

OSR Connect

Issue 12

July 2007



In this issue of OSR Connect we look at the NSW Budget highlights, the harmonisation of the NSW and Victorian payroll tax system, NSW payroll tax annual reconciliation, abolition of hire of goods duty, parking space levy and NSW small business month.



NSW Budget highlights

NSW Treasurer, The Hon. Michael Costa MLC, has announced changes to State taxes and duties in the State Budget. [Read more](#)



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Harmonisation of the NSW and Victorian payroll tax systems

Administrative and legislative changes to NSW and Victorian payroll tax will cut red tape for 8,000 businesses operating across both States. [Read more](#)



NSW payroll tax annual reconciliation now available

Payroll tax clients can complete their annual reconciliation online before 21 July 2007. [Read more](#)



Abolition of hire of goods duty

Hire of goods duty abolished in NSW on 1 July. [Read more](#)



Free seminar program

Professional advisers are invited to attend free seminars in regional NSW on State tax issues those arising from the State Budget. Read more and register online.



Parking space levy

The owners of commercial parking spaces in designated CBD areas of Sydney need to lodge their annual returns and payments by 1 September. [Read more](#)



NSW small business month

September is Small Business month in NSW with a host of activities planned to assist small and medium enterprises (SME's) conduct business. [Read more](#).

Contact us

Your comments and feedback about OSR Connect and OSR website are always welcome. Email us at: communications@osr.nsw.gov.au



NSW Budget highlights

On 19 June, the NSW Treasurer, The Hon. Michael Costa MLC, announced changes to State taxes and duties as part of the 2007-08 Budget.

These changes are introduced under State Revenue and Other Legislation Amendment (Budget) Bill 2007 and affect:

- mortgage duty
- land tax
- duty relief of storm affected motor vehicles

The 2007-08 Budget also:

- harmonises payroll tax administration with Victoria and
- extends first home buyer stamp duty exemptions and concessions available under First Home Plus to first home buyers using shared equity schemes.

Duties Act 1997 – mortgage duty

Mortgage duty will now be abolished in three stages, commencing with the abolition of duty on mortgages for the purposes of owner occupied housing from 1 September 2007.

Under the Duties Act 1997 mortgage duty was to be abolished on and from 1 January 2011. The changes announced bring forward the abolition date to 1 July 2009 and provide for two new exemptions from mortgage duty for mortgages that are associated with housing.

Both exemptions will be available only if the borrower under the mortgage or, if there is more than one borrower, each of the borrowers, is a natural person.

The first exemption, which takes effect on and from 1 September 2007, is an exemption for mortgages that are made in connection with owner occupied housing.

Mortgage duty will not be chargeable for a mortgage if the mortgage secures an advance or advances made, from 1 September 2007, for the purpose of owner occupied housing and no other advances. If the mortgage does secure an advance made for another purpose, mortgage duty will be chargeable in respect of that advance.

An advance is made for the purpose of owner occupied housing if it is to be applied wholly or predominantly for one or more of the following purposes:

- financing the acquisition of a residence
- financing the construction of a residence
- financing alterations or additions to a residence
- financing the acquisition of residential land
- repaying another advance, if the advance to be repaid was made for the purpose of owner occupied housing.

A residence is defined as a private dwelling house that is used and occupied or intended to be used and occupied by the borrower, or by any of the borrowers, as a place of residence .

The second exemption, which takes effect on and from 1 July 2008, is an exemption for mortgages that are made in connection with investment housing.



NSW Budget highlights (cont.)

Mortgage duty will not be chargeable in respect of a mortgage if the mortgage secures an advance or advances made, from 1 July 2008, for the purpose of investment housing and no other advances. If the mortgage does secure an advance made for another purpose, mortgage duty will be chargeable in respect of that advance.

An advance is made for the purpose of investment housing if it is to be applied wholly or predominantly for one or more of the following purposes:

- financing the acquisition of investment housing
- financing the construction of investment housing
- financing alterations or additions to investment housing
- repaying another advance, if the advance to be repaid was made for the purpose of investment housing.

Investment housing is defined as any private dwelling house that is used, or is intended to be used or sold, for business or investment purposes (or both) by the borrower or by any of the borrowers.

For the purpose of the changes in 2007 and 2008 'Alterations or Additions' in relation to a private dwelling house include:

- (a) any improvements to the parcel of land on which the dwelling house is constructed, and
- (b) the maintenance, repair or renovation of the dwelling house or of an improvement referred to in paragraph (a).

Land tax

The land tax rate will be reduced from 1.7 per cent to 1.6 per cent from the 2008 land tax year.

At present, under the Land Tax Act 1956, land tax is charged at a rate of 1.7 per cent of the taxable value of the land (to the extent that the taxable value of the land exceeds any tax-free threshold that is applicable in respect of the taxpayer).

The changes reduce the land tax rate to 1.6 per cent, with effect from the 2008 land tax year. This represents a reduction in the tax rate and will apply in addition to annual indexation of the threshold and three year averaging of land values and the tax free threshold.

Duty relief for motor vehicles

To assist those suffering hardship as a result of the recent storms in the Hunter and on the Central Coast, the Government will provide a rebate of stamp duty for replacement cars where the insurance claim doesn't cover this cost. [Read details](#)



Harmonisation of the NSW and Victorian payroll tax systems

The NSW and Victorian governments have agreed to harmonise their Payroll Tax Acts to simplify the administration and reduce compliance cost for some 8,000 businesses operating across both states.

Following the legislative changes, both governments will embark on streamlining the administration of the payroll tax systems through their respective revenue offices. The offices will examine the scope for introduction of:

- common payroll tax forms/systems
- a one-stop shop for businesses paying payroll tax in Victoria and NSW
- common interpretations of the law by revenue offices such as through common Commissioner rulings and practice statements.

From 1 July 2007, the new Payroll Tax Act 2007 will replace the existing legislation in both NSW and Victoria. Some changes apply in both states, some only in Victoria and some only in NSW.

The payroll tax changes that affect NSW are:

- a single gross-up factor for calculating the value of fringe benefits subject to payroll tax for employers in both states
- removal of the specific exemption for wages paid to financial planners
- removal of the contractor provision for contracts of \$800 000 or more
- removal of the provision relating to employment agents contracts when the client is not required to register for NSW payroll tax
- introduction of an exemption from payroll tax for adoption leave and maternity leave payments
- contributions to a portable long service leave scheme and a redundancy or severance scheme will no longer be liable. Although part of the harmonization initiative, this provision has been backdated in NSW to 1 July 2006. Employers who have included such contributions may make the appropriate adjustments in their 2007 Annual Reconciliation
- introduction of the common employees grouping provision used in Victoria
- introduction of common grouping exclusion criteria in both States that apply to all businesses except related corporations
- requirement for grouped employers to appoint a Designated Group Employer (DGE) to claim the benefit of the tax-free threshold.

From 1 July 2008, the NSW Government also proposes to introduce a rebate scheme to replace the exemption on apprentice and trainee wages which finishes 30 June 2008.

Read: Payroll tax harmonisation



Payroll tax 2007 annual reconciliation now available

Payroll tax clients need to complete their annual reconciliation online before 21 July 2007. The annual reconciliation application includes an online payment facility.

Payroll tax clients who use the payment booklets should note that the booklets were posted the week commencing 12 June 2007. Clients who choose to pay online or via EFT and BPAY will have received instructions in the mail on how to lodge the 2007 annual reconciliation and make monthly payments for 2007-08.

Our payroll tax monthly calculator will be available to clients on Monday, 30 July 2007.

Read: Payroll tax
Phone: 1300 139 815



Abolition of hire of goods duty

Duty on the hire of goods in NSW was abolished on 1 July 2007 with registrations cancelled from this date.

Clients registered for hire of goods must make their final payments for June by 21 July 2007. If you do not pay the correct amount by the due date, you will be charged interest and may incur additional penalty tax.

OSR will be conducting an extensive audit program to coincide with the abolition of hire of goods duty. In preparation of a possible audit, hire of goods duty clients should review their returns to ensure your records comply with the legislation. All relevant records must be kept for five years.

Read: Hire of goods duty
Phone: 1300 139 817



Parking Space Levy

The new rates for the parking space levy are as follows:

- category one – \$930
- category two – \$460.

Annual returns for the parking space levy must be lodged, and payment made, by 1 September.

The parking space levy, which was introduced to discourage car use in business districts, is payable by owners of commercial (non-residential) off-street parking spaces in some CBD areas within Sydney metropolitan area. The owner of a parking space on 1 July in a financial year is liable for payment of a levy.



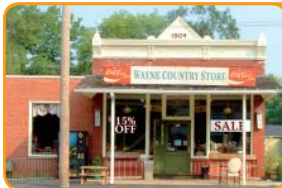
Parking Space Levy (cont.)

Revenue is used to finance the maintenance of, and encourage the use of, public transport to and from the business districts where the levy applies.

Visit the OSR website for more detailed information and the required forms.

Lodgements can be made online at www.osr.nsw.gov.au

Read: Parking space levy
Phone: 1300 139 817



NSW small business month

September is Small Business month in NSW with a host of activities planned to assist small and medium enterprises (SME's) conduct business.

The NSW Department of State and Regional Development (DSRD) is coordinating the activities with over 150 partnering Government agencies, industry associations, community and private sector organisations taking part in the planned events.

The objectives of Small Business September 2007 are to maintain and build support for the SME sector with information to enhance their business skills, knowledge and contacts, to build and expand the networks of small and medium-sized businesses and to promote growth in SME's.

More than 300 events across NSW will address a range of issues effecting business including: innovation, technology and business processes, marketing and growth management, sustainability, leadership and people and exporting.

Read: www.smallbusinessmonth.nsw.gov.au
Phone: (02) 9338 6701



Free seminar program

The State tax update seminars are designed for professional advisers and will discuss recent cases, amendments and issues arising from the State Budget. The payroll tax seminars are designed for businesses with an emphasis on the changes resulting from the harmonisation with Victoria.

The seminars are free and you can register on our website: www.osr.nsw.gov.au go to the 'Free Seminars' link.

Read: Seminar program



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