

COMMISSIONER'S PRACTICE

LT 6.2 SUPERSEDED

LAND TAX - EXEMPTIONS DURING RENOVATION OF A PRIVATE RESIDENCE

This Commissioner's practice addresses the circumstances when an exemption from land tax will be granted for private residential property (other than property held in trust) that is unoccupied during renovation.

Background

Under section 25 of the *Land Tax Assessment Act 2002* ('the Act'), private residential property is exempt for an assessment year if:

- (a) the property is owned by an individual; and
- (b) at midnight on 30 June in the financial year before the assessment year, the private residence that forms part of the property was unoccupied, but only because the individual had ceased occupation, or not taken up occupation, to enable the private residence to be refurbished; and
- (c) the individual takes up occupation of the private residence during the assessment year, and is the first occupant of the private residence since the refurbishment; and
- (d) no rent or other income was derived from the property by anyone in respect of the period between the beginning of the assessment year and the time when the property was reoccupied.

Section 25(2) of the Act provides that property is not exempt if any other private residential property owned and used as a primary residence by the same individual is exempt for the assessment year under another provision of the Act.

Under section 25A of the Act, private residential property that is owned by an individual is exempt for two consecutive assessment years if:

- (a) the commencement date for the refurbishment of the private residence that forms part of the property is:
 - (i) in the first assessment year; or

- (ii) in any previous financial year and part of the refurbishment is carried out in the first assessment year; and
- (b) the completion date for the refurbishment is in the second assessment year; and
- (c) at midnight on 30 June immediately before the first assessment year, the private residence was unoccupied, but only because the individual had ceased occupation, or had not taken up occupation, to enable the private residence to be

refurbished; and

- (d) the individual is the first occupant of the private residence since the refurbishment; and
- (e) the individual uses the private residence as his or her primary residence during the second assessment year.

However, section 25A(2) of the Act provides that the property is not exempt if:

- (a) the individual or any other person derived any income from the property in the period between the beginning of the first assessment year and the time when the property was reoccupied; or
- (b) any other private residential property owned by the individual is exempt for either assessment year under another provision of the Act, as a result of its use by the individual as his or her primary residence.

Terms used as defined in the Glossary to the Act

The *commencement date* for the construction or refurbishment of a private residence is defined as being:

- (a) if the residence is to be constructed or refurbished under a building contract the date when the contract is made; or
- (b) if the residence is to be constructed or refurbished by an owner-builder the date when the building permit for the work is granted under the *Building Act 2011*.

The *completion date* for the construction or refurbishment of a private residence is the date when the construction or refurbishment is completed to the point where the residence is ready for occupation.

Primary residence is defined as an individual's sole or principal place of residence.

Private residential property is defined as including:

- (a) a lot of land on which there is a private residence; or
- (b) a parcel of land on which there is a private residence constructed so that part of the residence stands on each of the lots of land that constitute the parcel; or
- (c) an interest in a home unit.

Commissioner's Practice

- 1. An application under section 25 of the Act should only be made after the owner has commenced occupation of the private residence as their primary residence.
- 2. An application under section 25A of the Act can only be made after the commencement date for the refurbishment.
- 3. An exemption under section 25A of the Act will be allowed for that assessment year and the following assessment year in anticipation of the residence being completed and occupied within that time. If this does not occur, the exemption will be rolled forward and an assessment made for the first assessment year in which the exemption was originally granted.

- 4. Following occupation of the private residence as their primary residence, the owner must notify the Commissioner and finalise the application for exemption by submitting a Part B Confirmation Form.¹ Failure to lodge the form may result in the exemption being removed and a land tax liability being incurred.
- 5. The Commissioner may inspect properties and/or seek documentary evidence to verify completion of renovation and owner-occupation.
- 6. A partial exemption may be allowed in circumstances where not all of the owners use the land as their primary residence or where the land is used for both residential and non-residential purposes.

Date of Effect

This Commissioner's practice takes effect from 30 October 2015.

Nicki Suchenia COMMISSIONER OF STATE REVENUE

30 October 2015

Commissioner's Practice History

Commissioner's Practice	Issued	Dates of effect	
		From	То
LT 6.0	29 October 2003	29 October 2003	24 November 2005
LT 6.1	25 November 2005	25 November 2005	29 October 2015
LT 6.2	30 October 2015	30 October 2015	30 June 2019

¹ Forms are available from the Office of State Revenue website at <u>www.osr.wa.gov.au</u>. TRIM 00023085