

First Home Buyer Choice (Property tax)

First home buyers can choose to pay upfront stamp duty or a smaller annual property tax and lower their upfront costs.

What is First Home Buyer Choice?

The NSW Government is helping first home buyers achieve their dream of owning a home by giving them a choice to lower upfront costs.

Eligible first home buyers of properties **up to \$1.5 million** can now choose to pay a smaller annual property tax **instead of an upfront transfer duty** (previously known as stamp duty). The property tax is only available to first home buyers who choose it and will be payable for as long as they own the property.

Existing transfer duty exemptions and concessions for first home buyers will continue to apply for eligible purchases of up to \$800,000.

If you are eligible, **you can choose** between:

- paying transfer duty based on the purchase price or current market value of your property, whichever is higher; or
- paying a smaller annual property tax based on the land value and use of the property.

NB: Once you are the owner of the property you are not able to change your mind.

Eligibility

To be eligible:

- ✓ you must be an individual (not a company or trust)*
- ✓ you must be 18 years old or over*
- ✓ 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

- ✓ you must move into the property within 12 months of settlement and live in it continuously for at least six months
- ✓ you must commence building your home within two years of settlement if you purchase vacant land and complete the build within five years of settlement. Within 12 months of the completion of the build you must move into the property for a continuous period of six months. The land must not be used for any other purpose during this time.
- ✓ you must sign the contract on or after **11 November 2022** (off-the-plan purchases outlined below).

*The Chief Commissioner of State Revenue may waive this requirement upon application. Contact Revenue NSW on 1300 135 195 for more information.

Properties eligible to opt into property tax

- A new or existing home in NSW with a value up to **\$1,500,000**; or
- Vacant land in NSW, on which you intend to build your first home, with a value up to **\$800,000**.

Properties not eligible to opt into property tax

- Primary production land
- Land used for business or a business premises
- Holiday homes.

Off-the-plan purchases

First home buyers who signed an off-the-plan purchase contract on or after 11 November 2021 can opt-in to property tax, provided the purchase has not settled before 11 November 2022. Contact Revenue NSW on 1300 135 195 for more information.

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How is property tax calculated?

Property tax is calculated using the **land value** of the property. This is the value of your land only. Your home, or any additional structures or improvements you may have made, are not considered when the property is valued.

The property tax rates for the 2022–23 and 2023–24 financial years will be:

- ✓ Owner-occupiers: **\$400 + 0.3 per cent** of the land value.
- ✓ Residential investors: **\$1,500 + 1.1 per cent** of the land value.

The above rates (both the fixed dollar amount and the percentage rate) will be indexed annually from the 2024–25 financial year but the homeowner's year-on-year increase in property tax payments is capped at four per cent.

Compare the estimated property tax and transfer duty using the **First Home Buyer Choice Calculator** on the Service NSW website: fhbcalculator.service.nsw.gov.au

Example:

If a first home buyer bought a **\$1 million house** and sold it **10 years later**, the annual property payments over the 10 years would total **\$19,881 in present value** terms compared with **\$40,090** in upfront transfer duty. **That's a saving of \$20,209.**

If a first home buyer bought an apartment for **\$799,000** and sold it **7 years later**, the annual property payments over the 7 years would total **\$7,221 in present value** terms compared with **\$30,883** in upfront transfer duty. **That's a saving of \$23,662.**

What happens when I sell the property?

Property tax applies only to the first home buyer purchases. Any outstanding property tax must be paid by the seller prior to transfer. The property itself is not locked into property tax for subsequent purchases, so there is no effect on the resale value. The next buyers will either pay transfer duty, or if they are an eligible first home buyer, choose between upfront transfer duty or a smaller annual property tax.

How to opt in

You will be required to complete an application form and supply all supporting evidence to your conveyancer or solicitor who will lodge your application with Revenue NSW.

Transitional period

Eligible first home buyers who sign a contract between 11 November 2022 and 15 January 2023 will be able to opt into the property tax.

Applications to choose the property tax can be made at any time between 16 January 2023 and 30 June 2023. Note the following:

- ✓ If settlement occurs on or before 15 January 2023, first home buyers will need to pay transfer duty, and then apply for a refund of the transfer duty after 16 January via an online portal on the Revenue NSW website.
- ✓ If settlement occurs on or after 16 January 2023, and the first home buyer has chosen property tax, they will not need to pay transfer duty.

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Contact numbers

General enquiries for purchasers

1300 135 195

Support for conveyancing professionals

1300 308 863

Support for retrospective refunds (professionals and purchasers)

1300 139 814

For **more information** on FHBC, including a FHBC **calculator** and to **register** for key updates on the initiative, please scan the **QR code** below or visit nsw.gov.au/initiative/first-home-buyer-choice

