



## ACT Revenue Office Department of Treasury

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### Land Rent Notice

**Important Note:** The following information is provided as a general guide to the land rent scheme, is dependant on the passage of the Land Rent Bill 2008 by the ACT Legislative Assembly and may be subject to change.

The ACT Government has announced that it will implement a land rent scheme as part of the Affordable Housing Action Plan. The scheme (proposed to commence on 1 July 2008) will provide households with the option of renting the land rather than purchasing the land outright.

Under the scheme, purchasers of a single dwelling residential block (previously unleased land) sold by the Land Development Agency (LDA) will have the option of applying for the crown lease to be issued as a land rent lease. The advantage for potential lessees taking up this option will be that the upfront costs associated with owning a house are reduced as lessees will not need to finance the cost of the land. Lessees will only need to finance the costs associated with the transfer of the land (such as duty) and the construction of the home.

Initially, access to the scheme will be restricted to people meeting the eligibility criteria for the discount rate of land rent. The eligibility criteria for a discounted land rent lease are as follows:

1. the total annual income of all lessees must not exceed \$75,000;
2. lessees cannot own any other real property; and
3. at least one of the lessees must reside in the property once a certificate of occupancy has been issued.

Additionally, each applicant must attend a **mandatory** information session run by the Canberra Institute of Technology (CIT) prior to applying for a land rent lease. The CIT courses are expected to commence in June 2008, and further information including the dates, times and venues will be provided when available.

The discount rate of rent is a percentage of the Unimproved Value of the leased land and will be set by Disallowable Instrument. The proposed rate will be set at **2%**.

An annual review of the lessees' income will be conducted to determine continuing eligibility for the discounted land rent.



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The standard rate of land rent (4% of the Unimproved Value) applies where the applicant is no longer eligible for the discount land rent for any one of the following reasons:

1. their total income exceeds the income threshold;
2. the lessees fail to take up residency;
3. all the lessees move out of the property; or
4. any one of the lessees purchases other real property.

To protect lessees from large rental increases attributed to increases in unimproved land values, annual rent increases will be capped to wages growth. Land rent will be payable fortnightly.

Lessees will have the option of converting the land rent lease to a normal crown lease with a nominal rent at any time. It should be noted that the amount required to convert the lease from a land rent lease to a normal crown lease, will be based on the unimproved market value of the property at the time of conversion and not the original purchase price. Land rent payments **do not** contribute towards the amount required to convert the lease from a land rent lease.

It should also be noted that duty will apply to the land rent lease on the same basis as applies to the grant of a crown lease, that is the higher of the consideration payable or the unencumbered value. Unencumbered value assumes that the consideration for the lease is or was to be paid as a lump sum. The dutiable value is not reduced by virtue of the lessees taking a land rent option.