

This supplementary information should be read in conjunction with the Information Sheet: Growth Areas Infrastructure Contribution first released by the GAA in December 2008 and updated in May 2009 – available at www.gaa.vic.gov.au

It should be noted that the GAIC legislation is being prepared, and is not final. This supplementary information covers a number of elements that are currently being considered by State Government for inclusion in the GAIC legislation, and are subject to final State Government and Parliamentary approval.

IS THE GAIC A 'DEATH TAX'?

No. Land that is transferred to a family member as part of their inheritance after a death in the family will not attract the GAIC. It only applies when land is sold or subdivided.

DO TRANSFERS WITHIN THE FAMILY TRIGGER THE GAIC?

No. So long as the land isn't subdivided, the charge will not apply. Similarly, transfers associated with marriage breakdowns would not trigger the GAIC.

IS THERE A MINIMUM SIZED LOT THAT THE GAIC DOES NOT APPLY TO?

Yes. The GAIC does not apply to land parcels less than or equal to 0.41 hectares, which is equivalent to the old 1 acre lot.

SPECIAL PROVISIONS FOR HOMES ON LOTS BETWEEN 0.41 (1 ACRE) AND 2 HECTARES (5 ACRES)

Special provisions are proposed for lots between 0.41 (1 acre) and 2 hectares (5 acres). For these lots, if the lot has a dwelling on it that is used by the land owners as their principal place of residence, then the GAIC will not apply when the land is sold. However, the GAIC will apply if the land is subdivided or developed.

DOES SUBDIVIDING MY LAND FOR MY EXISTING HOUSE TRIGGER GAIC?

No. The GAIC will not be triggered if you create a lot for the purposes of excising an existing dwelling on a lot. There will be conditions around this that are currently being developed, including limiting the size of the lot with the house on it to be no more than 2 hectares. If you subsequently sell or subdivide either of the lots created, then GAIC will be paid at that time.

LAND WITH RESTRICTIVE COVENANTS

The GAIC will not apply to lots that have an existing registered covenant on title that confines the use of the land to residential purposes and to the erection of a single dwelling.

The GAIC will not apply to lots not exceeding 2 hectares in area that have an existing registered covenant on title that prohibits subdivision of the lot.

If such covenants are lifted, then GAIC will apply at the first event after the covenant is lifted.

TIMING OF PAYMENT OF THE GAIC

In general, the timing of the GAIC payment will be:

- Land Sales / Transfers
 - GAIC to be paid prior to land being transferred
- Subdivisions
 - GAIC to be paid prior to application to Register the subdivision
- Building Permits
 - GAIC to be paid before building permit is issued

BUILDING PERMIT APPLICATIONS

There are a number of special provisions proposed, including:

- The GAIC will not be triggered by building permits for a new single dwelling.
- The GAIC will not be triggered by building permits for building works with a value less than \$1 million (indexed annually)

MY PROPERTY CAME INTO THE UGB IN 2005. WHY I AM I BEING CHARGED THE GAIC NOW?

The State Government announced a State infrastructure levy on developable land in 2005, and is now proposing to implement it via the recently announced GAIC.

WHAT HAPPENS FOR LAND ALREADY IN THE TOWNSHIPS THAT MAY BE BROUGHT INTO THE URBAN GROWTH BOUNDARY (UGB)?

For land within the 'Investigation Areas', the GAIC will only apply to land that may be ultimately brought into the Melbourne UGB and zoned Urban Growth Zone. For land within any existing townships where the land is already zoned Township, then the GAIC will not apply to these townships.

WILL THERE BE DEMAND TO BUY SMALLER SIZED LOTS IN THE GROWTH AREAS?

Yes, experience has shown that lots of all sizes - small, medium and large - have all been bought and sold throughout Melbourne's growth areas. Analysis of the sales data during the period 2000 to 2008 undertaken by Charter Keck Cramer (CKC) for the GAA shows that for land within the UGB and zoned Urban Growth Zone (or equivalent) lots as small as 1 and 2 hectares have sold, right through the spectrum of all lot sizes up to larger lots of around 200 ha.

WHAT IF THE CURRENT VALUE OF THE LAND IS LESS THAN THE GAIC?

Often land holders compare the GAIC rates against the valuation of their land under its current rural zonings when it is outside the UGB. This land is valued at much lower rural land values as it is not within the UGB and not zoned for urban development. Independent market valuation research by CKC indicates that the underlying value of such farming land outside Melbourne's growth areas is often around \$15,000 to \$35,000 per hectare.

However, this independent market valuation research also shows that rural land that is brought into the UGB and zoned for urban development undergoes a notable value increase and is valued significantly higher - at an average of around \$365,000 per hectare across Melbourne's growth areas (ranging from \$225,000 to \$450,000 or more) - which is all well above the GAIC rates of either \$80,000 or \$95,000 per hectare.

The GAIC aims to tap part of the value increase directly caused by rezoning and this is generally realised when the land is first sold after being rezoned, and therefore it is appropriate that the land owner benefiting from such increase pays the GAIC.

STAGING PAYMENTS WHEN DEVELOPING LAND

The GAIC aims to be charged at a time when the value of land increase through rezoning is realised, usually at a time when a farmer or landowner might be selling to a developer. However in various cases the landowners may wish to develop their land themselves for urban purposes and the cost of the GAIC may place pressure on their development plans. In these instances a system is being developed that will allow the full amount of the GAIC to be levied but for actual payments to be staged to align with development. There will be an interest rate applying to this. Further details of this proposal can be discussed with the GAA.

CAN THE GAIC BE OFFSET AGAINST CAPITAL GAINS TAX'?

Advice received by the GAA indicates that the GAIC will be considered as part of the cost base in determining Capital Gains Tax. That is, the GAIC will reduce the amount of Capital Gains Tax paid.

DOES THE GAIC APPLY TO LAND THAT IS 'UNDEVELOPABLE'?

The GAIC will not apply to land that is clearly identified as 'undevelopable' and not included in the Urban Growth Zone. Alternatively a rezoning of such undevelopable land may also be sought if it is initially included in the UGZ.

WHAT ABOUT GENUINE CASES OF THE GAIC CAUSING UNDUE HARDSHIP?

Unintended personal hardship may arise in exceptional circumstances. The Government will establish a special Hardship Relief Board to consider personal hardship cases where the payment of the GAIC may be waived.

WHAT IF MY LAND IS IN THE PROPOSED OUTER METROPOLITAN RING / E6 TRANSPORT OR REGIONAL RAIL LINK CORRIDOR?

Property subject to land acquisition for the Outer Metropolitan Ring / E6 Transport Corridor or Regional Rail Link will not be subject to the GAIC

WHEN IS THE LEGISLATION GOING TO BE IN PLACE?

Legislation is expected later this year.

HOW CAN I FIND OUT FURTHER INFORMATION?

Please contact the GAA at anytime on 03 9651 9600 for further information or www.gaa.vic.gov.au