



## Victoria's Latest Vacancy Tax

From 1<sup>st</sup> January 2025 a vacancy land tax applies to all residential properties in Victoria that are not considered to be occupied for at least 6 months of the previous year. It is no longer just the inner and middle Melbourne areas that are caught. The period considered is the calendar year before ie the 2024 calendar year.

This is just a heads, it applies to people living anywhere that own a residential property in Victoria that meets the definition of being vacant. All the detail can be found here <https://www.sro.vic.gov.au/vacant-residential-land-tax>

What is Vacant Residential Property?:

Alarmingly it includes a house that is uninhabitable for more than 2 years! Fix it or pay the tax! Even demolishing the house may not help you. From 1<sup>st</sup> January 2026 residential land in the Melbourne metropolitan area that is not developed within 5 years will also cop the tax.

If during the 2024 calendar year the property was vacant for more than 6 months you are caught. If you are undertaking renovations or repairs you have a maximum of 2 years that the property can be vacant. If you are building a home you have 2 years from when the building permit is issued, if genuine efforts to sell are being made you can apply for an extension of another year, maximum. This two year limit to build or renovate starts from 1<sup>st</sup> January 2024 if the property is outside the inner and middle Melbourne area if it is inside the clock is already ticking.

The 6 months occupation does not have to be a continuous period. You look at each day and consider whether it was occupied as someone's home or occupied by someone as a short term rental. It is not enough to just get a friend to stay there. It must be the person's residence or a genuine short term lease or letting arrangement with people actually in it for 6 months in total.

Note you can only cover one property as your home but you are allowed to have another residence as a work residence though you must be there at least 140 days of the year in relation to attending your workplace which must be in Victoria. You also need to be a resident of Australia.

You are allowed to have a holiday home provided you or a relative stay there at least 4 weeks of the year. But this exemption cannot apply if you are not a resident of Australia.

How Much?:

It gets worse the longer the property is vacant. The tax is levied on the capital improved value of the property, basically market value of the house and land. If it has been considered vacant for 1 year the tax is 1%, 2 years the tax is 2%, 3 years 3%. Even if your property is only worth \$500,000 the tax is going to be \$5,000 in the first year!

#### Exemptions:

There is an exemption for the alpine resorts of Mt Baw Baw, Mt Buller, Mt Hotham, Mt Stirling, Falls Creek and Lake Mountain.

In the year you buy or sell the property you do not have to look for a 6 months period of occupancy. The property is exempt from the test for that calendar year but settlement must have taken place by 31<sup>st</sup> December.

#### What to do now?:

Here is a link to the state revenue portal

<https://www.e-business.sro.vic.gov.au/vacantlandtax/identity>

You will need your land tax notice and customer number. You can also apply for exemptions at that portal. Even if you consider a property meets the exemption you have to notify.

It is up to you to advise state revenue if you have to pay the tax. If you don't notify by 15<sup>th</sup> January 2025, when they catch up with you there may be a penalty of up to 90% of the tax payable and interest. Bear in mind they have a dob in your neighbour facility.