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GST on Residential Property – Changes from 1 July 2018

Key Changes

- All purchasers of new residential property and land (including subdivided land) are required to pay the GST component of the purchase price directly to the ATO on or before settlement.
- For contracts paid in instalments, the purchaser is required to make a payment on the full GST amount on the same day.
- New contracts of sale entered into after **1 July 2018** must clearly state the GST component of the sale proceeds if the vendor is operating under the margin scheme. Non-compliance by vendors will result in a strict liability offence and penalty, as well as administrative penalties up to \$42,000.
- These changes capture the subdivision and sale of privately owned residential land, and require the vendor to register for GST if they have not already done so.
- The vendor will receive a credit on their business activity statement for amounts paid at settlement.
- The vendor may submit an application for a refund in writing to the ATO if they operate under the margin scheme or a payment error is discovered. However, the refund application must be submitted no later than 14 days before the relevant business activity statement is due for lodgment.
- For new residential property transactions with more than one recipient of supply, such as joint ventures or joint tenants, the GST amount paid is to be apportioned.

Notification Requirements

The proposed notification regime requires the vendor to provide the purchaser with a written notice at least 14 days prior to making **any** supply of residential premises or potential residential land. These notification requirements will apply to private individuals selling a family home or unit to another person.

The vendor must state whether the purchaser is required to pay GST on the sale of the property. If the purchaser is required to remit, the notice must provide:

- The supplier's name and ABN
- The amount payable
- The due date ▶

Significant penalties apply for vendors who do not comply with the notification requirements. Additionally, failure of the vendor to issue a notice does not relieve the purchaser from having to remit the GST component of the sale.

Two-Year Transitional Provisions

Contracts entered into before **1 July 2018** and settled prior to **1 July 2020** are exempt from the proposed new measures and notification obligations.

Talk to the team at Merit Partners if you are unsure about how these changes and compliance requirements may impact you.

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