

STATE BUDGET

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Closing land tax loophole for owners of multiple parcels of land

The Marshall Liberal Government is delivering around \$700 million in promised tax cuts to South Australian families and businesses over the next four years, by abolishing payroll tax for small businesses, slashing ESL bills for households and businesses and cutting land tax (from July 1, 2020).

In addition, the Government will extend existing land tax reforms. The existing top land tax rate for the value of ownerships above \$5 million will now be progressively reduced by 0.1 percentage point each year from 3.7% in 2019-20 to 2.9% from 1 July 2027.

Treasurer Rob Lucas said whilst the Government is reducing land tax rates to create strong economic and jobs growth, it would also introduce a new 'aggregation model' for land tax purposes from July 1, 2020, to ensure a more "level playing field" for taxpayers.

Under existing arrangements, some land owners are setting up complex ownership structures designed to avoid or minimise land tax payable.

For example, a taxpayer who controls 10 taxable land parcels across 10 trusts – with each trust having a slightly different composition of beneficiaries - could be subject to the land tax on the individual value of each parcel, rather than on the combined value of all parcels, despite the fact they are all controlled by the same owner.

Based on similar models in Victoria and New South Wales, the arrangement will include:

- A shift to aggregating based on an owner's interest in every piece of land, rather than only aggregating properties held in the same ownership structure;
- Introducing provisions to allow two or more related companies to be grouped for land tax purposes, and
- Introducing a surcharge on land owned in trusts in cases where the interests in land of trust beneficiaries are not disclosed or cannot be identified. This is designed to minimise the incentive to own properties in trusts to avoid aggregation by increasing the tax payable. Exceptions will be provided from the surcharge for certain trusts (eg special disability trusts, guardianship trusts, complying superannuation funds). Consultation will be undertaken prior to implementation.

"This measure is aimed squarely at closing a loophole that may encourage some land owners to form complex ownership structures designed purely to avoid paying land tax," said Mr Lucas.

"We don't think that's fair and we will be introducing a model that works well interstate in Victoria and New South Wales.

"We will consult before introducing the new arrangements on July 1, 2020."

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This measure is expected to generate \$40 million a year.

Meanwhile, the State Government will also move to ensure business owners liable for payroll tax are also complying with the law.

\$2 million in funding over 4 years will be invested in RevenueSA to expand and develop additional compliance programs focusing on businesses who have not registered for payroll tax, the use of contractors, the grouping of businesses and other high-risk areas.

This measure is expected to raise \$10.8 million across the forward estimates in additional revenue.