

First Home Buyer Choice

<https://www.nsw.gov.au/initiative/first-home-buyer-choice>

Changes to the NSW property tax system will give first home buyers the choice between paying an annual property tax or stamp duty.

The NSW Government has announced that first home buyers purchasing properties for up to \$1.5 million will be able to choose to pay an annual property tax instead of stamp duty. The property tax will only be payable by first home buyers who choose it, and will not apply to subsequent purchasers of a property.

This initiative will lower the up-front costs of home purchases and help to boost the rate of home ownership in NSW. With rising home prices, home ownership has declined from around 70 per cent in the 1990s to around 64 per cent today. The decline in home ownership has been particularly evident among younger and lower income groups.

The savings required to meet the up-front costs of a home purchase are an important barrier for many would-be purchasers. Removing the obligation to pay stamp duty will lower these up-front costs and cut up to two years off the time needed by many first home buyers to save for a home.

Existing stamp duty concessions for first home buyers are available for purchases of up to \$800,000, and these concessions will continue. The property tax option will be available for properties for up to \$1.5 million, helping a broader group to become first home buyers. In total, these measures will offer support to about 97 per cent of all first home buyers, or about 55,000 people per year.

Eligibility

To be eligible:

- you must be an individual (not a company or trust)
- you must be over 18 years old
- you, or at least one person you're buying with, must be an Australian citizen or permanent resident
- you or your spouse must not have previously:
 - owned or co-owned residential property in Australia
 - received a First Home Buyer Grant or duty concessions.
- The property you are buying must be worth less than or equal to \$1.5 million
- You must move into the property within 12 months of purchase and live in it continuously for at least 6 months
- You must sign the contract of purchase on or after the scheme commencement date (see below for details).

Choice between stamp duty or property tax

If you are eligible, you can choose between (a) paying the usual amount of stamp duty based on the 'dutiable value' of your property; or (b) paying an annual property tax based on the

unimproved land value of the property.

Existing first home buyer duty exemptions and concessions are not changing. The [exemptions and concessions are described here](#). There are no first home buyer stamp duty concessions for properties worth more than \$800,000.

If the first home buyer is not eligible for a duty exemption or concession, the normal rates of stamp duty apply. [These can be calculated here](#) launch.

The annual property tax payments will be based on the land value of the purchased property. The property tax rates for 2022-23 will be:

- \$400 plus 0.3 per cent of land value for properties whose owners live in them
- \$1,500 plus 1.1 per cent of land value for investment properties.

These tax rates will be indexed each year, so that the average property tax payment rises in line with average incomes.

Property tax assessments will be issued in respect of financial years. For properties that are owned for less than a full financial year, a pro rata adjustment will be made based on the number of days in the year the property is owned.

A property tax calculator will be available after the enactment of legislation and before 16 January 2023 when buyers can opt-in to property tax.

What happens when a property that is subject to the property tax is sold?

Only first home buyers are eligible to pay the property tax. All other purchasers must continue to pay stamp duty as normal.

If you are buying a property from somebody who is paying the property tax, you will not be subject to the property tax (unless you are also an eligible first home buyer and you choose to pay the property tax).

Scheme commencement

The Government intends that legislation to establish the property tax will be introduced into the NSW Parliament during the second half of 2022.

Eligible first home buyers who sign a contract of purchase on or after 16 January 2023 will be eligible to opt into the property tax and will not be required to pay stamp duty in order to complete their transaction.

Eligible first home buyers who sign a contract of purchase between the passage of the legislation and 15 January 2023 will be eligible to opt into the property tax. However, these purchasers will be required to pay any applicable stamp duty within the usual required periods and from 16 January 2023, will be able to apply for and receive a refund of that duty.

Information on how to apply for the property tax will be made available once the legislation is enacted.

Examples

Jessica and Matthew

- Jessica and Matthew are buying their first home, a \$650,000 house in Mudgee, with a land value of \$340,000.
- Ordinarily, stamp duty on a \$650,000 home would be \$24,555, but because Jessica and Matthew are first home buyers, they are exempt from stamp duty and therefore do not choose the property tax.
- In 2022-23, the annual property tax on the house would be \$1,420.

Aisha

- Aisha is buying her first home, a \$750,000 apartment in Concord. The apartment has a land value of \$270,000.
- As an eligible first home buyer, Aisha qualifies for a concessional rate of stamp duty which in this case results in stamp duty of \$20,870.
- In 2022-23, the annual property tax on the apartment would be \$1,210.
- Aisha is hoping to upgrade to a larger home in about five years, and thinks she will end up paying less tax under the property tax option.
- She chooses the property tax.

Ranit

- Ranit is buying his first home, a \$1.2 million townhouse in Newcastle. The land value of this property is \$720,000.
- Stamp duty on this purchase is \$50,875, and the purchase price is above the threshold for any first home buyer stamp duty concessions.
- In 2022-23, property tax on the property would be \$2,560.
- Ranit is not sure how long he will own the property, but he has heard that half of all owner-occupiers sell their property within about ten years.
- Not having to pay stamp duty would really help to lower the up-front costs of the purchase, so Ranit chooses the property tax.