State taxes update

1 July 2015

New South Wales: Budget 2015-16

The New South Wales (NSW) Budget for the 2015-16 financial year was delivered on 23 June 2015. The Budget forecasts a $2.5 billion surplus in 2015-16, with continuing surpluses exceeding $2 billion each year for the next four years.

Revenue growth in 2014-15 is forecasted to be at 4.8 per cent, driven by higher than expected residential transfer duty, the re-profiling of Commonwealth grants and higher distributions from government businesses. This is considerably stronger than the estimated in the 2014-15 Budget, which was forecasted at 2.6 per cent.

Revenue growth in 2015-16 is expected to be at 2.8 per cent, reflecting a number of one-off factors, including the re-profiling of National Partnership Payments and the abolition of the remaining Intergovernmental Agreement taxes (non-real business asset transfer duty, mortgage duty on business transactions and stamp duty on the transfer of unquoted marketable securities) from 1 July 2016.

In 2015-16, taxation will continue to be the largest source of State own-source revenue (accounting for 39 per cent of total revenue), with stamp duty (35 per cent), payroll tax (28 per cent) and land tax (9.5 per cent) accounting for 73 per cent of tax revenue.

In 2015-16, transfer duty is expected to increase by 7.6 per cent due to historically low interest rates and high investor demand. After 2015-16, growth in transfer duty will be affected by the abolition of non-real business asset transfer duty, mortgage duty on business transactions and stamp duty on the transfer of unquoted marketable securities.

Payroll tax is forecast to grow at an annual average rate of 5.7 per cent over the next four years.

Land tax is forecast to increase by 6.5 per cent in 2015-16, and to grow at an annual average rate of 5.7 per cent in the four years to 2018-19, reflecting growth in land values.

The following is a summary of the tax measures in the NSW 2015-16 Budget.

Stamp duty

The Government has confirmed its commitment to abolish stamp duty on selected dutiable property. From 1 July 2016, duty will not be imposed on the transfer of:

- Unquoted marketable securities
- Non-real business assets
- Business mortgages.

Payroll tax

In the 2011-12 Budget, the Government introduced the Jobs Action Plan which now provides a $5,000 payroll tax rebate to businesses that employ new workers. The Government has extended the scheme until 30 June 2019 due to its success with over 106,000 payroll rebate applications made over the past four years.

Other highlights announced in the 2015-16 Budget include:

- Record investment in infrastructure with $68.6 billion allocated over the next four years to provide critical infrastructure in key service delivery areas, outlined below:
  - $38 billion for roads and transport over the next four years, including $1.7 billion towards WestConnex and $977 million towards delivering the Sydney Metro Northwest.

   - $5 billion for health over the next four years for major hospital upgrades, redevelopments and expansions and new and upgraded ambulance stations.
   - $2.1 billion for new schools and training facilities over the next four years.
   - $20 billion to Rebuilding NSW, the Government's plan to build new infrastructure funded from the lease of 49 per cent of the NSW electricity network, including $8.9 billion for urban public transport, $2.4 billion for urban roads and $4.1 billion for regional transport.
- Providing $678 million in funding and incentives over the next four years for local businesses to grow and for interstate and international businesses to relocate to NSW.
- Reserving $400 million for the Housing Acceleration Fund, which provides funding for critical growth infrastructure projects to drive housing growth.
- Investment of $19.6 billion over the next four years in health, education, training and emergency services.

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South Australia: Budget 2015-16

The South Australian Budget for the 2015-16 financial year was delivered on 18 June 2015. Major tax cuts were announced for business, including a commitment to essentially abolish all stamp duties on assets other than residential property. These cuts are in response to the South Australia State Tax Review. Unlike many other States, South Australia finds itself with a budgeted operating surplus ($43 million), thanks largely to a growing share of goods and services tax (GST) revenues under the current arrangement with the Federal Government.

See our TaxTalk Alert for further details on what's included in the Budget.

Tasmania: Budget 2015-16

The Tasmania Budget for the 2015-16 financial year was delivered on 28 May 2015 by the Tasmania Treasurer. In the Budget, the Treasurer announced a forecasted deficit of $58.5 million for 2015–16, improving to a surplus of $101.5 million in 2016–17. Total revenue is estimated to grow at an average annual rate of 2.8 per cent over the Budget and Forward Estimates, which is below the long run trend of 4.6 per cent per annum. Consistent with last year's Budget, the Tasmanian Government has not introduced any new taxes or increased the rate of any existing taxes associated with this expected growth in revenue; rather it is primarily a function of economic activity levels and inflation.

Policy announcements made in the Budget include the following:

Compliance

The Government will expand the Compliance Section of the State Revenue Office to accelerate the audit of compliance targets so as to improve the State's revenue base. The additional activity will primarily be focussed in the areas of land tax and payroll tax through the adoption of a risk management framework.

First Home Builders Boost

The Government has agreed to extend the First Home Builders Boost Scheme ($20,000 grant) applying to first home buyers of newly constructed homes by an additional six months until 31 December 2015, before tapering it to $10,000.

Duties related ex-gratia payments

The provision for ex-gratia payments for corporate reconstructions has been increased in 2015-16.

Capital expenditures

A focus of the 2015–16 Budget is spending on major infrastructure projects and health services, with the Government announcing additional infrastructure spending of $179 million over the Budget and Forwards Estimates, with total infrastructure expenditure of $1.8 billion over this period. Significant additional funding has been provided for the following initiatives:

- Development Initiative – the Government has committed $60 million over three years, commencing in 2016–17, for the Northern Cities Major Development Initiative. The initiative will involve the investment of additional funds into infrastructure investment projects, such as the Devonport Living City project and the Launceston

University of Tasmania Campus relocation project.

- Rail Infrastructure – the Government has announced additional spending of $37.2 million over the Budget and Forward Estimates to rail infrastructure projects via grants to Tasmanian Railway Pty Ltd.
  The program will improve the quality of major lines throughout the Tasmanian rail network.
- School Infrastructure – the Government has announced additional spending of $51 million to improve school infrastructure in the North and North West of the State.

Health services

The Government has announced additional spending of $100 million over four years to the newly established Tasmanian Health Service to invest in frontline health services.

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Australian Capital Territory Budget: 2015-16

The Australian Capital Territory (ACT) Budget for the 2015-16 financial year was delivered on 2 June 2015 by the ACT Treasurer. The Budget continues the tax reform agenda that commenced with the 2012-13 Budget, aiming to replace insurance duty and stamp duties with land-based taxes (ie rates). The Treasurer has forecast a budget deficit of $407.6 million for 2015-16 with an expected return to budget surplus in 2018-19. Total revenue from taxation is expected to increase by $49.9 million (3.5 per cent) in 2015-16. A summary of the significant tax reform measures is provided below.

Abolition of duty on insurance over 5 years (commenced from 1 October 2012)

From 1 July 2015, duty on insurance policies will be reduced as follows:

- General insurance: reduced from 4 per cent to 2 per cent; and
- Life Insurance: reduced from 2 per cent to 1 per cent.

The Treasurer also announced that the 2015-16 financial year will be the last year that duty will apply on insurance policies with rates scheduled to be fully abolished from 1 July 2016.

Phasing out of conveyance duty over 20 years (commenced 6 June 2012)

Continuing with the scheduled phasing out of conveyance duty over 20 years, the Treasurer has announced a reduction in rates and announced a further reduction for properties (both residential and commercial) valued over $1.455 million.

The relevant rates for 2015-16, for property with a value of:

- Up to $200,000, the rate will reduce from 2.0 per cent to 1.8 per cent
- $200,001 to $300,000, the rate will reduce from 3.5 per cent to 3.0 per cent
- $300,001 to $500,000, the rate will reduce from 4.15 per cent to 4.0 per cent
- $500,001 to $750,000, the rate will remain the same at 5 per cent
- $750,001 to $1,000,000, the rate will remain the same at 6.5 per cent
- $1,000,001 to $1,454,999, the rate will remain the same at 7 per cent
- $1,455,000 and above, the rate will be imposed at a flat rate of 5.17 per cent (down from 5.25 per cent).

General rates

Continuing the tax reform program by replacing inefficient taxes on conveyances and insurance premiums with an efficient land based tax, the Treasurer has announced increases to the general rates on residential and commercial properties by around 9 per cent in 2015-16. The rating system for 2015-16 will have the following elements:

- A fixed charge of:
  - $730 for residential properties
  - $150 for rural properties
  - $2,130 for commercial properties.
- A valuation based charge on the Average Unimproved Land Value (AUV) for 2015 (which is the average of 2013, 2014 and 2015 land values).
- Marginal rating factors applied to the AUV for (i) residential properties (ii) commercial properties and (iii) rural properties.
- A pensioner rebate cap (for residential properties) of $700 for post 1 July 1997 applicants.

It is expected that general rates will increase by 9 per cent in 2015-16, 8.75 per cent in

2016-17, 8.5 per cent in 2017-18 and 8.25 per cent in 2018-19

Land tax

Land tax assessments in 2015-16 will be based on a valuation based charge on the AUV for 2015 (which is the average of 2013, 2014 and 2015 land values) and a fixed charge of $945. The estimated outcome from land tax revenue is $89.1 million in 2014-15 and is estimated to increase to $94.1 million in 2015-16.

Ambulance Levy

From 1 January 2016 the Government will increase the Ambulance Levy by $6.24 to $131.56 for individuals and $12.48 to $263.12 for families.

Fire and Emergency Services Levy (FESL)

The FESL in 2015-16 will have the following elements:

- A fixed charge of $196 for residential and rural properties (an increase from $130)
- A pensioner rebate of 50 per cent
- A valuation-based charged for commercial properties with progressive marginal rating factors applied to the average of the 2013, 2014 and 2015 unimproved land values.

Motor vehicle registration fees

The Government will increase motor vehicle registration fees by 5 per cent per year from 2015-16 to 2018-19. This will be partly offset by a reduction in the administration fee from $15 to $10 per transaction (on quarterly and half yearly payments).

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Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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