

**Kilkelly, Emma**

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**From:** Goth, Kathy  
**Sent:** Thursday, 26 September 2013 3:12 PM  
**To:** Kilkelly, Emma; Fomer, Julia  
**Cc:** Terracini, Stephen; Bogiatzis, Maria; McKeveatt, Anne  
**Subject:** Land Rent changes for website  
**Attachments:** Land Rent changes for website.doc

Hi All

Please see proposed updates the land rent information on our website.

Could you please look at it and let me know if you have any comments or concerns? If possible by 12 tomorrow? Then our web team can get the changes ready to go live on Tuesday.

Thanks

Kathy

# Land Rent

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The land rent scheme lets a person lease the land rent block of land on an ongoing basis by paying a percentage of the value of the land. This reduces the entry costs and mortgage payments for homeowners.

A person can also choose to purchase the land outright from the Government at a later date.

The benefit of the scheme is to enable people to buy a home sooner by reducing borrowing costs from banks, allowing people to save to buy the land outright in the future while paying land rent.

From 1 October 2013 land rent on blocks sold by the LDA is only available to people who meet the eligibility criteria. Land rent leases on blocks sold before 1 October 2013 will continue to be available for transfer to anyone..

## Changes to scheme

As of 1 October 2013, entry to the Land Rent Scheme for new applicants will be limited to applicants that meet eligibility requirements. People already in the scheme will continue to be able to access it in the same way.

## Useful Information

- [Land Rent: Am I eligible?](#)
- [Land rent availability](#)
- [Applying for land rent](#)
- [Purchasing a land rent block](#)
- [Paying your land rent](#)
- [Land rent security payment](#)
- [Available finance](#)
- [CIT information sessions](#)

## Important Links

- [Land rent frequently asked questions](#)
- [Land Rent Act](#)

For enquiries: **Contact Us**

# Land Rent Eligibility

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The following questions will help you determine if you are eligible for the Land Rent scheme. Note that the income eligibility criteria will change from 1 July 2014.

## Question 1: What is your annual total income?

To be eligible for land rent, the total gross income test must be satisfied. The combined total gross income of all applicants and their domestic partner/s over the 1 year period prior to the date of the **settlement** must be less than or equal to the relevant total gross income threshold as follows:

Number of dependent children	Total gross income threshold
0	\$160,000
1	\$163,330
2	\$166,660
3	\$169,990
4	\$173,320
5 or more	\$176,650

If your answer is NO, you MAY be eligible for land rent. Go to question 2.

If your answer is YES, you are NOT eligible for land rent.

## Question 2: Do you already own a property?

If your answer is NO, you MAY be eligible for land rent. Go to question 3.

If your answer is YES, you are NOT eligible for land rent.

**Question 3: Do you intend to rent out this property or reside in another property as your primary place of residence?**

If NO, and you have answered NO to all three questions, you will be eligible to access the land rent scheme.

If YES, you are not eligible for land rent.

# Land Rent Availability

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Only new land released by the Land Development Agency to the public is available to rent. The scheme is only available for single residential house blocks and not dual occupancy housing or units.

Land rent is also available on house and land packages offered on land already subject to a land rent lease. These are advertised in the usual real estate listings.

From 1 October 2013 land rent on blocks sold by the LDA is only available to people who meet the eligibility criteria. Land rent leases on blocks sold before 1 October 2013 will continue to be available for transfer to anyone.

# Applying for Land Rent

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## Before applying for land rent, you will need to:

1. attend a CIT information session
2. submit your Acknowledging Attendance statement to the Land Development Agency.➤

You can select your land rent block before or after attending the course by:

- contacting the LDA to find out what blocks are available, and
- completing a land rent application form when you apply to take part in the sales event.

Once your application for land rent has been approved, you will be required to exchange contracts for your land rent block as required by the sales event you are participating in.

You will also be required to pay a non-refundable security payment to the LDA. The security payment is \$2,000.

When ACTPLA grants your land rent lease, the standard rate of land rent will be payable

For land that was exchanged before 1 October 2013, the standard rate is 4 per cent of the unimproved value unless you apply for, and are assessed as eligible, for the discount rate which is 2 per cent.

The land rent rate for land exchanged after 1 October 2013 is 2 per cent.

## **To apply for the discount rate (only applicable to land exchanged with LDA before 1 October 2013), you will need to:**

- complete an 'Application for Discount - Land Rent'➤ form which is available from the CIT course presenter or the ACT Revenue Office, and

- submit your application together with the required supporting documentation, in person to the ACT Revenue Office.↗

If you are approved as eligible for the discount rate of land rent, that rate will apply from the date of the grant of the land rent lease.



# Purchasing a Land Rent Block

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## Frequently Asked Questions

### **When can I purchase the land from the Government?**

You can choose to pay out the lease (purchase your block of land) at any point in time. You must lodge an application and pay a fee to the ACT Planning and Land Authority (ACTPLA) to pay out the land rent commitment from the Crown lease. The 2013-14 land rent payout fee is \$1,864.70.

For contracts exchanged with the LDA on or after 1 October 2013, you must continue to be eligible for the land rent scheme to remain in it. If your circumstances change and you cease to be eligible for two consecutive years, you will be asked to transition out of the land rent scheme

### **Will my land rent payments offset the cost of purchase?**

No. The land rent already paid will not be considered as payments towards the purchase of land. This is not a rent to buy scheme.

### **If I decide to purchase my Land Rent block in the future, what do I do?**

If you exchanged with the LDA before 1 October 2013, you may continue to participate in the land rent scheme for as long as it suits your personal circumstances. However, you can choose to purchase the land from the Government at any time.

You must make an application and pay a fee to ACTPLA if you wish to purchase the land. A statement from the ACT Revenue Office that rental payments and rates are up to date will need to be included with this application.

You can choose to pay either the **unimproved value** of the lease (as shown on your latest rates notice), or the **current market value** for the lease if you decide to purchase the land.

If you elect to pay the current market value, you will need to arrange for a valuation of the land by a registered valuer, at your own cost. The Authority will also arrange an independent valuation of the land (taking the application into account), and will make a determination of the amount that must be paid. **You will be bound by this decision as to the final amount payable for the lease.**

**Can I pay the land off in installments?**

No, you cannot choose to pay off the land in installments.

**Do I ever have to purchase the land?**

For blocks exchanged with the LDA before 1 October 2013 you may continue to participate in the land rent scheme for as long as it suits your personal circumstances. There is no requirement to purchase the land.

For blocks exchanged with the LDA after 1 October 2013 you must purchase the land if you cease to be eligible for land rent for two consecutive years.

**Can I sell my house if I am participating in the land rent scheme?**

Yes. For contracts on blocks entered into with the LDA before 1 October 2013, the new owner may continue with the land rent arrangement, or alternatively the new owner can choose to purchase the land from the ACT Government.

For contracts on blocks exchanged with the LDA on or after 1 October 2013, the new owner must meet eligibility criteria to be able to transfer the land rent lease.

# Paying your Land Rent

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Under the land rent scheme, households rent the land from the ACT Government.

They are required to:

- pay the Government rent, calculated on the unimproved value of the block of land, and
- construct a house on the rented land within two years of the lease being granted.

## Frequently asked questions

### How will my annual land rent be calculated?

Your annual land rent amount is calculated as a percentage of the unimproved value of the block of land. Under the old scheme there are two different rates available for land rent:

- a standard rate, calculated at 4% of the unimproved value of land, and
- a discounted rate, calculated at 2% of the unimproved value of land.

Example of how land rent is calculated:

Annual land rent payable on a block with an unimproved value of \$220,000

- **Standard Rate** -  $\$220,000 \times 4\% = \$8,800$  per annum (around \$170 per week).
- **Discounted Rate** -  $\$220,000 \times 2\% = \$4,400$  per annum (around \$85 per week).

Note: the repayments on the mortgage associated with the house will be in addition to the land rent payments.

Under the new scheme which applies to contracts exchanged with the LDA on or after 1 October 2013 the rate is 2% of the unimproved value of land.

## Am I eligible for the discounted rate under the old scheme?

Only people who satisfy strict eligibility criteria below will be able to access the **discounted** rate under the old scheme.

The eligibility criteria are set out in the *Land Rent Act 2008*.

the total annual income of all lessees must be \$94,500 or under (this limit increases by \$3,330 for each dependent child up to a maximum of \$111,150 for five or more children);

- lessees cannot own any other property in any State or Territory in Australia; and
- at least one of the lessees must reside in the property once a home has been built and a Certificate of Occupancy has been issued.

**Please note** that the eligibility criteria for the discounted rate under the old scheme will be updated in July each year. For the most up to date information on the criteria, please contact the [ACT Revenue Office](#).

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## How much will my rent increase each year?

Rent will increase in line with the increase in land values. However, to protect you from potentially large increases in rent, your annual rental increase will be capped at the growth of ACT Average Weekly Earnings (AWE).

For example:

On a \$220,000 block of land, the rent (at the 2 per cent rate) in the first year would be \$4,400. If the lessee was still eligible for the discounted rate in the next year, the annual rent increase would only rise by around 5% (average growth in AWE ). Therefore, the rent due in that year would be around \$4,620.

## Will I have to pay duty?

You will be required to pay duty on the value of the land, either at the point of the agreement to grant the land rent lease; or if you are eligible for the Home Buyer

Concession Scheme, duty may be deferred for a period of up to 5 years if the duty payable is \$1,000 or more.

Duty will not be payable a second time if you decide to purchase the land at a later stage, and have already paid duty when you first entered the land rent scheme.

## **Will I still be able to access the First Home Owner Grant and the Home Buyer Concession Scheme?**

You may be able to access the Home Buyer Concession Scheme or First Home Owner Grant if you meet the relevant eligibility criteria. For further details you should visit the [ACT Revenue Office](#) website.

## **Will I still have to pay rates on rented land?**

Yes. You will be liable for rates and other taxes and fees that relate to the land being rented.

## **What if I can't pay the land rent when it is due?**

You should contact the [ACT Revenue Office](#) immediately to discuss the situation and try to work on an alternative plan of payment.

# Land Rent Security Payment

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The ACT Government introduced a security payment for land rent blocks to discourage land speculation and make sure that land sold by the LDA in new releases goes to those people who are genuinely interested in building a home.

The payment helps to ensure that people accessing land under the land rent scheme are fully committed to building on their block and are aware of the financial implications associated with building a new home.

## Land Rent Security Payment Frequently Asked Questions

**Do I need to make a payment upfront to enter the land rent scheme?**

Yes. The Government introduced a land rent security payment on 18 February 2013.

Under the old scheme, the amount of the security payment was \$10,000 for standard land rent lessees, and \$2,000 for lessees eligible for discounted land rent rate. In the new scheme it is \$2,000.

The security payment is not a deposit but security against the costs that are associated with holding and re-selling the block if the purchaser does not proceed with the contract.

Upon settlement, the security amount will be transferred to the ACT Revenue Office and credited against future land rent payable.

**Why has the Government introduced a land rent security payment?**

The security payment has been introduced to discourage land speculation and make sure that land sold by the LDA goes to those people who are genuinely interested in building a home.

The security payment will assist in ensuring that people accessing land under the land rent scheme are committed to building on their block and are aware of the financial implications associated with building a new home.

**When will the security payment come into effect?**

The land rent security payment too effect on 18 February 2013 **Is the security payment a deposit?**

No. The security payment protects the LDA in the event that a person enters into a contract for the purchase of land and, in breach of the contract, refuses to complete the purchase. The security payment will be retained by the LDA to offset the costs of holding and re-selling the land.

**What happens if I change my mind?**

The security payment is non-refundable if you have entered a contract to buy the land and later change your mind.

Should you terminate the contract without good reason, the security payment will be retained in full by the Territory and used to cover the costs of holding and re-selling the land.

**How much is the security payment?**

Under the old land rent scheme, the security payment was \$10,000 per block under a land rent lease. If you were eligible for the discounted rate the LDA would waive 80 per cent of the security payment and you were only required to provide a security payment of \$2,000.

Under the new scheme which applies to contracts exchanged with the LDA on or after 1 October 2013, the security payment is \$2,000.

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**What happens to the security payment after I settle?**

As a condition of sale, you authorise the LDA to apply the security payment to your land rent account for your block. The security payment will count towards the first year of land rent, meaning there will be no additional administrative hurdles or extra costs incurred by genuine purchasers.

**What happens to the payment if I later purchase (pay out) my land rent block?**

If, after settlement, you purchase (pay out) the land rent block and your land rent account is in credit, the amount in credit will be paid back to you by the ACT Revenue Office after the purchase has been finalised.

**What happens to the payment if I transfer my land rent block?**

If you transfer the land rent block and your land rent account is in credit, this would normally be taken into account as part of the settlement process, in the same way that rates payments are handled. If the buyer and seller do not make such an arrangement, the ACT Revenue Office can issue a refund if required.

**When is the payment due?**

The security payment is paid at the time you sign a contract for the block with the LDA.

**Can my security payment/land rent credit be considered as security/collateral when applying for a mortgage to build on my land rent block?**

This is a matter between you and your lender, however, your lender is unlikely to treat the security payment as security in respect of a mortgage.

**Can I choose to have the security payment refunded after settlement rather than transferred to my land rent account with the ACT Revenue Office?**

No.

**Is a security payment required if I'm purchasing a land rent home off a private owner or as a house and land package?**

No, because the lease will have been granted.

The security payment remains with the LDA until the block has settled. It is then transferred to the ACT Revenue Office and credited towards the first year's land rent payment.

You should ensure that any land rent credit is taken into account during negotiations for the purchase.



## Available Finance

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The following financial institutions are offering finance to approved applicants for the construction of homes on land rent blocks:

- Beyond Bank Australia  
For more information, or to apply for a loan please call, 13 25 85 or email:  
<http://www.beyondbank.com.au/personal-banking/home-loans/land-rent-scheme.html>
- bankmecu For more information, or to apply for a loan please call (02) 6120 5704  
or email: Bankmecu
- Police Bank  
For more information, or to apply for a loan please call (02) 6206 7000 or email:  
Police Bank

## CIT Information Sessions

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To make a booking or for further information on the information sessions:

- Email: Canberra Institute of Technology or Phone: (02) 6207 3188 (+61 International)