

ALERT

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Purchasing your first home and update on the available grants and duty reductions

The end of June 2012 will see the cessation of two government grants previously payable to eligible first home owners. On 1 July 2012, first home owners will no longer be entitled to claim the federal government's First Home Bonus (\$13,000 for the purchase of new homes) or the Victorian government's Regional Bonus (\$6,500 in addition to the First Home Bonus of \$13,000 for new homes in regional Victoria). Prospective buyers should be aware of the availability of government grants before considering the purchase of a residential property.

Purchasing 'off the plan'

Purchasing 'off the plan' prior to construction commencing, affords significant duty reductions because duty is assessed on the value of the property (including infrastructure costs) at the time of signing the contract. Often the contract will stipulate the value of the property as at the contract date and, accordingly, duty may be assessed at this value rather than the purchase price.

Example: a purchase of residential property of \$550,000 'off the plan'

Duty on 'off the plan' transfer

Purchase price	Not purchasing off the plan but your first home and will be residing in it	Purchasing off the plan with a stated value of \$100,000 at the time of signing the contract
\$550,000	\$19,976	\$1,720

As can be seen, there may be significant duty savings when purchasing 'off the plan'.



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First Home Owner Grant (FHOG)

Provided you sign the contract before 30 June 2012, you will be entitled to up to \$20,000 in duty reduction (\$7,000 FHOG and \$13,000 First Home Bonus (FHB)). Accordingly, from 1 July 2012, the FHB will cease but eligible first home owners who purchase an existing property or construct a new home will continue to be entitled to the FHOG of \$7,000, provided the price of the property does not exceed \$750,000. Among other requirements, a prospective recipient of the grant must have occupied the property as their principal place of residence for a continuous period of at least **6 months, commencing within 12 months** of either settlement or completion of construction.

First Home Buyer Duty Reduction (FHBDR)

The availability of the FHBDR is contingent on the purchaser first satisfying the eligibility requirements for the FHOG. Accordingly, the purchase price of the property must not exceed \$600,000. Additionally, the first home owner must occupy the property as their principal place of residence for a period of at least **12 months, commencing within 12 months** of purchasing the property. The FHBDR caused an immediate 20 per cent decrease in stamp duty on 1 July 2011. A further three 10 per cent reductions are expected on 1 January 2013, 1 January 2014 and 1 September 2014.

“There appears to be a misconception that the government grants are ending on 30 June 2012; however, they are merely being altered with a focus on significant duty reduction by 2014.”

Principal Place of Residence Concession (PPRC)

Purchasers of property who do not meet the eligibility requirements for the FHOG may nevertheless be entitled to a reduction in stamp duty on the basis that the property is the purchaser's principal place of residence. The purchaser must reside in the property for a continuous period of at least **12 months, commencing within 12 months** of becoming entitled to possession of the property. The PPRC may result in a stamp duty reduction of up to \$3,100 for property priced between \$130,000 and \$550,000.

Example: a purchase of residential property of \$550,000 and the applicable duty reductions

Duty on transfer

Purchase price	Purchasing an investment property	Purchasing property and will reside in it, but it's not my first home	Purchasing property for the first time and will be residing in it
\$540,000	\$27,470	\$24,370	\$19,496

Summary

Purchasers need to ensure they are aware of the eligibility requirements for government grants. There appears to be a misconception that the government grants are ending on 30 June 2012; however, they are merely being altered with a focus on significant duty reduction by 2014. Eligible first home



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buyers will continue to be entitled to the FHOG of \$7,000 and may also be entitled to a FHBDR. Home owners who seek to take the benefit of stamp duty reductions under either the FHBDR or the PPRC should be aware that they must reside in the property for a continuous period of **12 months, commencing within the first 12 months** of settlement.

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