



First Homeowners Choice

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Newsletter

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First Homeowners Choice

A new scheme has been introduced to assist first home buyers in purchasing their first home. This new scheme provides a choice for buyers that may not have previously been able to access a first home buyers stamp duty concession or exemption.

The scheme allows for a first home buyer to opt in when purchasing their first property for properties up to \$1.5 million with the ability to choose to pay an annual property tax instead of the traditional transfer duty (previously known as stamp duty).

Over the coming weeks we will look at different parts of the new scheme and how it may impact upon your buyers. This week we will have a look at what the two options are for first home buyers and what it can mean financially.

This scheme applies to contracts dated after 16 January 2023, where buyers will have the opportunity to opt in to this scheme as a first home buyer. This means a person who has purchased a property already does not have the option to access this scheme which is specifically for first home buyers. The property being purchased must be occupied by at least one of the eligible purchasers as their principal place of residence for a continuous period of at least 6 months, with that occupation starting within 12 months after Settlement.

For a first home buyer, there is no concession for a property purchased over \$800,000. A property purchased for \$850,000 attracts a

transfer duty of \$33,340, so if purchasing the \$850,000 property they would be liable to pay the full stamp duty amount of \$33,340.

The alternative for the first home buyer is to access the First Home Owners Choice program, which is a property tax assessed on the land value, which is generally not going to be the same figure that the property is purchased for (as it does not include the property on the land).

This land tax will be assessed on a yearly basis and as such it should be noted that the below example would not reflect the full value of land tax that would be payable. If the property bought for \$850,000 had a land value (as assessed for that year) of \$429,000, the tax for the first year under the First Home Buyers Choice option, would be \$1,687 which is calculated at \$400 plus 0.3% of the land value of \$429,000.

Over 30 years (without yearly indexation) that amount would equate to \$36,985. Thirty years has been used in this example as a guide in reference to seeing out a mortgage on the property, however if the property was owned for only 10 years by the first home buyer, their amount of tax would be \$16,870.

Property Tax (First Year)

\$1,687

(Payable annually, based on land value)

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Property tax calculation method:

\$400 + 0.3% of land value

Land value: \$429,000

Annual tax will be subject to indexation

Over 30 years:

The total amount of property tax will be an estimated **\$36,985** in present value terms.



OR

Transfer (Stamp) Duty

\$33,340

Upfront payment

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Transfer (Stamp) duty calculation method:

\$9,805 plus \$4.50 for every \$100 over
\$327,000 of purchase price

Purchase Price: **\$850,000**

In some circumstances, the purchaser may end up paying more through the land tax option than they would had they paid stamp duty. And in other circumstances, where the purchaser is only looking to hold their first property for a smaller number of years, the purchaser will pay less than they would have had they paid transfer duty.

Each first home buyer needs to assess their choice to participate in this scheme based on their own personal details. As an agent, it is **NOT** your role to provide advice to first home purchasers on what decision to make, but you most certainly can inform them to investigate this option with their broker/lender and their solicitor, in order to make the right decision for them.

We will look at further implications and programs in relation to transfer duty over the next few editions of our College Chronicle. We look forward to providing additional information for you to assist your clients.

Rosy Sullivan
Director | College Principal

From the office

And just like that we are back in the office and it's 2023. After plenty of chat about what we all got up to during the Christmas/New Year break, we all hit the ground running with courses. There were definitely plenty of good stories about holiday adventures for the team. The best news is that Chanelle is back in the office after her spinal surgery last November – so the noise and the entertainment levels are certainly up again with her larger than life approach to every day.

Of course, it is our busiest time of the year, with all NSW agents needing to complete their CPD by 22 March 2023. Our trainers have been travelling throughout regional NSW and also plenty of metropolitan courses in addition to our daily training in our head office at Town Hall.

And over the holiday period, and in our first week back in the office – there were four birthdays to celebrate – so four cakes later (ok some were just little cupcakes to individualise the larger cakes), we used our best voices to sing to Monique (New Years Eve), Jonno (New Years Day), Martin and Brie. All these holiday babies survived their birthdays and the return to work celebrations.

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