HELPING YOU TO UNDERSTAND STAMP DUTY

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Stamp duty is part and parcel of buying property in Australia. But what is it, exactly?How much is it? And where does all that cash go? Lachlan Walker from Brisbane's Place Projects says stamp duty adds to the already overwhelming costs of buying property. "Many people forget about the infamous stamp duty. This tax, which varies state to state, is unfortunately an inescapable step in the process of buying property in Australia," he says.

What is stamp duty? Stamp duty is a tax imposed on certain acquisitions, including real estate.
"Stamp duty can also be imposed on home loans, some insurance and gifts. The transaction is charged, with the amount based on the greater of the market value of the property or the price paid, including any GST. This means, the more expensive a property, the higher stamp duty rate that must be paid," he says.

Who pays stamp duty? For new investors or those buying interstate, stamp duty can "slide under the radar" and become a nasty surprise when the time to pay comes. "If you are thinking about entering the property market, don't forget to factor stamp duty into your budget. If you work out how much needs to be paid from the offset, you could save yourself a lot of stress in the long run."

When do you have to pay stamp duty? In real estate, stamp duty is paid by the purchaser and must be paid within 30 days of the property settlement. What is the money used for? Stamp duty is invested into the economy by the state and territory governments which collect it. "This revenue is added into all state government budgets, which typically include sectors such as health, transport and roads, police, justice and emergency services," he says.

How much do buyers spend on stamp duty? Stamp duty is decided by separate state and territory governments, rather than the Federal Government, so rates vary. "Working out the amount you have to pay can become confusing due to the different approaches by each state," Walker says. Most state and territory governments have online calculators. There are sometimes concessions for first-time buyers and varying rates for those buying land.

Are there any exemptions? While exemptions for stamp duty are available under extreme circumstances, including the death of a property owner or joint tenant, there are other situations which do not require a stamp duty payment, Walker says. "For instance, the transfers of ownership to a spouse, as well as a change of tenure, do not require duty payment.

A number of concessions also apply which have the potential to dramatically reduce the amount of stamp duty payable," he says. Buyers purchasing a residence that they intend to occupy as their home or purchasing a property intended to be their first home, may be eligible for the concessions. For example, New South Wales offers stamp duty concessions for first-time buyers on new homes; full exemption for a home valued up to$550,000 and concessional rates for new homes valued between $550,000 and $650,000.

In Victoria, from July 1 2017 first-home buyers who purchase a new or established home worth up to $600,000 won't pay stamp duty as long as they live at the property for at least 12 months. There will also be stamp duty discounts offered on a sliding scale for first-time buyers who purchase a property for between $600,000 – $750,000.

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