Land Tax & Metropolitan Region Improvement Tax – The Forgotten Holding Costs

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Land Tax & Metropolitan Region Improvement Tax (MRIT) – The Forgotten Holding Costs

When considering the purchase of property, investors usually consider the common holding costs, such as interest, rates, and insurance. Land Tax and MRIT are often overlooked.

Land Tax & MRIT are annual taxes on the unimproved value of land, other than land used as your principal place of residence or in a primary production business, such as farmland.

Land Tax and MRIT are calculated on the aggregated value of all land held in the same ownership at midnight on 30 June.

The rate of Land Tax differs according to the aggregated value of the land.

Aggregated value of land	**Rate of Land Tax**
$0 - $300,000	Nil
$300,001 - $420,000	Flat rate of $300
$420,000 - $1,000,000	$300 + 0.25 cent for each $1 in excess of $420,000
$1,000,000 - $1,800,000	$1,750 + 0.90 cent for each $1 in excess of $1,000,000
$1,800,000 - $5,000,000	$8,950 + 1.80 cents for each $1 in excess of $1,800,000
$5,000,000 - $11,000,000	$66,550 + 2.00 cents for each $1 in excess of $5,000,000
$11,000,000 +	$186,550 + 2.67 cents for each $1 in excess of $11,000,000

MRIT is imposed on property in the Perth metropolitan region with a Land Tax liability and is calculated at a rate of 0.14 cents for every dollar of aggregated value in excess of $300,000.

For example, if you own two properties with unimproved land values of $300,000 and $400,000, the State Government will combine these values and assess tax on $700,000. The tax will be:

Land Tax $1,000

MRIT $560

Total $1,560

When purchasing your next property, consider what name you buy it in and the impact this will have on Land Tax and MRIT. The critical issue here is that both taxes are based on the aggregated land value in the same ownership.

For example:

If Mr Bloggs owns Property 1 ($300K) and Property 2 ($400K) he will pay $1,560.

If Mr Bloggs owns Property 1 ($300K) and Mrs Bloggs owns Property 2 ($400K) he will pay $0 and she will pay $440 – a saving of $1,120 per annum.

If Mr Bloggs owns Property 1 ($300K) and Mr & Mrs Bloggs jointly own Property 2 ($400K) he will pay $0 and they will pay $440 – a saving of $1,120 per annum.

If Mr Bloggs owns Property 1 ($300K) and Mr Bloggs owns Property 2 ($400K) as trustee for the Bloggs Family Trust he will pay $0 and the Trust will pay $440 – a saving of $1,120 per annum.

If you are currently paying hefty Land Tax & MRIT bills, then a restructure of the legal ownership of your properties may provide some relief, however Transfer Duty, Capital Gains Tax, and estate planning will also need to be considered.

Also, remember that the tax assessment is based on property owned at midnight on 30th June, which is worth considering if you are buying or selling property around the end of the financial year.

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