination costs,
Cost of demolition and removal work,
Cost of material, labour and finance for constructing the building,
The profit accruing to the builder/developer (in relation to the building only), and
GST in respect of construction costs after the contract date

Non-deductible costs

Agent's commission for selling the property,
Legal or other business expenses incurred in selling the property,
Advertising or promotional expenses,
Goods (including furniture packages), and
GST on non-construction or refurbishment costs and construction or refurbishment that occurred prior to the contract date

Percentage of construction

Typically, for single-storey developments, the following indicates the percentage of construction at the various stages:

15 per cent for base (slab/foundations et cetera),
30 per cent for frame,
65 per cent for lock up,
90 per cent for fixing, and
100 per cent for completion

Multi-storey developments are generally based on the progress payments claimed by the builder and supported by a quantity surveyor.

Note: an underpayment of duty occurs if the percentage of future construction or refurbishment is overstated.

Calculation of cost of works

By entering the percentage of construction or refurbishment completed before or after the contract date into the required statutory declaration, the cost of works completed before and after the contract date is automatically calculated.

Off-the-plan and sub-sales

The off-the-plan concession applies to land and building package transactions which are sub-sales under Part 4A of the Act.

For refurbished lots, the off-the-plan concession only applies to the first sale after registration of the plan of subdivision. It does not apply to subsequent transactions such as transactions which are sub-sales under Part 4A.

Reference

For further information, please refer to:

First Home Owner Grant: <http://www.sro.vic.gov.au/first-home-owner>

Off-the-plan Sales Concession: <http://www.sro.vic.gov.au/node/1383>