



How does the Goods and Services Tax (GST) affect selling property?

If you're selling your private residence and buying another property to live in, then it's unlikely you'll need to pay GST, however for many Australians buying and selling property is their business. Sometime it can be difficult to determine if your property is termed as a residential premise and this is where good advice is essential. So, what are the GST implications you'll need to be aware of to remain compliant with the Australian Taxation Office (ATO)?

GST and property

Any business that earns over \$75,000 annually will need to report a Business Activity Statement (BAS) and collect the GST. Buying and selling property is considered to be a business by the ATO which means that most of those businesses that deal in property will need to have an Australian Business Number (ABN) and register for GST – even for one off transactions.

GST in real estate sales

There is no GST to pay or be paid on the sale and purchase of residential premises unless the property is being sold as a new property. The majority of sales of residential properties in Australia is considered to be 'second hand' and does not incur a GST component in the sales / buying transaction. It doesn't matter if the property is owner-occupied or an investment property. The rule applies for properties defined as residential and not new.

Vacant land, however, is not a residential premise. If you're selling land, it may incur a GST charge unless advised by your tax agent.

New properties or land on subdivisions

If the property is bought or sold as a new residential property or land in a new subdivision, suppliers will need to notify the purchasers how much they have to pay to the ATO at settlement. Purchasers need to pay GST to the ATO with the balance of the sale price being paid to the supplier.

Change in purchase

If the property was bought with the intent for redeveloping the property for resale and then your plans change to rent the property, the ATO may consider to be a 'change in creditable propose'. If this is the case, the ATO requires you to make a GST adjustment on your BAS.

If you have claimed GST credits on the construction of a new residential property with the intention to sell, but then you rented it out prior to sale, you will need to make an amendment to your BAS statement and GST credits that you claimed.

Similarly, you will need to amend your BAS form and GST credits claimed if you moved into a residential property and occupied it privately while trying to sell it.

How does the Goods and Services Tax (GST) affect selling property?

The ATO considers purchasing a GST free property or farmland that changes from the date of purchase to become a business venture to be a 'change of creditable purchase', and may incur GST.

Claiming GST credits

Whether this is your ongoing business or a once off transaction, to calculate your adjustments, you'll need the following information:

- What you purchased and when you made the purchase
- the GST-exclusive value of the purchase. Make sure this is for each individual purchase
- the GST credits on purchases claimed when you lodged your BAS
- the tax period for which you claimed GST credits on the purchase
- any previous adjustments made relating to the purchase you may have made
- details of activity in marketing the property for sale (for example, the listing agreement with your real estate agent or advertising material)
- a reasonable estimation of the selling price (if the property hasn't sold)
- what you used the residential property for, including the period it was rented or used for private purposes
- the amount of rent you received
- when you sold the property
- the sale price

Cancelling GST registration

If you've made a one off sale and purchase transaction and don't need your GST registration, you can cancel it. Remember to claim all of the GST credits you're entitled to before lodging your final statement.

GST applied to property sales can be complex, but there is help. Your BAS Agent or Tax Accountant is able to offer advice and will be up to date on the rules and regulations surrounding GST.

If the property you are selling is owned by a company, or is held by a trust, then it is even more important that you obtain advice from your accountant as other tax implications may arise.

ITP The Income Tax Professionals have over 210 branches throughout Australia and offer tax help and advice to individual and small businesses. Are you thinking of buying and selling property? An ITP Professional can help guide you through the process and all of your tax implications.

ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.



THE INCOME TAX PROFESSIONALS