

Duty Changes

From 1 August, 2011 the following changes will commence:

- ❖ New Transfer duty brackets are to be introduced;
- ❖ The First Home transfer duty concessions are increased;
- ❖ The 'Home' concession will be abolished; and
- ❖ A \$10,000 'Building Boost' payment will be introduced.

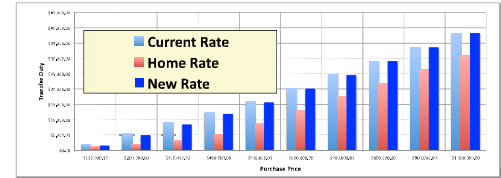
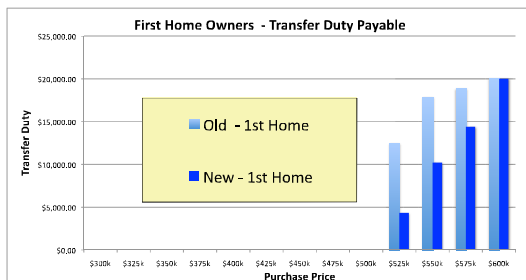


Diagram 1

First Home Buyers



The purchase price cut off for the first home transfer duty concession is to be lifted from \$550k to \$600k. The changes can mean a saving of up to \$7000 for first home buyers (see Diagram 2) who may also continue to be eligible for the \$7000 first home owners grant which is unaffected by the changes. There is little difference in the transfer duty concessions for first home builders on their purchase of vacant land (depicted in Diagram 3) but they will benefit from the 'Building Boost'.

Building Boost

The \$10,000 Building Boost is available to anyone building their home or an investment property (including corporations and trustees) where:

- a. A building contract for a new home is entered into between 1 August, 2011 and 31 January, 2012;
- b. The consideration for the property does not exceed \$600,000; and
- c. The property is occupied (by owner or tenant) within 12 months after it is completed.

The Building Boost may be claimed in respect of building contracts for construction on existing land, house & land packages or off the plan contracts, or the purchase of a new home that hasn't been lived in or been sold previously.

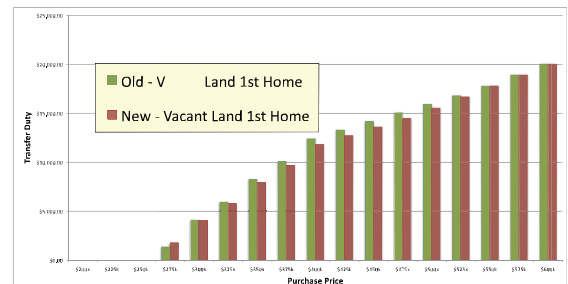


Diagram 2

Market Affects

On the positive side, the changes may give assistance to first home owners struggling to enter the housing market whilst boosting the suffering construction industry. First home builders can temporarily 'double dip' in the form of the \$7000 first home owners grant and the \$10,000 building boost. Conversely, home buyers returning to the market or 'upgraders' who traditionally can make up a significant portion of the market may be hit with a 'double whammy', firstly because they have to pay more duty on their next purchase and secondly when they sell, if prices dip to meet a resale market depressed by the changes.

Recommendations

For those intending to build, it is advisable not to enter into a contract before 1 August, 2011. After 1 August, 2011 sellers will need to do their sums again to ensure their sale still stacks up. Developers and Builders seeking to benefit from the interest that will be generated by the building boost may find first home buyers are more comfortable entering into off the plan or house and land package contracts after obtaining legal advice on the contract terms.

Feedback or suggestions for topics in future newsletters should be directed to Paul Kelly at paul.kelly@kellylegal.com.au or ph: 07 49110510.