

## **Duties Amendment (Stamp Duty Reduction) Bill 2003**

### **Explanatory note**

This explanatory note relates to this Bill as introduced into Parliament.

#### Overview of Bill

The object of this Bill is to amend the *Duties Act 1997* (the **Principal Act**):

(a) to reduce in stages from 1 July 2004 the general rate of duty chargeable on dutiable transactions, and

(b) to remove the distinction in the First Home Plus scheme between the Metropolitan Area and other areas so as to enable persons buying homes in non-metropolitan areas to qualify for the more generous concessions and exemptions under that scheme that are available to persons buying homes in the Metropolitan Area.

#### Outline of provisions

**Clause 1** sets out the name (also called the short title) of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act on the date of assent, except for the amendments relating to the general rate of duty which commence on 1 July 2004.

**Clause 3** is a formal provision that gives effect to the amendments to the Principal Act set out in Schedule 1.

#### **Schedule 1 Amendments**

##### **Reduction in general rate of duty on dutiable transactions**

**Schedule 1 [1]** substitutes section 32 of the Principal Act to provide for a staged reduction in the general rate of duty under that section over a period from 1 July 2004 until 1 July 2006 so as to reach a maximum reduction of 10 per cent. Duty is reduced by 5 per cent from 1 July 2004 until 1 July 2005, by 7.5 per cent from 1 July 2005 until 1 July 2006 and by 10 per cent from 1 July 2006.

##### **First Home Plus scheme**

Division 1 of Part 8 of Chapter 2 to the Principal Act contains the First Home Plus scheme which provides for certain concessional rates of duty or exemptions from duty for persons buying their first home if the value of the home does not exceed a certain value. Currently, that value is \$300,000 for a home in the Metropolitan Area (defined in the Principal Act) and \$250,000 for a home in any other area. If a vacant block is being purchased for a home, the value is not to exceed \$140,000 for a vacant block in the Metropolitan Area and \$110,000 for a vacant block in any other area. **Schedule 1 [2]** amends the scheme to provide that the maximum qualifying value for a home under the scheme is \$300,000 and is \$140,000 for a vacant block, regardless of where the home or block is located. Section 80 of the Principal Act provides that if a qualifying home or block under the scheme is valued at less than a specified amount, no duty is payable on an agreement to acquire or transfer the home or block. The specified amount is higher for houses or blocks in the Metropolitan Area. That section also provides for a concessional rate of duty to apply to an agreement to acquire or transfer a qualifying home or block where the value of the home or block is above the amount specified for the exemption from duty. The concessional rates are lower for homes and blocks in the Metropolitan Area. **Schedule 1 [6]** substitutes section 80 to remove those distinctions between the Metropolitan Area and other areas so that persons acquiring homes in non-metropolitan areas will be entitled to the same exemptions and concessional rates of duty that currently apply to persons acquiring homes in the Metropolitan Area.

Section 221 of the Principal Act provides for a concessional rate of duty to apply to certain advances secured by a mortgage of a home or block that qualifies

under the First Home Plus scheme or a mortgage in support of such a mortgage. The concessional rates are lower for homes and blocks in the Metropolitan Area.

**Schedule 1 [7]** removes those distinctions between the Metropolitan Area and other areas so that persons acquiring homes in non-metropolitan areas will be entitled to the same concessional rates of duty that currently apply to persons acquiring homes in the Metropolitan Area.

**Schedule 1 [3]–[5] and [10]** contain consequential amendments.

**Schedule 1 [8] and [9]** contain savings and transitional provisions.