Tim Pallas MP

Treasurer

Monday, 27 May 2019

# TAX CUTS FOR VICTORIAN BUSINESSES IN A FAIRER TAX SYSTEM

Payroll tax will be cut for the fourth Budget in a row with the Andrews Labor Government to deliver a further drop to regional payroll tax, keeping it the lowest rate in the nation in a boost for Victorian businesses.

In a win for local jobs, the *Victorian Budget 2019/20* again delivers tax cuts for business, with the payroll tax-free threshold to be increased by $50,000 to $700,000 by 2022-23.

The regional payroll tax rate will also be cut to 25 per cent of the metropolitan rate by 2022-23, so that eligible regional businesses continue to benefit from the lowest payroll tax rate in the nation.

The payroll tax cuts will cost the bottom line $260 million, but we see it as a profound investment in business across our state, particularly in regional areas, giving them the confidence to keep growing and creating jobs.

We are also providing a 50 per cent discount on land transfer duty of commercial and industrial properties in regional Victoria by 2023-24.

The Budget also responds in a prudent way to the softening property market, which has resulted in stamp duty write downs of $5.2 billion and has prompted tax changes to make Victoria’s tax system fairer. The Government will continue its focus on efficiency for taxpayers and better service delivery in line with our promises.

The foreign purchaser duty surcharge on properties bought in Victoria will rise from 7 to 8 per cent from 1 July 2019. From 1 January 2020, foreign property owners will also pay more on their land tax with the absentee owner surcharge increasing from 1.5 to 2 per cent for about 3,000 property owners.

These initiatives will generate a total of $330 million in revenue over the next four years and bring Victoria into line with the rates currently in place in New South Wales.

Our growing population means we need to discourage land banking. A loophole exempting vacant land attached to a principle place of residence from land tax will be removed. For land genuinely part of an owner’s main residence, titles can be consolidated and won’t be affected. This will apply to about 1,700 blocks in Melbourne.

The Government is introducing a 2.75 per cent gold royalty from 1 January 2020, which brings Victoria into line with other states and is expected to generate $56 million. Small miners will be exempt.

The Budget increases the duty on luxury passenger vehicles worth more than $100,000 in a scaled way from 1 July 2019, and aligns the rates for all new and used luxury passenger vehicles, raising $260 million. Caravans, motorhomes, low-emission vehicles, and primary producer passenger vehicles are exempted.

Corporate restructure rules will be more flexible as we are replacing the one-off corporate restructure exemption with a 90 per cent concession on duty, helping more corporate groups to restructure when they need to.

Quotes attributable to Treasurer Tim Pallas

“We are cutting payroll tax for the fourth budget in a row because we know that this helps give Victorian businesses the confidence to keep growing and creating jobs.”

“As the property market softens, we’re making sure Victoria has a fairer tax system. These are prudent reforms, with the revenue funding essential services that Victorians need – schools, hospitals and public transport.”