Understanding stamp duty

You know what they say about death and taxes. The cost of property is expensive enough for most buyers without the added cost of a tax tagged on to the asking price. That said, the money collected from stamp duty does contribute to society and although we don't like forking out the often large wad of folding ones, stamp duty is a fact of life when buying a property in Australia.

What is stamp duty?

At a basic level, stamp duty is a tax imposed on numerous acquisitions, including selling real estate, cars and assets belonging to a business. It can also be imposed on home loans, gifts and some insurance. Depending on the circumstance, this tax can be paid by the purchasers or the borrower at a flat rate or based on the value of the transaction. When buying real estate it is paid by the purchaser.

When do you have to pay stamp duty?

It's a legal requirement that stamp duty is paid within 30 days of the property transaction, which for real estate means within 30 days of settlement of the property.

Who pays stamp duty?

All transfers of land, or sales of property, including gifts of property attract a duty. There are, however, some exemption or concessions that may apply within certain states.

Some of the concessions that are available are for:

- Pensioners
- Deceased estates
- First home buyers
- Family farms
- Young farmers
- Principle place of residence
- Off-the-plan sales

More information can be found on the state or territory governments' websites.

Why is stamp duty different state to state?

The Australian Federal Government doesn't levy stamp duty, instead this is done by the state and territory governments. And to make it even more confusing, every state has a different levy. However, it is generally based on the greater of two factors - the market value of the property or the price paid (including any GST) for the property.