

## 2010 / 2011 STATE BUDGET TAX BRIEF

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On Tuesday 8 June 2010, the Queensland and New South Wales Government's handed down their State Budgets for the coming year.

The purpose of this State Budget Tax Brief is to provide a brief snapshot of the key economic initiatives and State taxation changes that we anticipate will affect our clients.

### QUEENSLAND



#### Deficit - \$1.7 Billion

The State Government is spending to aid Queensland's economic recovery so is forecasting a budget deficit of \$1.7 Billion. The Government aims to bring the State Budget back into surplus by 2015/16.

#### Unemployment to fall to 5¼%

Unemployment is expected to peak at 5¾% in 2009/10 and is expected to fall to 5¼% by 2011/12 due to an economic recovery influenced by Government spending including a \$17.1 Billion capital works program.

#### Regional First Home Owner Grant

To try to limit South East Queensland's (SEQ) growth through supporting migration to other areas of Queensland, the Government are introducing a \$4,000 boost to the First Home Owners Grant (in addition to current \$7,000) for people building or buying newly constructed homes outside SEQ. This short term incentive only applies from 1 July 2010 through to 30 June 2011.

#### First Home Owner Grant Capped

The First Home Owner Grant is restricted to homes valued at less than \$750,000 (down from \$1 Million) where the contract is entered into after 31 March 2010.

#### Extension of Payroll Tax Rebate for Apprentices

Last year, the Government announced a rebate of 25% of the wages of apprentices and trainees against the payroll tax of other employees (apprentices and trainees are already exempt from payroll tax). This rebate has been extended to 30 June 2011.

#### Exemption from Transfer Duty for Special Disability Trusts

No transfer (stamp) duty will be payable on the acquisition of a property by a Special Disability Trust where the property is used as the principal residence of a person with a disability.

#### Land Tax

The Government will continue to implement an instalment payment option for land tax. It will continue the 50% cap on annual land value increases for land tax purposes.

#### Lower Per Capita Tax than Other States

The Government has confirmed that taxation per capita in Queensland will be \$418 lower than the average of the other States.



### NEW SOUTH WALES

NSW have confirmed they have returned to budget surplus and are forecasting surpluses over the next few years.

#### Stamp Duty Incentives

A zero duty initiative will be introduced from 1 July 2010 for off-the-plan home purchases worth up to \$600,000, saving up to \$22,490. This applies where contracts are entered into prior to construction of new house and land packages or apartments.

A 25% reduction in duty will apply to newly constructed homes (contracts entered into during construction or on completion).

The \$7,000 NSW First Home Owners Grant will still apply to these homes.

People over 65 who are downsizing and moving into newly constructed homes worth up to \$600,000 will also pay no stamp duty.

These initiatives will apply from 1 July 2010 to 30 June 2012.



## **Payroll Tax**

Payroll Tax will be cut from 5.65% to 5.5% from 1 July 2010 (originally scheduled for 1 January 2011). It will be further cut to 5.45% from 1 January 2011.

The NSW Payroll Tax threshold will also increase to \$658,000 from 1 July 2010.

Incentives will be also offered to encourage employment in rural areas.

## **Land Transfer Fee**

Not highlighted in the budget, but announced recently is a 'land transfer charge' set at 0.2% for properties between \$500,000 and \$1 Million and 0.25% for properties over \$1 Million. Previously, a flat rate of \$190 had applied and this will continue to apply to properties valued less than \$500,000. This change is set to apply from 1 July 2010.

Further information can be found on the State Government Budget websites.

<http://www.budget.qld.gov.au/>

<http://www.budget.nsw.gov.au/>

This State Budget Brief has been produced based on our interpretation of the 2010/2011 Queensland and New South Wales Government Budget papers and other materials. No legislation has been passed at the date of writing this brief, so the announcements and the intended date of application should be viewed as a guide to intended legislation only and not relied upon.

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