

2008 victorian budget

The Brumby Government handed down the 2008 Budget on Tuesday, 6 May 2008. In recognition of the slowing conditions expected to face the Victorian economy next year, the Government has taken the opportunity to introduce a number of changes designed to benefit businesses in Victoria.

Key changes for business owners

The key changes affecting business owners arising out of the Budget are:

Pay-roll Tax

From July 1 this year, the Payroll Tax rate which was scheduled to drop from 5.05% to 5.00% will be reduced by a further 0.05% to 4.95%.

Comparison of pay-roll tax payable			
Payroll	Current rate 5.05%	New rate 4.95%	Savings
\$2.5 million	98,475	96,525	1,950
\$2.65 million	106,050	103,950	2,100
\$3 million	123,725	121,275	2,450
\$4 million	174,225	170,775	3,450
\$5 million	224,725	220,275	4,450
\$10 million	477,225	467,775	9,450
\$13.6 million	659,025	645,975	13,050

WorkCover premiums

WorkCover premiums have also been cut by **\$352 million** over the next four years.

*Oh what a relief!
\$1.4 billion in fact...*

Stamp Duty

The Victorian Government's changes will result in savings on duties on land transfers. Budget initiatives include:

- Duties thresholds will be adjusted by around 10% for duty on land transfers.
- A new exemption will be introduced for declarations of trust establishing special disability trusts, and for transfers of land into existing special disability trusts.
- For business, the existing corporate reconstruction duty exemption has been extended to apply to restructures of stapled entities in specified circumstances.

All duty on land transfer measures will take effect for contracts entered into on or after 6 May 2008. The exemption for special disability trusts applies to a declaration of trust made on or after 6 May 2008 or, in the case of a transfer of dutiable property, to a contract entered into on or after 6 May 2008. The corporate reconstruction exemption will apply from 1 July 2008.

The new general stamp duty rates (excluding principal place of residences) are:

General land transfer duty rates	
Value of property transferred	Duty payable
Up to \$25,000	1.4% of the value of the property
\$25,001–\$130,000	\$350 plus 2.4% of the value in excess of \$25,000
\$130,001–\$960,000	\$2,870 plus 6% of the value in excess of \$130,000
\$960,001 and over	5.5% of the value of the property

Land Tax

Four significant changes to Land Tax were included in the Budget, effective from the 2009 Land Tax year. The changes are:

- The tax free threshold is increased to \$250,000.
- Other thresholds will be adjusted by around 10%.
- The top rate of Land Tax will be reduced from 2.5% to 2.25%.
- A new exemption will be introduced for land occupied as long-term residential accommodation for disabled persons.

Land value	NSW	QLD (Companies)	VIC (Current)	VIC (New)	Savings (\$)	Savings (%)
\$225,000	\$0	\$0	\$250	\$0	\$250	100%
\$500,000	\$2,468	\$4,500	\$800	\$775	\$25	3%
\$1 million	\$10,468	\$12,375	\$3,480	\$2,975	\$505	15%
\$2 million	\$26,468	\$30,000	\$13,380	\$11,975	\$1,405	11%
\$3 million	\$42,468	\$45,000	\$29,980	\$24,975	\$5,005	17%
\$4 million	\$58,468	\$60,000	\$54,980	\$47,475	\$7,505	14%

Economic forecasts

The Budget contains the following key economic forecasts:

- The forecast Budget surpluses are \$842 million for FY2008 dropping to \$815 million in FY2009. Both of these amounts easily exceed the \$100 million target for surpluses and allow scope for further Government spending as required.
- Net debt increases from \$2.7 billion (1.1% of GSP) in June 2007 to \$8.26 billion (2.7% of GSP) by June 2011.
- The growth forecasts are 3.75% for FY2008, 3.5% for FY2009 and 3% for FY2010
- Average net infrastructure expenditure will be \$3.9 billion pa from FY2009 to FY2011.

Further information

For further information in relation to how these changes may impact your business, please contact us on 9611 6611.