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Public Ruling Duties Act:

CONCESSION FOR HOMES AND FIRST HOMES—OCCUPANCY REQUIREMENTS

A public ruling, when issued, is the published view of the Commissioner of State Revenue (the Commissioner) on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue(s) it addresses. Where a change in legislation or case law (the law) affects the content of a public ruling, the change in the law overrides the public ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant or exemption, as the case may be, in accordance with the law.

What this ruling is about

1. This public ruling clarifies the Commissioner's interpretation of the *Duties Act 2001* (Duties Act) in relation to:
 - (a) transfer date
 - (b) occupation date, in particular what is meant by the term 'principal place of residence'
 - (c) the circumstances in which a reassessment will be issued.
2. Chapter 2 Part 9 of the Duties Act provides concessions for transfer duty for a dutiable transaction that is one of the following (each a relevant transaction):
 - (a) the transfer, or agreement for the transfer, of a home, first home, or vacant land on which a first home is to be constructed
 - (b) the acquisition, on its creation, grant or issue, of a new right that is a lease
 - (i) of residential land on which a home or first home is constructed or of vacant land on which a first home is to be constructedand
 - (ii) for which a premium, fine or other consideration is payable (a home or vacant land lease)

- (c) the vesting, under s.9(1)(d) of the Duties Act, of a home or first home or of vacant land on which a first home is to be constructed.¹
3. A residence is a person's home if the person's occupation date for the residence is within one year after the person's transfer date for the residential land.²
4. A home is a person's first home if, before acquiring the home:
- (a) the person did not hold, and never before held, an interest in other residential land³ in Queensland or elsewhere other than
 - (i) as trustee for another person
 - (ii) as lessee
 - (iii) as the holder of a security interestand
 - (b) the person was not, and had never been, a vacant land concession beneficiary⁴ in relation to land other than the residential land on which the residence is constructed.⁵
5. A residence that is to be constructed on vacant land⁶ is a person's first home if both the following apply.
- (a) The person's occupation date for the residence is within two years after the person's transfer date for the vacant land.
 - (b) Before acquiring the vacant land:
 - (i) the person did not hold, and never before held, an interest in residential land in Queensland or elsewhere other than
 - (A) as trustee for another person
 - (B) as lessee
 - (C) as the holder of a security interestand

¹ Section 85 of the Duties Act

² Section 86(1) of the Duties Act

³ Section 86A of the Duties Act defines 'residential land' to be land, or the part of land, on which a residence is constructed, and includes the curtilage attributable to the residence if the curtilage is used for residential purposes.

⁴ Defined in s.86D of the Duties Act

⁵ Section 86(2) of the Duties Act. Paragraph 3(a)(ii) does not apply to the interest in land of a lessee of a lease of residential land on which a home or first home is constructed and for which a premium, fine or other consideration is payable.

⁶ Section 86C of the Duties Act defines that a person's land is 'vacant land' if a residence is to be constructed on the land, and when the person acquired the land, there was no building or part of a building on the land.

- (ii) the person was not, and had never been, a vacant land concession beneficiary in relation to land other than the vacant land on which the residence is to be constructed.⁷
- 6. A person's occupation date for a residence is the date the person, as owner of the residence⁸, starts occupying it as the person's principal place of residence.⁹ For a transferee who acquired an accommodation unit in a retirement village and is required to enter into a retirement village leasing arrangement¹⁰, a reference to a person occupying a residence as owner of the residence includes a transferee occupying the unit under the sublease.¹¹
- 7. A person's transfer date for residential land or vacant land is the date the person is entitled to possession of the land under the dutiable transaction that is the relevant transaction.¹²
- 8. Sections 91–94A of the Duties Act outline how the concessional duty will be calculated.
- 9. In circumstances where the occupancy requirements¹³ are not met, Chapter 2 Part 14 of the Duties Act (ss.153–155) provides for a reassessment of duty to disallow the concession, in full or in part.

Ruling and explanation

Transfer date—entitled to possession

- 10. A person's transfer date is the date that the person is entitled to possession of the land under the dutiable transaction that is the relevant transaction.
- 11. The date that a person is entitled to possession is a question of fact that is to be determined by reference to the terms of the instrument evidencing the relevant transaction.
- 12. In the absence of a specific provision in the instrument to the contrary, the phrase 'entitled to possession' is interpreted to mean entitled to receive the rents and profits of the property.
- 13. In the case of a standard REIQ contract of sale, possession is usually given on completion of the contract when, in exchange for the balance purchase price, the following are delivered to the purchaser:
 - (a) the instrument of title
 - (b) the unstamped transfer

⁷ Section 86B of the Duties Act. Paragraph 4(b)(i)(B) does not apply to the interest in land of a lessee of a lease of residential land on which a home or first home is constructed and for which a premium, fine or other consideration is payable.

⁸ Owner of a residence or vacant land includes the lessee of a lease, mentioned in paragraph 1(b), of the land on which the residence is constructed or is to be constructed: Schedule 6 of the Duties Act.

⁹ Section 88 of the Duties Act

¹⁰ Defined in the Dictionary in Schedule 6 of the Duties Act

¹¹ Sections 88 and 95A of the Duties Act

¹² Section 89 of the Duties Act

¹³ Defined in the Dictionary in Schedule 6 of the Duties Act

- (c) any keys
- (d) any tenancy documents.

Occupation date—principal place of residence

14. A person's occupation date for a residence is the date the person, as owner of the residence, starts occupying it as the person's principal place of residence. For a transferee who acquired an accommodation unit in a retirement village and is required to enter into a retirement village leasing arrangement, a reference to a person occupying a residence as owner of the residence includes a transferee occupying their accommodation unit in a retirement village under a sublease in a retirement village leasing arrangement.¹⁴
15. The issue of whether a residence is a person's principal place of residence is a question of fact and must be determined with regard to the individual circumstances of each case.
16. The following factors may be relevant in determining whether or not a residence is a person's principal place of residence:
 - (a) whether the person who acquired the property has moved his or her personal belongings into the dwelling
 - (b) the place of residence of the person's family
 - (c) the extent of time the person 'lives' in the dwelling
 - (d) the address to which the person has his or her mail delivered
 - (e) the name of the person liable to account for the payment of utilities (e.g. electricity, gas and telephone) connected to the dwelling
 - (f) the address of the person on electoral rolls.
17. The relevance and weight of each factor will depend on the individual circumstances of each case.

Circumstances that will result in partial loss of the concession

18. Section 153 of the Duties Act provides for the partial removal of the concession if all the following apply.
 - (a) Transfer duty on the dutiable transaction has been assessed on the basis of a concession for a home, first home or vacant land on which a first home is to be constructed.

¹⁴ Sections 88 and 95A of the Duties Act

- (b) The transferee, lessee or vested person for the land disposes of the land, other than because of an intervening event¹⁵, within one year of their occupation date for the residence, by:
- (i) transferring part or all of it
 - or
 - (ii) leasing or otherwise granting exclusive possession of part or all of it to another person
 - or
 - (iii) for a home or vacant land lease—surrendering the lease.
19. For the purposes of s.153 of the Duties Act, the following circumstances are deemed not to constitute a disposal of the land:
- (a) The transferee, lessee or vested person transfers part of the land to their spouse, and the transfer is exempt from transfer duty under s.151 of the Duties Act.¹⁶
 - (b) The transferee or vested person, in respect of an accommodation unit in a retirement village, enters into a retirement village leasing arrangement for that unit.¹⁷
20. The proportion of the concession removed reflects the extent to which the transferee, lessee or vested person failed to retain ownership or exclusive possession of all or part of the residence for one year.

Example 1

Clara and Dimitri acquire a home for \$350,000. Under the terms of the agreement, the transfer date is 2 March. They are to commence occupation of the property as their principal place of residence on 5 March. An application made for the home concession is approved. The transfer duty applicable to the transaction is \$3,500.

If Clara and Dimitri had not received the benefit of the concession, the transfer duty payable would have been \$10,675. Therefore the concession benefit was \$7,175 (\$10,675 – \$3,500).

Due to an employment opportunity overseas, Clara and Dimitri arrange for the property to be rented. The lease commences on 8 October of the same year.

As the transferees have leased the property within one year after their occupation date, the reassessment provision (s.153) will be triggered and the concession benefit will be reduced.

The number of days that Clara and Dimitri occupied the property as their principal place of residence was 218 days (5 March to 8 October, inclusive). The formula for calculating the further transfer duty payable is contained in s.153(2) of the Duties Act. It is the proportion of the concession benefit received

¹⁵ Defined in the Dictionary in Schedule 6 of the Duties Act

¹⁶ Section 153(1A) of the Duties Act

¹⁷ Section 153(1B) of the Duties Act

that reflects the number of days that Clara and Dimitri fail to satisfy the occupancy requirements. In this instance, the number of days they failed to satisfy the occupancy requirements is 147 days (365 – 218).

Therefore the further transfer duty payable is \$2,889.65 ($\$7,175 \times 147 \div 365$).

Example 2

Xavier and Yolanda acquire a residence for \$300,000. Under the terms of the agreement, the transfer date is 9 May. They are to commence occupation of the property as their principal place of residence on 10 May. An application made for the home concession is approved. The transfer duty applicable to the transaction is \$3,000.

If Xavier and Yolanda had not received the benefit of the concession, the transfer duty payable would have been \$8,925. Therefore the concession benefit was \$5,925 ($\$8,925 - \$3,000$).

On 8 July of the same year, Xavier's grandmother, Zara, takes up occupation of a self-contained unit attached to the residence. Zara pays \$100 a week for exclusive use of the unit.

As Xavier and Yolanda have granted exclusive possession of part of the property within one year of their occupation date, the reassessment provision (s.153) will be triggered and the concession benefit will be reduced.

The number of days that Xavier and Yolanda occupied the property as their principal place of residence was 60 days (10 May to 8 July, inclusive).

The formula for calculating the further transfer duty payable is contained in s.153(2) of the Duties Act. It is the proportion of the concession benefit received that reflects the number of days that Xavier and Yolanda fail to satisfy the occupancy requirements. In this instance, the number of days they failed to satisfy the occupancy requirements is 305 days (365 – 60).

Therefore the further transfer duty payable is \$4,951.03 ($\$5,925 \times 305 \div 365$).

Example 3

Gerry and Henry acquire, for \$360,000, vacant land on which their first home is to be constructed. The transfer date for the vacant land is 1 September. They satisfy the conditions for a concession for a first home in relation to the acquisition of the vacant land, and an application for a concession is approved. The transfer duty applicable to the transaction is \$1,060.

If Gerry and Henry had not received the benefit of the first home vacant land concession, the transfer duty payable would have been \$11,025. The concession benefit was \$9,965 ($\$11,025 - \$1,060$).

A residence is constructed on the vacant land, and Gerry and Henry commence occupation of the property as their principal place of residence on 1 March.

On 1 May, they enter into an agreement to sell the property. The agreement settles on 30 May.

As Gerry and Henry have transferred the property within one year after their occupation date (1 March), the reassessment provision (s.153) will be triggered and the concession will be reduced.

The number of days that Gerry and Henry occupied the property as their principal place of residence was 91 days (1 March to 30 May, inclusive).

The formula for calculating the further transfer duty payable is contained in s.153(2) of the Duties Act. It is the proportion of the concession benefit received that reflects the number of days that Gerry and

Henry fail to satisfy the occupancy requirements. In this instance, the number of days they failed to satisfy the occupancy requirements is 274 days (365 – 91).

Therefore the further transfer duty payable is \$7,480.58 ($\$9,965 \times 274 \div 365$).

Example 4

On 1 July, Julius and Kiana enter into a long-term sublease of residential land and pay a premium of \$300,000. Under the terms of the sublease, the transfer date is 30 July. Julius and Kiana are to commence occupation of the property as their principal place of residence on 31 July. An application made for the home concession is approved. The value of the interest acquired in the land is \$300,000. The transfer duty applicable to the transaction is \$3,000.

If Julius and Kiana had not received the benefit of the home concession, the transfer duty payable would have been \$8,925. Therefore the concession benefit was \$5,925 ($\$8,925 - \$3,000$).

On 5 November of the same year Julius and Kiana surrender the sublease.

As they have surrendered the sublease within one year of their occupation date, the reassessment provision (s.153) will be triggered and the concession benefit will be reduced.

The number of days that Julius and Kiana occupied the property as their principal place of residence was 98 days (31 July to 5 November, inclusive).

The formula for calculating the further transfer duty payable is contained in s.153(2) of the Duties Act. It is the proportion of the concession benefit received that reflects the number of days that Julius and Kiana fail to satisfy the occupancy requirements. In this instance, the number of days they failed to satisfy the occupancy requirements is 267 days (365 – 98).

Therefore the further transfer duty payable is \$4,334.17 ($\$5,925 \times 267 \div 365$).

Circumstances where the full concession will be removed

21. Section 154 of the Duties Act provides that a reassessment to remove the concession in its entirety will be triggered where both the following apply.
- (a) The transfer duty on a relevant transaction has been assessed on the basis of a concession for a home, first home or vacant land on which a first home is to be constructed.
 - (b) Either of the following happens other than because of an intervening event¹⁸:
 - (i) Before the occupation date, the transferee, lessee or vested person disposes of the land, subject to the exceptions outlined in paragraph 23, by
 - (A) in the case of a home or vacant land lease—the lessee surrendering the lease
 - (B) transferring, leasing or otherwise granting exclusive possession of, part or all of the land to another person

¹⁸ Defined in the Dictionary in Schedule 6 of the Duties Act

- (C) acquiring the land subject to a lease, granted before the transfer date, over all or part of the land.
 - (ii) The transferee, lessee or vested person fails to take up occupation within one year after the transfer of the residential land, or within two years after the transfer date of the vacant land on which a residence is to be constructed, as the case may be.¹⁹
22. The reassessment will impose transfer duty as if the concession had never applied to the transferee, lessee or vested person.²⁰

Exceptions

23. The following circumstances do not constitute a disposal for the purposes of s.154 of the Duties Act.
- (a) Where another person (the occupier) has exclusive possession of the land before the occupation date and the occupier either:
 - (i) is the transferor of the land or the owner of the land immediately before the vesting, and vacates the land as soon as reasonably practicable or within six months of the transfer date, whichever is the earlier
 - (ii) has exclusive possession of the land under a lease granted before the transfer date and vacates the land on the termination of the current term of the lease referred to in paragraph 21(b)(i)(C) or within six months after the transfer date, whichever is the earlier.²¹
 - (b) The transferee, lessee or vested person transfers part of the land to their spouse and the transfer is exempt from transfer duty under s.151 of the Duties Act.²²
 - (c) The transferee or vested person, in respect of an accommodation unit in a retirement village, enters into a retirement village leasing arrangement for that unit.²³

Example 5

On 31 January, Mark and Naomi enter into a contract for the purchase of a home for \$500,000. The contract is subject to a pre-existing lease that has four months remaining (i.e. the end of the current term will be 31 May). The transfer date is 1 March. Transfer duty was assessed at the home concessional rate.

The acquisition of the home subject to the lease will not be considered a disposal provided that the existing tenant vacates the land by 31 May, being the earlier of the termination of the current lease and six months from the transfer date.

If the tenants do not vacate by 31 May, Mark and Naomi will be considered to have disposed of the property. Consequently a reassessment will be required on the basis that the home concession never applied.

¹⁹ Section 154(1) and (2) of the Duties Act

²⁰ Section 154(3) of the Duties Act

²¹ Section 154(2AA) of the Duties Act

²² Section 154(2A) of the Duties Act

²³ Section 154(2B) of the Duties Act

Claims for concession subsequent to assessment

24. Where circumstances prevent a transferee, lessee or vested person claiming the concession at the time of assessment of transfer duty (for example, the transferee was not aware they were eligible to claim the concession), a claim for the concession may be made in the approved form. Subject to the limitation period²⁴ under the *Taxation Administration Act 2001* (Administration Act), a reassessment under s.17 of the Administration Act will be made to allow the concession only where the following occupancy requirements have been or will be met.
25. That is, a reassessment will be made to allow the concession provided the transferees, lessees or vested persons:
- (a) will start to occupy the residence as their principal place of residence within one year after the transfer date in the case of residential land, or within two years after the transfer date in the case of vacant land
- and
- (b) have not transferred, leased or otherwise granted exclusive possession of the residential land or vacant land (except in the circumstances outlined in paragraphs 19 and 23) between the transfer date and the occupation date.
26. Where both of these conditions are not met, the concession will not be allowed as the use of the property would not be consistent with acquiring the property as a principal place of residence.

Example 6

Ed and Francesca acquire a residence for \$350,000. The transfer date is 2 March. At the time of the assessment they did not claim the first home concession because they intended to use the residence as an investment property.

On 2 November of the same year the tenants moved out, and Ed and Francesca commenced occupation of the residence as their principal place of residence. Even though their occupation date is within one year after the transfer date, the concession will not be allowed as the land was leased between the transfer date and occupation date. The use of the property as an investment is inconsistent with the purchase of the property as a principal place of residence.

Date of effect

27. This public ruling takes effect from 1 July 2024.

Simon McKee
Commissioner of State Revenue
Date of issue: 19 June 2024

²⁴ The limitation period for a reassessment means five years after the assessment notice for the original assessment was given: Schedule 2 of the Administration Act.

References

| Public Ruling | Issued | Dates of effect | |
|-------------------------------------|------------------|------------------|------------------|
| | | From | To |
| DA085.1.7 | 19 June 2024 | 1 July 2024 | 9 September 2024 |
| DA085.1.6 | 12 December 2016 | 12 December 2016 | 30 June 2024 |
| DA085.1.5 | 3 July 2012 | 1 July 2012 | 11 December 2016 |
| DA085.1.4 | 12 August 2011 | 1 August 2011 | 30 June 2012 |
| DA085.1.3 | 15 April 2010 | 15 April 2010 | 31 July 2011 |
| DA085.1.2 | 3 July 2009 | 1 July 2009 | 14 April 2010 |
| DA085.1.1 | 24 February 2009 | 24 February 2009 | 30 June 2009 |
| Supersedes Revenue Ruling DA 2.4 | 22 January 2009 | 22 January 2009 | 23 February 2009 |