



AFFORDABLE HOUSING ACTION PLAN

ACT LAND RENT SCHEME - FREQUENTLY ASKED QUESTIONS **LAND RENT SECURITY PAYMENT**

Do I need to make a payment upfront to enter the land rent scheme?

Yes. As of 18 February 2013 a land rent security payment will be required in respect of all land rent blocks.

The amount of the security payment is \$10,000 for standard land rent lessees, reduced to \$2,000 for lessees eligible for discounted land rent rate.

The security payment is not a deposit but security against the costs that are associated with holding and re-selling the block if the purchaser does not proceed with the contract.

Upon settlement, the security amount will be transferred to the ACT Revenue Office and credited against future land rent payable.

Why has the Government introduced a land rent security payment?

The security payment has been introduced to discourage land speculation and make sure that land sold by the LDA goes to those people who are genuinely interested in building a home.

The security payment will assist in ensuring that people accessing land under the land rent scheme are committed to building on their block and are aware of the financial implications associated with building a new home.

When will the security payment come into effect?

This change will take effect on 18 February 2013 and will not apply to people who already have appointments with the LDA to purchase under the land rent scheme and have signed contracts before 18 February 2013.

Is the security payment a deposit?

No. The security payment protects the LDA in the event that a person enters into a contract for the purchase of land and, in breach of the contract, refuses to complete the purchase. The security payment will be retained by the LDA to offset the costs of holding and re-selling the land.

What happens if I change my mind?

The security payment is non refundable if you have entered a contract to buy the land and later change your mind.

Should you terminate the contract without reason, the security payment will be retained in full by the Territory and used to cover the costs of holding and re-selling the land.

How much is the security payment?

The security payment will be \$10,000 per block under a land rent lease. If you are eligible for the discounted rate the LDA will waive 80% of the security payment and you will only be required to provide a security payment of \$2,000.

How will I know if I'm eligible for a discounted rate at the time of sale?

You will be eligible for discounted land rent if you meet the eligibility criteria set out in the *Land Rent Act 2008*. As at 1 July 2012, to be eligible for the discounted rate:

- the total annual income of all lessees must be \$89,100 or under (this limit increases by \$3,330 for each dependent child up to a maximum of \$105,750 for five or more children);
- lessees cannot own any other property in any State or Territory in Australia; and
- at least one of the lessees must reside in the property once a home has been built and a Certificate of Occupancy has been issued.

Please note that the eligibility criteria will be updated in July each year. For the most up to date information on the criteria, please contact the ACT Revenue Office (http://www.revenue.act.gov.au/home_buyer_assistance/land_rent_scheme).

You will be asked to sign a statutory declaration indicating that you genuinely believe that you meet these eligibility criteria. Making an untrue declaration is a serious matter and may result in criminal prosecution.

How was the amount of the security payment calculated?

The \$10,000 reflects the reasonable costs the LDA anticipates in holding and preparing the land for re-sale should you fail to complete the contract.

The LDA's costs in relation to a discounted land rent lease that you fail to complete are still around \$10,000. However, the LDA will waive 80% of these costs in such instances, and will only retain the \$2,000 security payment in settlement of its costs.

The policy of waiving all but \$2,000 has been set to ensure that the security payment does not inhibit the ability of a person or family eligible for the discounted rate to secure a block.

What happens to the security payment after I settle?

As a condition of sale, you authorise the LDA to apply the security payment to your land rent account for your block. The security payment will count towards the first year of land rent, meaning there will be no additional administrative hurdles or extra costs incurred by genuine purchasers.

What happens to the security payment if I later purchase (pay out) my land rent block?

If, after settlement, you purchase (pay out) the land rent block and your land rent account is in credit, the amount in credit will be paid back to you by the ACT Revenue Office after the purchase has been finalised.

What happens to the security payment if I transfer my land rent block?

If you transfer the land rent block and your land rent account is in credit, this would normally be taken into account as part of the settlement process, in the same way that rates payments are handled. If the buyer and seller do not make such an arrangement, the ACT Revenue Office can issue a refund if required.

When is the security payment due?

The security payment is paid at the time you sign a contract for the block with the LDA.

What happens if I become eligible for the discounted rate after I have paid the full security payment?

Your security payment will not be refunded, however you may apply to the ACT Revenue Office to pay the discounted rate of land rent and your security payment amount will be credited towards your land rent account to meet future land rent payments.

What happens if I cease to be eligible for the discounted rate after I have paid the discounted security payment (but before settlement)?

If your circumstances change, you should inform the LDA as soon as possible. Generally speaking where the change is either unforeseen or beyond your control (including a pay rise, promotion or other change of income) the LDA will not make any changes to your security payment requirements.

Can my security payment/land rent credit be considered as security/collateral when applying for a mortgage to build on my land rent block?

This is a matter between you and your lender, however, your lender is unlikely to treat the security payment as security in respect of a mortgage.

Can I choose to have the security payment refunded after settlement rather than transferred to my land rent account with the ACT Revenue Office?

No.

I attended the CIT course before this requirement was introduced. Is my certificate still valid?

Yes. However, you should ensure that you are fully aware of the new requirements and any impacts they may have on your personal circumstances. Unless you have already made an appointment to purchase under the land rent scheme and enter into a contract before 18 February 2013, you will need to pay the security payment.

Is a security payment required if I'm purchasing a land rent home off a private owner or as a house and land package?

No, because the lease will have been granted.

The security payment remains with the LDA until the block has settled. It is then transferred to the ACT Revenue Office and credited towards the first year's land rent payment.

You should ensure that any land rent credit is taken into account during negotiations for the purchase.