



Stamp Duty Increases for Investors from 1 July 2017 – for Off the Plan Purchases

With the recent announcement from the Victoria government about changes to the [First Home Owner Grant](#) and [new stamp duty exemptions and reductions for first home buyers](#), investors are urged to get into the Melbourne property market now and exchange by **30 June 2017** to avoid facing hefty stamp duty charges.

From **1 July 2017**, **investors will no longer be eligible for the stamp duty concessions for new property off the plan** and this could end up costing investors tens of thousands of dollars more. Off the plan stamp duty concessions will only be available for people who intend to live in the property from 1 July 2017.

New Stamp Duty Changes

The new stamp duty changes include:

- First home buyers to pay no stamp duty on properties valued **under \$600,000**;
- Discounts on a sliding scale for purchasers between **\$600,000 - \$750,000**.
- Effective from **1 July 2017**.

Although this is great news for first home buyers, time is ticking for investors looking to buy in Victoria to avoid having to pay full stamp duty on a new property, which can be roughly \$15,000 to \$20,000 more than what they are currently paying.

So how does stamp duty currently work?

In Victoria, stamp duty is split into two parts: the land component and the construction component.

Completed properties require the full stamp duty to be paid on both the land and construction component; however, if you purchase a property off the plan and it has yet to commence then you only have to pay stamp duty on the land component. For off the plan properties that have begun construction, then stamp duty is paid on the land component and then it is tiered for construction depending how far construction has commenced.

So, for new properties such as ones built off the plan, then you might not have to pay stamp duty on the full property value and simply benefit from the off the plan concession instead.

Example:

A land area is valued at \$1 million and 100 new units will be built here. Each apartment will have a land value of \$100,000. You decide to buy a property valued at \$500,000.

- If you buy off the plan before construction, then you only pay stamp duty on \$100,000.
- If you buy off the plan when construction has started, you pay stamp duty on the \$100,000 and part of the construction component.
- If you buy the property at completion, then you have to pay the full stamp duty on the property value of \$500,000.

Stamp Duty based on purchase phase		
OFF THE PLAN	CONSTRUCTION BEGUN	COMPLETED PROPERTY
\$2,150	\$2,150 + tiered amount	\$25,070

Best to get in early

It therefore pays to get in early as you can save over \$20,000 in stamp duty by purchasing a new property off the plan before construction has begun.

However, under the new stamp duty changes, investors will no longer be eligible for the off the plan concessions on new property. This means that from 1 July 2017, stamp duty in Victoria for investors will simply move into line with the rest of Australia. However, stamp duty in Victoria still remains the highest of all the eastern seaboard states as can be seen in the table below.

Comparison table: Stamp Duty differences across VIC, NSW and QLD			
	VIC	NSW	QLD
\$400,000	\$19,070	\$13,490	\$12,425
\$500,000	\$25,070	\$17,990	\$15,925
\$600,000	\$31,070	\$22,490	\$20,025

As Victoria is home to the highest stamp duty in Australia, it is essential that you invest in VIC property before the changes come into play.



What impact will new stamp duty have on investors?

The only impact the new stamp duty laws might have is on the borrowing capacity as investors will also need to include the new stamp duty in their calculations. This might mean, many investors might need to lower their property expectations and look for a property that is slightly more affordable than before, in order to afford to pay the full stamp duty on the property. It's best to speak to a Mortgage Broker to understand your full borrowing capacity.

What can investors do to avoid the full stamp duty costs?

If you want to avoid paying the full stamp duty amount from 1 July 2017, then there are a few different options you can take.

- **Invest in Melbourne by 30 June 2017** - To avoid paying full stamp duty then the best thing you can do is invest in a VIC property before 30 June 2017. If you are thinking about investing in property in Victoria over the next one or two years then it's in your favour to be proactive and buy in the next three months instead, to save roughly \$20,000 in stamp duty.
- **If you do invest in Victoria you must sign the contract prior to 30 June 2017** – It is essential you sign the contract with an and/or Nominee clause
- **Live in the property as a first home buyer first then turn into an investment property after the 12 months** - If you have never owned and lived in a property before then you can purchase the property as a first home buyer from 1 July 2017, live in it for 12 months to be eligible for the stamp duty exemption and First Home Owner Grant if you buy in regional Victoria and then turn this property into an investment property afterwards. (Please note: This option can only be done if you have not bought a property as a first home buyer before).
- **Invest Interstate** - If you cannot buy before 30 June 2017 then you might want to look at investing interstate where stamp duty is slightly more affordable compared to Victoria. The big trouble is we always suggest you buy where you know and many clients have lost money investing interstate.

Remember: you should be investing in property for the long term of at least 10 years and although stamp duty may cost you more right now, the long-term capital gain can far outweigh this initial cost if you buy correctly.

Get in Touch

If you want help from a buyers advocate then contact **Anthony Mawer** on **0431 341 471** as he has a number of developments that we have looked at in recent weeks that might be considered good long term investments and tick all the right boxes.

Where can we help? If you do buy a property allow our finance team, RJS Loan Solutions Pty Ltd to assess your circumstances to get a pre-approval before you sign the contract.

RJS Loan Solutions can be contacted by email on broker@rjsanderson.com.au