

# GST and property

Helps you apply GST correctly when dealing with property sales and transactions.



For more information  
visit [www.ato.gov.au](http://www.ato.gov.au)



---

## OUR COMMITMENT TO YOU

We are committed to providing you with advice and guidance you can rely on, so we make every effort to ensure that our publications are correct.

If you follow our guidance in this publication and it turns out to be incorrect or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our advice and guidance in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

You are protected under GST law if you rely on any GST advice in this publication. If you rely on this advice and it later changes, you will not have to pay any extra GST for the period up to the date of the change.

If you feel that this publication does not fully cover your circumstances or you are unsure how it applies to you, you can seek further assistance from us.


We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

This publication was current at **July 2009**.

## TERMS WE USE

When we say:

- **property**, we are referring to the GST term **real property**
- **sale** or **sell**, we are referring to the GST term **supply**
- **purchase** or **buy**, we are referring to the GST term **acquisition**
- **GST credit**, we are referring to the GST term **input tax credit**
- **business**, we are referring to the GST term **enterprise**
- **payment**, we are referring to the GST term **consideration**.

 For more common terms, see 'Definitions' on page 19 for more information.

## ABOUT THIS GUIDE

This guide will help you work out how GST applies to property transactions.

---

### © COMMONWEALTH OF AUSTRALIA 2009

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, 3-5 National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>

### PUBLISHED BY

Australian Taxation Office  
Canberra  
July 2009  
JS 12931

# CONTENTS

## 01

### **GST AND PROPERTY TRANSACTIONS 3**

## 02

### **RESIDENTIAL PREMISES 4**

New residential premises 4

Existing residential premises 5

Rent or bonds from residential premises 5

## 03

### **COMMERCIAL RESIDENTIAL PREMISES 6**

If you lease commercial accommodation 6

If you lease your holiday apartment or unit 8

If you sell your holiday apartment or unit 8

## 04

### **COMMERCIAL PREMISES 9**

If you lease or rent commercial premises 9

## 05

### **RETIREMENT VILLAGES 10**

Independent living units 10

Serviced apartments 11

Charitable retirement villages 11

## 06

### **FARMLAND 12**

If you sell or lease farmland 12

## 07

### **GOING CONCERNS 13**

## 08

### **MARGIN SCHEME 14**

## 09

### **BODY CORPORATE 15**

# 10

**NON-RESIDENT PROPERTY OWNERS 16**

If you provide services to non-resident property owners 16

# 11

**REAL ESTATE AGENT SERVICES 17**

# 12

**RECORD KEEPING 18**

Tax invoices 18

**DEFINITIONS 19**

**MORE INFORMATION** inside back cover

Many people are actually carrying on an enterprise when making property transactions but do not register for GST when they are required to do so. Even with a 'one-off' transaction you may still be required to register for GST because your one-off property transaction may be an 'enterprise'.

If you are dealing with property (for example, you buy, sell, lease or develop), you may be considered to be conducting an enterprise. If your turnover from these activities is more than the GST registration threshold, you may be required to register for GST.

➔ For more information on registering for GST, refer to *GST for small business* (NAT 3014).

For GST purposes, property includes any of the following:

- land
- land and buildings
- an interest in land
- rights over land
- a licence to occupy land.

You apply GST differently to property depending on whether it is either:

- commercial, or
- residential.

When you sell a property, the sale may be:

- taxable – this means you are liable for GST on the sale and you can claim GST credits for anything you purchase or import to make the sale (subject to the normal rules on GST credits)
- GST-free – this means you are not liable for GST on the sale, but you can claim GST credits for anything you purchase or import to make the sale (subject to the normal rules on GST credits)
- input taxed – this means you are not liable for GST on the sale and you cannot claim GST credits for anything you purchase or import to make the sale
- mixed – this is a combination of any of the above.

⚠ Your property transactions may need to be included in your GST turnover calculation, for more information, refer to:

- *Common GST errors and property* (NAT 73112)
- *GST for small business* (NAT 3014).

Residential premises include houses, units and flats. They do not include vacant land.

Properties are residential premises if they can be occupied, are occupied or are intended to be occupied as residences.

➤ For more information on what residential premises are, refer to:

- *GSTR 2000/20 Goods and services tax: commercial residential premises*
- Property and Construction Industry Partnership – Issues Register:
  - Section 03 – Commercial residential premises
  - Section 11 – Non-commercial residential premises.

### NEW RESIDENTIAL PREMISES

Residential premises are new when any of the following apply:

- they have not been sold as residential premises before
- they have been created through substantial renovations, or
- new buildings replace demolished buildings on the same land.

Residential premises are no longer new residential premises if they have been continuously rented for five years after first becoming new residential premises. They may still be considered new residential premises however, even if they have been rented out continuously for five years where they have been held for a dual purpose. Dual purpose is where the premises are being marketed for sale while rented out as an input taxed supply. That is because they have not been held 'solely' for making input taxed supplies for at least five years.

You can claim GST credits for any acquisitions you make for the sale of new residential premises (subject to the normal rules on GST credits) and you are liable for GST on the sale.

If your residential premises are no longer new, for example, they have been rented for more than five years, they are input taxed.

If GST applies to your sale of new residential premises, you generally pay GST of one eleventh of the sale price. You may be eligible to use the margin scheme to work out the GST you must pay (see 'Margin scheme' for eligibility on page 14).

### If you rent new residential premises before you sell them

If you build new residential premises for sale, you can claim GST credits for the construction.

If you rent the new premises while you are planning to sell them, you will need to adjust part of the GST credits you claimed.

You must show you intend to sell the premises. Actively marketing the premises for sale is one way of showing this.

### EXAMPLE: Renting before sale

Helki plans to sell a new residential property she has built.

The property has been on the market for some months so Helki decides to both:

- rent it out, and
- continue to actively market the property for sale.

Helki must adjust part of the GST credits she previously claimed in building the residential premises because her use of the property has changed from the way she originally intended. That is, she originally intended to sell the new residential premises, however she is now renting out whilst trying to sell the residential premises. This is known as a change in creditable purpose, she is therefore not entitled to the full GST credit.

### New residential premises 'off-the-plan'

An off-the-plan purchase occurs when you enter into a contract to purchase new residential premises before the construction is completed. At this stage you are purchasing a contractual right to have the premises built.

Generally, you pay a deposit and sign a contract with the developer. You pay the balance of the purchase price on settlement.

On settlement, you are purchasing new residential premises and the purchase price will include GST.

However, if you sell the contractual right before settlement you are not selling new residential premises and GST may apply if the sale of the contractual right forms part of your GST registered business.

⚠ The sale of an off-the-plan property may be an enterprise in its own right and may form part of the GST registration threshold.

- For more information about selling new residential premises and adjusting for GST credits, refer to:
- *Making an adjustment on your activity statement (NAT 11035)*
  - *GSTR 2009/4 Goods and services tax: new residential premises and adjustments for changes in extent of creditable purpose*
  - *GSTR 2003/3 Goods and services tax: when is a sale of real property a sale of new residential premises?*
  - *GSTR 2000/24 Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose*
  - Property and Construction Industry Partnership – Issues Register:
    - Section 11 – Non-commercial residential premises
    - Section 12 – Off-the-plan sales.

## EXISTING RESIDENTIAL PREMISES

You cannot claim GST credits for anything you purchase for the sale of existing residential premises and you are not liable for GST on the sale.

If you sell residential premises they are input taxed unless the property is new (see 'new residential premises').

If you own premises and they are used for residential and commercial purposes, GST may apply. This could be a mixed supply.

If you purchase existing residential premises, the sale is input taxed, so you cannot claim a GST credit on the purchase.

### EXAMPLE: Mixed supply

Estella sells a two storey building which has commercial business premises downstairs (a taxable supply) and residential premises upstairs (an input taxed supply). This is a mixed supply.

## RENT OR BONDS FROM RESIDENTIAL PREMISES

### Rent

If you lease residential accommodation, you:

- are not liable for GST on the rent you charge, and
- cannot claim GST credits for anything you purchase or import to lease the premises.

### Bonds

If you receive a bond or security deposit for leased residential premises, you:

- are not liable for GST on the bond or security, and
- cannot claim GST credits for anything you purchase or import to lease the premises.

Commercial residential premises include:

- hotels, motels, inns
- hostels, boarding houses
- caravan parks, camping grounds
- establishments that provide residential premises that are similar to hotels, motels, inns, hostels and boarding houses.

Commercial accommodation is accommodation in these commercial residential premises.

If you sell commercial residential premises such as hotels, motels, inns, hostels or boarding houses you are generally making a taxable supply and you are liable for GST of one-eleventh of the sale price.

You may also sell commercial residential premises in either of the following ways:

- under the margin scheme (see 'Margin scheme' on page 14) or
- as a going concern (see 'Going concern' on page 13).

You can claim GST credits on purchases you make that relate to selling your property (subject to the normal rules on GST credits), for example, the GST included in real estate agents' fees.

If you purchase commercial residential premises, you can claim the GST included in the purchase price of the property as long as:

- the seller did not use the margin scheme to work out the GST included in the price, or
- the sale was not a GST-free sale of a going concern to you, and the seller was registered or required to be registered for GST.

You may also be able to claim a GST credit on other expenses, such as solicitor's fees, that relate to buying the property.

Some characteristics of commercial residential premises include:

- multiple occupancy
- central management
- providing accommodation to paying guests.

➤ For more information about the characteristics of commercial residential premises, refer to *GSTR 2000/20 Goods and services tax: commercial residential premises*.

### IF YOU LEASE COMMERCIAL ACCOMMODATION

As a general rule, if you are registered (or required to be registered) for GST, you are liable for GST on any commercial accommodation you lease to others.

The amount of GST you are liable for depends on whether you provide short-term, long-term or predominantly long-term accommodation.

#### Short-term accommodation

You provide short-term accommodation when a guest stays for less than 28 continuous days.

If you provide short-term accommodation, you are liable for GST of one-eleventh of the price you charge on the accommodation.

#### Long-term accommodation or predominantly long-term accommodation

You provide long-term accommodation when a guest stays for 28 or more continuous days.

You provide **predominantly** long-term accommodation if at least 70% of the individuals you provide commercial accommodation to stay for 28 or more continuous days.

If you provide long-term accommodation that is **not predominantly** long-term accommodation, you can choose to do either of the following:

- a You can work out GST on:
  - the normal GST inclusive price for the first 27 days in the same way as short-term accommodation, and
  - half the GST-inclusive price from the 28th day of the stay – this is called the 'GST concessional treatment' or
- b treat all long-term accommodation sales as input taxed in the same way as you would treat residential rent – this means you:
  - are not liable for GST on the income, and
  - cannot claim GST credits.

**EXAMPLE: using the concessional treatment method**

John accepts a transfer to Perth for six months. He stays the whole time at Sun Towers, a hotel that usually provides short-term accommodation.

Sun Towers usually charges \$220 a night, including GST.

For the first 27 days of his stay, John pays the normal rate – that is \$220 (\$200 plus 10% GST).

From day 28 onwards, Sun Towers works out GST on half the usual GST-inclusive price (that is, \$110). It adds GST of \$11 (10% of \$110) to the normal GST-exclusive charge (\$200) to arrive at the price.

Therefore, Sun Towers charges John:

- \$220 a night for the first 27 days, and
- \$211 a night for the rest of his stay.

If you provide **predominantly** long-term accommodation, you can choose to do either of the following:

- a work out GST on half the GST inclusive price from the beginning of the stay – this is called the ‘GST concessional treatment’ or
- b treat all long-term accommodation sales as input taxed in the same way as you would treat residential rent – this means you:
  - are not liable for GST on the income, and
  - cannot claim GST credits.

**EXAMPLE: using the concessional treatment method for providing predominantly long term accommodation**

Moon River Motel provides predominantly long-term accommodation.

The standard short-term room rate is \$66 a night that is, \$60 plus \$6 GST.

To calculate the GST, Moon River halves the GST-inclusive price of \$66 to \$33 and calculates 10% of \$33 (that is, \$3.30). It adds GST of \$3.30 to the GST-exclusive rate of \$60 and so actually charges long-term occupants \$63.30 a night.

Under the concession, Moon River Motel is liable to pay \$3.30 to the Tax Office for each night of long-term accommodation it supplies. If the concession did not apply, the normal GST would be \$6.

➤ For more information about how you may apply special rules to reduce the value you work out your GST on, refer to *GSTR 2000/20 Goods and services tax: commercial residential premises*.

**GST concessional treatment**

As a general rule, you can apply GST concessional treatment to items you provided as part of the cost of long-term accommodation. These include any of the following:

- electricity, gas, air conditioning, heating
- room cleaning and maintenance
- telephone, television, radio.

However, if you charge a fee for incidental items (for example, meals, personal laundry, in house videos, mini bar or phone calls) you cannot apply GST concessional treatment to these items. You must apply the full GST rate of 10%.

➤ For more information about GST and commercial accommodation, refer to *GST and commercial accommodation – completing your activity statement* (NAT 10813).

### IF YOU LEASE YOUR HOLIDAY APARTMENT OR UNIT

You make an input taxed supply if you lease your apartment or unit to either:

- a guest, or
- a management company (that will use it as part of commercial residential premises).

This means you:

- are not liable for GST on the income, and
- cannot claim GST credits for anything you purchase or import to lease the premises.

#### EXAMPLE:

Aiko owns a strata titled apartment. When she leases her apartment to Mink Management Services (MMS) the supply is input taxed.

MMS will group Aiko's apartment with other apartments in a complex and let them out in the same manner as a hotel, motel, inn or hostel would.

Even though Aiko's apartment is located within commercial residential premises, her apartment does not, by itself, have the characteristics of commercial residential premises. It is residential.

This means Aiko:

- is not liable for GST on the income, and
- cannot claim GST credits for anything she purchases or imports to lease the premises.

➤ For more information about leasing long-term commercial residential premises, refer to:

- *GSTR 2000/20 Goods and services tax: commercial residential premises*
- Property and Construction Industry Partnership – Issues Register – Section 10 – Leased or rented property.

### IF YOU SELL YOUR HOLIDAY APARTMENT OR UNIT

If you sell your apartments they are:

- residential premises, and
- input taxed (if not new residential premises), regardless of whether they are located within commercial residential premises.

This means you:

- are not liable for GST on the income, and
- cannot claim GST credits for anything you purchase or import to make the sale.

➤ For more information, refer to:

- *GSTB 2001/2 Accommodation in caravan parks and camping grounds*
- *GSTB 2001/3 Simplified calculation of input tax credits for caravan park operators.*

If you sell commercial premises, such as shops and factories, you are generally liable for GST on the income.

You can claim GST credits on purchases you make that relate to selling the property (subject to the normal rules on GST credits), for example, the GST included in real estate agent's fees.

If you sell commercial premises, you may be able to use the margin scheme to work out the GST that applies to the sale. Using the margin scheme means your GST liability is equal to one-eleventh of the margin for the sale of property, rather than one-eleventh of the total selling price (see 'Margin scheme' on page 14).

If your commercial premises is being leased when you sell it, you may be able to treat it as a GST-free supply of a going concern (see 'Going concern' on page 13).

If you purchase commercial premises to use in your GST registered business, you can claim the GST included in the purchase price of the premises. You may also be able to claim GST on other expenses that relate to buying the property, for example the GST included in solicitors' fees.

You cannot claim GST credits if:

- the seller used the margin scheme to work out the GST included in the price
- you purchase property from someone who is not registered or required to be registered for GST
- you purchase the property as a GST-free supply, or
- you are not registered (or required to be registered) for GST.

- For more information about GST and property, refer to
  - *GSTR 2000/28 Goods and services tax: attributing GST payable or an input tax credit arising from a sale of land under a standard land contract*
  - Property and Construction Industry Partnership – Issues Register – Section 15 – Sale of real property.

## IF YOU LEASE OR RENT COMMERCIAL PREMISES

As the lessor you are liable for GST on the rent you charge if you:

- lease a factory or shop, and
- are registered (or required to be registered) for GST.

You can claim GST credits on purchases you make that relate to renting out your property (subject to the normal rules on GST credits), for example, the GST included in the managing agent's fees.

As the lessee, you may be able to claim GST credits for the GST included in rent you pay if:

- you lease the property from another person to carry on your business, and
- you and the lessor are registered (or required to be registered) for GST.

- For more information about leasing property and GST, refer to Property and Construction Industry Partnership – Issues Register – Section 10 – Leased or rented property.

Within the industry, the term ‘retirement village’ is used to describe various types of accommodation provided to village residents. A village may:

- be operated by charitable bodies, government, or commercial businesses
- consist of different types of premises, such as independent living units, serviced apartments, care facilities or a combination of these
- offer different occupancy arrangements
- provide a wide range of facilities and services to residents.

GST may apply differently depending on who is making the supply, or what is being supplied.

The term ‘retirement village’ has a particular meaning under GST law. The GST definition is only relevant for working out whether a supply is GST-free under specific GST concessional provisions. In this guide we refer to these as ‘GST retirement villages’.

A GST retirement village is a residential premises in which:

- the accommodation is intended for people at least aged 55 years or older, and
- there are communal facilities for the residents to use.

However, premises used, or intended to be used, to provide residential care (within the meaning of the *Aged Care Act 1997*) by an approved provider or commercial residential premises are not a GST retirement village. Retirement villages are not commercial residential premises for GST purposes.

### INDEPENDENT LIVING UNITS

An independent living unit in a retirement village is generally:

- described as a unit or villa, and
- designed for retirees who are able to live independently within a retirement village.

The unit can have one or more bedrooms and can be:

- a high or medium-rise complex
- a terrace
- semi-detached
- stand-alone.

### If you lease an independent living unit

Leasing an independent living unit (including the use of common areas such as paths, driveways, gardens and communal recreation facilities) to a resident of a retirement village is generally an input taxed supply. This means that you will not be liable for GST on the lease of the unit. You cannot claim GST credits for acquisitions that relate to making input taxed supplies.

If you charge the resident an ongoing maintenance fee as part of the lease, it is generally input taxed to the extent that the maintenance fee is payment or ‘consideration’ for the supply of the residential premises.

### If you sell an independent living unit

If you sell an independent living unit in a retirement village for the first time since it was constructed, it is a taxable supply of new residential premises (for example, an operator that sells a newly constructed unit for the first time to a resident).

Later sales (usually made by an existing resident to an incoming resident) are input taxed.

In a strata/freehold situation, ongoing maintenance fees you charge the owner resident are taxable.



For more information about:

- leasing or selling an independent unit, see ‘Residential premises’ on page 4.
- maintenance fees in retirement villages, refer to Retirement Villages Industry Partnership-Issues Register.

### SERVICED APARTMENTS

A serviced apartment in a GST retirement village is different from a serviced apartment that would be provided by an apartment chain providing short term rental accommodation.

An apartment is a serviced apartment in a retirement village if all of the following apply:

- the apartment is designed to be occupied by aged residents who need assistance in a full range of daily living activities or nursing services (even if an individual resident does not require all the services)
- at least one responsible person is close to the apartment and is continuously on call to provide emergency assistance, such as first aid or arranging other mobility, nursing or medical assistance, to the apartments residents
- the apartment is part of a single complex of apartments and is accessible from a common corridor linking the apartment to the other apartments in the complex
- there is a communal dining facility in the retirement village for the residents to use.

A serviced apartment is not a:

- detached house
- row house
- terrace house
- town house
- villa unit
- independent living unit.

### If you supply a serviced apartment

Supplying a serviced apartment in a retirement village by lease, hire, licence, freehold or under a share arrangement may be GST-free if you supply it:

- to a resident who needs help with daily living activities or nursing services, and
- with care services and other services, such as meals, laundry and cleaning, that meet the GST-free requirements.

The GST free requirements are that the services must:

- be provided to an aged or disabled person in a residential setting
- be a kind covered by Schedule 1 to the Quality of Care Principles (under section 96-1 of the *Aged Care Act 1997*), and
- include daily living activities assistance or nursing services that are only provided to people who require them.

### CHARITABLE RETIREMENT VILLAGES

A supply of retirement village accommodation is GST-free if:

- the supplier of the accommodation is either of the following:
  - an endorsed charitable institution
  - an endorsed trustee of a charitable fund that operates a retirement village
- the accommodation is provided to a resident of the retirement village and the supply is:
  - accommodation in the retirement village
  - of a service related to the supply of accommodation, or
  - a supply of meals.

If all of these conditions are met, you will not be liable for GST on these supplies. You will be entitled to claim GST credits for any purchases you make that relate to making your GST-free supplies (subject to the normal rules on GST credits).



For more information about GST, retirement villages and serviced apartments, refer to:

- *GST and serviced apartments in retirement villages* (NAT 12761)
- *GSTR 2007/1 Goods and services tax: when retirement village premises include communal facilities for use by residents of the premises*
- Retirement Villages Industry Partnership – Issues Register.

**IF YOU SELL OR LEASE FARMLAND**

When you sell farmland it is GST-free if both:

- the land was used for a farming business for at least five years immediately before the sale
- the buyer intends to use it for a farming business.

A lease by an Australian government agency or a long term lease of farmland is also GST-free if the above conditions are met.

A long-term lease is:


- a lease for at least 50 years
- likely to continue for at least 50 years because of renewals or extensions provided for in the lease.


**Sub-divided farmland**

A supply of sub-divided land on which a farming business has been carried on for at least five years will be GST-free if:

- it is permissible to use the land for residential purposes, and
- the supply is made to an associate of the supplier for less than market value.

The sale of farmland and certain assets may be GST-free (see 'Going concern' on page 13).

 If you sell farmland and you do not meet the above conditions, the sale is taxable and you are liable for GST on the price.

 For more information about farmland, refer to Property and Construction Industry Partnership – Issues Register – Section 06 – Farmland

For GST purposes, when you sell a business you are supplying a going concern if you sell all of the things that are necessary for the continued operation of the business and you carry on (or will carry on) the business until the day of the sale.

A sale of a going concern is GST-free if, in general, all of the following apply:

- the supply is for payment
- the purchaser is registered (or required to be registered) for GST
- the buyer and seller have agreed in writing that the sale is of a going concern, and
- the supplier supplies all things necessary for the continued operation of the business.

### **If you sell property as part of a going concern**

If you sell property that is part of a GST-free sale of a going concern, you:

- are not liable for GST on the income, and
- the seller and the purchaser may be able to claim GST on other expenses that relate to selling and buying the property, for example, the GST included in solicitors' fees.

Property that is part of a sale of a going concern can include:

- the premises when it is sold together with the assets and operating structure of the business
- a fully tenanted building where the property and all leases, agreements and covenants are included in the sale, or
- the sale of a partially tenanted building where:
  - the vacant part of the building is either being actively marketed for lease or undergoing repairs or refurbishment, and
  - all leases, agreements and covenants are included in the sale.

➤ For more information about the GST-free supply of a going concern, refer to:

- *Sale of a business as a going concern – checklist* (NAT 10147)
- *GST for small business* (NAT 3014)
- *GSTR 2002/5 Goods and services tax: when is a 'supply of a going concern' GST-free?*
- Property and Construction Industry Partnership – Issues Register – Section 07 – Going Concerns.

Generally, the amount of GST you must pay on property sales is equal to one-eleventh of the sale price. If eligible, you may be able to use the margin scheme on your property sale. The margin scheme is a way of working out the GST you must pay when you sell property. You can only apply the margin scheme if the sale is taxable.

The margin is generally the difference between the sale price and one of the following:

- the amount you paid for the property
- an appropriate property valuation.

Whether you can use the margin scheme depends on how and when you purchased your property. To work out if you can use the margin scheme on the sale of your property, refer to *GST and the margin scheme* (NAT 15145)

If you have purchased property which was sold to you under the margin scheme you cannot claim GST credits on this purchase.

➤ For more information about the margin scheme, refer to:

- *GST and the margin scheme* (NAT 15145)
- *GSTR 2000/21 Goods and services tax: the margin scheme for supplies of real property held prior to 1 July 2000*
- *GSTR 2006/7 Goods and services tax: how the margin scheme applies to a supply of real property made on or after 1 December 2005 that was acquired or held before 1 July 2000*
- Property and Construction Industry Partnership – Issues Register – Section 15 – Sale of real property.

A body corporate is a group of individual owners responsible for maintaining and administering property held in common, for example, a block of strata titled home units.

If you are a body corporate, for GST purposes, you are carrying on an enterprise. You must register for GST if:

- you are considered to be a non-profit body and your turnover is more than \$150,000 (turnover must include levies on unit owners), or
- you are not considered to be a non-profit body and your turnover is more than \$75,000 (turnover must include levies on unit owners).

You may be considered to be a non-profit body if you do not have the intention to distribute interest income or profits from rental or other activities to your members.

The fees or levies you charge your members will include GST. For example, car parking or administration.

You can claim GST credits on purchases you make that relate to maintaining and administering the property held in common, for example:

- electricity
- landscaping
- management
- cleaning
- repair and maintenance services.

➤ For more information about bodies corporate, refer to Property and Construction Industry Partnership – Issues Register – Section 01 – Bodies Corporate/Owners Corporations and Strata Managers.

For more information about how to work out your turnover for GST registration, refer to *GST for small business* (NAT 3014).

If you are a non-resident property owner who is registered (or required to be registered) for GST, then commercial or commercial residential property you lease or sell in Australia, along with any new residential property you sell will generally be taxable.

If you are registered for GST and you own commercial property, you can claim GST credits on purchases you make that relate to renting or leasing your property (subject to the normal rules on GST credits).

If, however, the property you rent or lease is a residential property, you are making an input taxed supply. You:

- are not liable for GST on the income, and
- cannot claim GST credits for anything you purchase or import to rent or lease the premises.

➤ For more information about the GST responsibilities of resident agents acting for non residents, refer to paragraphs 97 to 115 of *GSTR 2000/37 Goods and services tax: agency relationships and the application of the law*.

For more information about how to work out your turnover for GST, refer to *GST for small business* (NAT 3014).

### IF YOU PROVIDE SERVICES TO NON-RESIDENT PROPERTY OWNERS

Services you supply to non-resident owners of Australian residential properties are taxable. For example, the management services of a resident real estate agent (if the real estate agent is registered for GST).

#### EXAMPLE

Sam, a British citizen, lives in London and owns a residential rental property on the Sunshine Coast in Australia. Sam is not registered for GST.

Sam's rental property requires some plumbing repairs, so Sam's real estate property manager in Australia calls Pete's Plumbing to do the repairs.

Pete's plumbing is registered for GST so their services are taxable. They must include GST on the tax invoice they provide to Sam.

➤ For more information about how to treat services you supply to non-resident property owners, refer to *GST and Tax Return services to non-resident property owners* (NAT 14520).

If you are a real estate agent and you are registered for GST (or required to be registered) you are liable for GST on your services, including:

- letting fees
- lease preparation fees you charge the landlord
- lease preparation fees you charge the tenant
- agency commissions
- statement and administration fees
- property inspection fees.

Services you supply in relation to a non-resident's property are taxable even if the property is residential premises.

Property owners who are renting or selling existing residential premises, such as a house, cannot claim the GST included in your fees and charges because the rent or sales is input taxed.

## EXAMPLE

Bourne Ltd (a non-resident company) is GST registered. Bourne Ltd owns a six-storey building in Sydney. A family rents the first two floors as their residential home and the remaining floors are rented out as commercial premises.

Bourne Ltd uses an Australian real estate agent to manage the property. The services provided by the real estate agent for the whole property are taxable.

Bourne Ltd:

- can claim GST credits for the portion of the real estate services that relates to the commercial premises
- cannot claim a GST credit for the supply of services that relate to the residential part of the building.

As a GST registered property owner, you may be able to claim the GST credits included in the agent's fees if you:

- sell new residential premises, or
- sell or lease commercial premises.

➤ For more information about the GST treatment of a person acting as an agent, refer to *GSTR 2000/37 Goods and services tax: agency relationships and the application of the law*.

For more information about real estate agent services, refer to Property and Construction Industry Partnership – Issues Register – Section 14 – Real estate agent issues.

# 12

## RECORD KEEPING

You can keep your accounting records in either paper or electronic format. Regardless of the format you choose, you must keep your record for five years.

When dealing in property transactions, it is recommended you keep all relevant documentation to support your claims such as:

- contracts of sale
- records of any calculations you made (such as those used under the margin scheme)
- any other documentation that supports the way you have applied the law.

Any calculations you make must give a fair and reasonable result.

### TAX INVOICES

When you purchase property, you must make sure you obtain a tax invoice for the sale. You cannot claim GST credits without supporting documentation. A tax invoice can only be provided to you if the sale is taxable and the seller is registered for GST and they have not applied the margin scheme.

⚠ Contracts for the sale of the property are not valid tax invoices. You will also need to check that the contract price includes GST.

➔ For more information about what tax invoices need to include refer to, *Valid tax invoices and GST credits* (NAT 12358).

## DEFINITIONS

### Acquisitions

(See 'Purchases').

### Associates

Associates include people and entities closely associated with you, such as relatives, or closely connected companies or trusts. A partner in a partnership is an associate of the partnership.

### Consideration

(See 'Payment')

### GST credit (input tax credit)

You can claim GST credits for the GST included in the price of purchases you make to use in your business (subject to the normal rules on GST credits). You cannot claim a credit for the part of the purchase you use for private purposes or generally to make input taxed sales. You must have a tax invoice to claim a GST credit for purchases of more than \$82.50 (including GST). For purchases of \$82.50 or less (including GST) we recommend you still have documentary evidence to support your claims.

### GST-free sales

You are not liable for GST in the price of GST-free sales that you make but you can claim GST credits for the GST included in the price of purchases you use to make these sales (subject to the normal rules on GST credits).

Examples of GST-free sales include:

- basic food
- exports
- sewerage and water
- the sale of a business as a going concern
- non-commercial activities of charities
- most education and health services.

### GST turnover threshold

GST turnover thresholds are used to work out whether you:

- must register for GST
- must report GST monthly
- can report and pay GST annually
- can choose to account on a cash basis
- can make an annual private apportionment election
- must lodge GST returns and pay GST electronically
- can choose to pay GST by instalments.

The turnover threshold is currently \$75,000 (\$150,000 for a non-profit entity).

### Input tax credit

(See 'GST credit')

### Input taxed sales

You do not have to pay GST on input taxed sales you make and you cannot claim GST credits for purchases relating to input taxed sales.

Two of the most common types of input taxed sales are:

- financial sales (supplies)
- supplies of existing residential premises.

In special cases, you can claim a GST credit for a purchase that relates to making financial supplies.

### Margin scheme

You can choose to use the margin scheme when you make a taxable sale of property. You must pay GST on one-eleventh of the margin for the sale, not one-eleventh of the sale price. You cannot use the margin scheme if you purchased a property as a taxable sale that did not also use the margin scheme.

### Payment (consideration)

Payment for GST purposes is anything you receive for providing goods, services or any other sale. It is usually money, but can be some other form of payment such as goods or services provided instead of money, such as in barter transactions. Agreeing not to do something could also be payment.

### Purchases (acquisitions)

For GST, a purchase includes buying of goods or services such as trading stock, a lease, consumables and other things (including importations).

### Property (real property)

For GST purposes, property includes:

- land
- land and buildings
- interest in land
- rights over land
- contractual rights over land
- the licence to occupy land.

### **Sale of a business as a going concern**

A business is sold as a going concern if:

- all of the things needed to continue operating the business are supplied to the buyer
- the supplier carries on the business until it is sold.

A supply of a 'going concern' is GST free if the:

- supply is for payment
- purchaser is registered (or required to be registered) for GST, and
- supplier and the purchaser have agreed in writing that the supply is of a going concern.

### **Sales (supplies)**

For GST, a sale includes:

- selling goods or services
- leasing premises
- hiring equipment
- giving advice
- export of goods.

### **Supplies**

(See 'Sales')

### **Taxable sales (supplies)**

You make a taxable sale if you are registered (or required to be registered) for GST and:

- you make the sale for payment
- you make the sale in the course of or to further, a business you carry on
- the sale is connected with Australia.

A sale is not taxable if it is GST-free or input taxed.

You must pay GST on taxable sales you make. You can claim GST credits for the GST included in the price of purchases you use to make taxable sales (subject to the normal rules on GST credits).

### **Tax invoice**

A tax invoice is a document generally issued by the seller.

It shows:

- the price of a sale
- whether it includes GST
- the amount of GST
- the seller's ABN.

You must have a tax invoice before you can claim a GST credit on your activity statement for purchases of more than \$82.50 (including GST).

### **Tax period**

A tax period is the length of time you account for GST on your activity statement. It may be quarterly, monthly or annual.

Quarterly tax periods are periods of three months ending on 30 September, 31 December, 31 March and 30 June.

Monthly tax periods end on the last day of each calendar month.

Annual tax periods span the financial year (1 July to 30 June).

You must lodge an:

- activity statement for each monthly or quarterly tax period even if you make no sales or purchases during the period
- an annual GST return must be lodged for each annual tax period.

## MORE INFORMATION

---

For more information or to obtain a copy of one of our publications:

- visit our website at [www.ato.gov.au](http://www.ato.gov.au)
- phone **13 28 66**, or
- write to us at  
**PO Box 9935**  
**in your capital city.**

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

