
2002-03 NORTHERN TERRITORY BUDGET

KEY REVENUE MEASURES IN THIS BUDGET

A number of key revenue measures were announced in the 2002-03 Budget. They comprise a minor reform of pay-roll tax, enhancements to the equity and efficiency of Territory taxes and a number of integrity and anti-avoidance measures.

PAY-ROLL TAX

To enhance the simplicity, equity and efficiency of the Territory's pay-roll tax regime the following measures are now in effect.

- The **grossed up** value of taxable fringe benefits and eligible termination payments as determined under the income tax law are included in the base. These changes align the Territory with other jurisdictions.
- In order to maintain, broad revenue neutrality, the rate of pay-roll tax is reduced from 6.5% to 6.3%. The rate and base changes were announced in June and commenced from 1 July 2002.

STAMP DUTY

The key stamp duty measures enhance the First Home Owner Concession and introduce a Principal Place of Residence Rebate, provide a Corporate Reconstructions Exemption, lower the applicable rate of stamp duty for Franchises and provide an exemption for "wet hires". Other areas of the legislation are also being fine tuned to enhance the integrity of the Territory's stamp duty regime and counter a range of stamp duty avoidance schemes. The measures are outlined below.

First Home Owner Concession and Principal Place of Residence Rebate

- Raise the First Home Owner Concession threshold from \$80 000 to \$125 000 and align the eligibility criteria with those of the \$7 000 First Home Owner Grant (applies from 20 August 2002).
- A new rebate of up to \$1 500 for the purchase of a principal place of residence other than for the purchase of a first home (applies from 20 August 2002).

Corporate Reconstructions Exemption

- a new exemption for transfers of assets arising from the reconstruction of certain corporate groups (applies from date of assent).

Relief for Franchises and "Wet Hires"

- Apply the lower lease rate of duty (rather than the conveyance duty rates) and lease duty assessment principles to the initial grant and subsequent renewal of franchises (applies from 20 August 2002).
- Provide an exemption from hiring duty for "wet hires" from 18 July 2002

Anti-avoidance measures

A number of anti-avoidance measures have been introduced in the "land rich" stamp duty provisions with effect from 20 August 2002 that include:

- countering schemes making use of loopholes in the "land rich" provisions; and
- extending the period in which a majority acquisition can occur, from 1 to 3 years.

Efficiency, equity and administrative enhancements

In addition, the stamp duty changes include a package of measures (generally with effect from the date of assent) that enhance the simplicity, efficiency and equity of the stamp duty regime. These measures:

- provide a method of imposing stamp duty on changes of interests in partnerships;
- remove stamp duty on reasonable outgoings paid under a lease of land;
- provide an exemption for compulsory transfers under the *Financial Sector (Transfer of Business) Act (Cth)*, and clarify that the existing provisions impose stamp duty on voluntary transfers;
- clarify that registered lenders are able to receive the benefit of the stamp duty hiring cap in certain circumstances;
- allow the Commissioner of Taxes to communicate information to the Registrar of Motor Vehicles for the purpose of administering stamp duty on the transfer of a motor vehicle registration;
- impose nominal duty rather than double duty on certain transactions involving managed investment schemes;
- provide for the refund of stamp duty where Family Court orders are obtained within 12 months of the transfer of marital property;
- remove deed duty on instruments deemed to be deeds by the *Land Title Act*;
- ensure that a stamp duty exemption available for the grant of an estate in land from the Crown only applies where the grant does not have the effect of a transfer to a third party;
- remove the Territory Government's exemption from stamp duty on insurance policies; and
- abolishes stamp duty on the transfer or reinsurance of a life insurance policy.

LIQUOR SUBSIDIES

The measures include:

- the removal of the low alcohol liquor subsidy consistent with the agreement between the States and the Commonwealth to replace State and Territory low alcohol liquor subsidy schemes with a reduction to the excise payable on low alcohol beer; and
- the abolition of the special liquor subsidy payable to roadside inns that are not connected to mains power from 1 October 2002.

OTHER CHANGES

The measures also include minor changes to administrative provisions of the *Mineral Royalties Act* and *Debits Tax Act* that include:

- ensuring a financial institution is jointly liable with an account holder for the avoidance of debits tax where it promotes the movement of accounts to another State that does not impose debits tax (applies from 20 August 2002);
- update the Debits Tax penalties; and
- aligning the mineral royalty administration arrangements with other Territory taxing legislation:
 - allow extensions of time to lodge objections;
 - update the late payment penalty calculations;
 - allow penalties to be imposed on default assessment; and
 - clarify the operation of the secrecy provisions.