GST and commercial property

Find out how goods and services tax (GST) applies to commercial property.

Last updated 15 December 2022

Commercial residential property

Find out what your GST obligations are if you buy, sell, lease, or supply commercial residential property.

Commercial property

If you sell, lease, or rent commercial property, consider you GST obligations like methods of purchase and GST credits.

Farmland

Find out what conditions need to be met when selling your farmland as GST-free.

Selling a going concern

Consider what your GST obligations are if you are selling an ongoing concern.

Strata schemes and real estate agent services

Work out the required responsibilities for strata schemes and real estate agent services.

QC 60250

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Last updated 15 December 2022

On this page

Features of commercial residential property

Goods and services tax (GST) applies to the supply of certain property types if the seller (vendor) is registered or required to be registered for GST purposes. Work out the income tax and GST consequences of subdivided land sales and if it's a capital gain or ordinary income.

We define 'supply' as a sale, lease, transfer of rights, or similar dealings in property. The GST treatment of property varies depending on the type or its purpose.

Commercial residential property has a special meaning for GST purposes. While there may be some similar features between it and residential property, they are not the same.

Commercial residential property includes:

- hotels, motels, inns (or similar)
- hostels, boarding houses (or similar)
- caravan parks, camping grounds.

Characteristics of commercial residential property include:

- It is operated on a commercial basis or in a business-like manner.
- It has the capacity to provide accommodation to several unrelated guests or residents at once, either in separate rooms or a dormitory.
- Accommodation is offered to the public or a segment of the public.
- The main purpose is providing accommodation.
- There is central management to accept reservations, allocate rooms and arrange services for guest.
- The operator supplies accommodation in their own right, for example not as an agent.
- Management provides or arranges services and facilities for guests.
- Occupants usually have the status of guests.

For more information about commercial residential property, see:

- **Goods and Services Tax Ruling 2012/6** *Goods and services tax: commercial residential premises*
- **Goods and Services Tax Bulletin 2001/2** *Accommodation in caravan parks and camping grounds*
- Commercial property

Selling commercial residential property

If you sell commercial residential property, you are generally making a taxable sale.

You may also sell commercial residential property:

- under the **margin scheme**
- as part of a going concern.

You can claim **GST credits** on purchases made relating to selling your property, for example, the GST included in real estate agent or solicitor fees. To claim GST credits, you must be **registered for GST**.

Purchasing commercial residential property

If you purchase commercial residential property, you may be entitled to claim the GST included in the purchase price of the property (unless the seller used **the margin scheme** to work out the GST).

Leasing commercial residential property

If you lease commercial residential property to someone who uses it to run their own accommodation business, you are making a taxable supply. You are liable to pay GST at the rate of one-eleventh of the rent you receive.

You can claim **GST credits** on purchases made relating to leasing your property, for example the GST included in real estate agent fees.

Supplying commercial accommodation

Commercial accommodation is accommodation in commercial residential property. If you're registered or required to be registered for GST, you're liable for GST on any payments made to you for commercial accommodation.

The amount of GST you're liable for depends on:

- whether you provide short-term or long-term accommodation
- if your property is predominantly for long-term accommodation.

Short-term commercial accommodation

You provide short-term accommodation when your guests stay for less than 28 continuous days. You must pay GST of one-eleventh of the price you charge for the accommodation.

You can **work out the amount you need to pay** using the:

- accounts method – work out the amount of GST you need to report on your BAS at label **1A** GST on sales or label **1B** GST on purchases
- calculation worksheet method – calculate the amount to be reported at labels **1A** and **1B**.

Long-term commercial accommodation

The accommodation you provide in your commercial residential property is:

- considered long-term when the stays are 28 continuous days or more
- predominantly long-term accommodation if at least 70% of your guests stay for 28 continuous days or more.

If you supply long-term commercial accommodation, you're eligible to choose one of the following treatments to account for GST:

- treating all supplies of long-term accommodation as input taxed
- applying the concessionary treatment for long-term accommodation if your guests are not predominantly long-term
- applying the concessionary treatment for predominantly long-term accommodation.

GST concessions apply to both the supply of the accommodation and incidental supplies, such as:

- electricity
- gas
- air-conditioning or heating
- cleaning and maintenance
- phone, wifi, television and radio.

If the fees for services are charged separately, you must charge GST on your supply of these services at the normal rate. For example, this could include phone calls, mini-bar items, meals, personal laundry or in-house entertainment.

See more about long-term commercial accommodation in
GSTR 2012/7 *Goods and services tax: long-term accommodation in*

commercial residential premises.

Treating long-term accommodation as input taxed

If you choose this option, you:

- don't pay GST on long-term accommodation you supply
- can't claim GST credits for GST included in the price of goods and services you purchase for the long-term accommodation
- must apply this treatment to all long-term accommodation for a period of at least 12 months.

You don't pay GST under this option, so you don't report purchases used to supply long-term accommodation.

Report the amount for all long-term accommodation supplied in the reporting period at:

- label **G1** Total sales on your activity statement
- label **G4** Input-taxed sales – if you use the **calculation worksheet method**.

Concessionary treatment for long-term accommodation

The concessionary treatment for long-term accommodation consists of charging:

- full GST for the first 27 days
- concessionary GST from day 28 onwards.

The concessionary GST for long-term accommodation is determined by calculating GST on half of the normal GST-inclusive price of the accommodation.

Example: concessionary GST for long-term accommodation

Joshua accepts a temporary transfer to Brisbane for 6 months. He stays for the whole time at Eiffel Towers, a hotel that usually provides short-term accommodation.

Eiffel Towers usually charges $220 a night, including GST ($200 plus GST at 10%).

For the first 27 days of his stay, Joshua is charged at the normal rate – $220.

On day 28, Eiffel Towers calculates the concessionary GST. Half of the usual GST-inclusive price ($220) is $110. GST on that is $11 (10% of $110). Eiffel Towers adds that amount to the normal GST-exclusive charge ($200) – charging the new price of $211.

So, Joshua is charged:

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

Concessionary treatment for mainly long-term accommodation

If you mainly provide long-term accommodation, calculate GST on half of the normal GST-inclusive price of that accommodation from the beginning of the occupant's stay.

Example: concessionary GST for mainly long-term accommodation

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Moon River is a motel that mainly provides long-term accommodation. The standard short-term room rate is $66 a night – $60 plus $6 GST.

To calculate the GST on its supplies of long-term accommodation, Moon River Motel halves the normal GST-inclusive price of $66 to $33 and calculates 10% of $33 ($3.30).

It adds GST of $3.30 to the GST-exclusive rate of $60, and charges long-term occupants $63.30 a night. This is the amount Moon River Motel would report for one night of long-term accommodation at label **G1** Total sales on its activity statement.

Using long-term commercial accommodation

If you paid for long-term commercial accommodation, you need to report this on your activity statement if both of the following occurred:

- you paid for it for business purposes
- GST was included in the amount.

Report the total amount of GST you paid (usually shown on the tax invoice) at label **G11** Non-capital purchases.

If you use the:

- **accounts method** – work out the amount of GST to report at label **1A** GST on sales or the amount of GST credit to report at label **1B** GST on purchases
- **calculation worksheet method** – calculate the amount of GST to report at label **1A** GST on sales or label **1B** GST on purchases.

Holiday apartments and units

A single holiday apartment or unit is classed as 'residential property', even when it's within commercial residential property.

If you lease your apartment or unit to either a guest, or a property manager that uses it as part of commercial residential property, it is an 'input-taxed supply'.

This means you:

- aren't liable for GST on payments received
- can't claim GST credits for purchases related to leasing the property.

Example: residential apartment in a commercial residential complex

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Alex owns a strata-titled apartment in an apartment complex. She leases it to Mink Management Services (MMS).

MMS groups Alex's apartment with other apartments in the complex and rents them out as part of their boutique hotel business.

Even though her apartment is located within other property being operated by MMS as commercial residential property, her apartment doesn't, by itself, have the characteristics of commercial residential property. It is residential property.

This means the lease to MMS is input-taxed and Alex:

- isn't liable for GST on the lease payments

- can't claim GST credits for anything she purchases relating to leasing the property – however, the supply by MMS is taxable.

Selling your holiday apartment or unit

If your holiday apartment or unit is not a new residential property and you sell it, the sale is input taxed regardless of the apartment being located within commercial residential property.

QC 60250

Commercial property

If you sell, lease, or rent commercial property, consider you GST obligations like methods of purchase and GST credits.

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On this page

If you sell, lease or rent commercial property, consider you GST obligations like methods of purchase and GST credits.

Selling commercial property

You **can claim GST credits** on purchases made relating to selling a property, for example the GST included in real estate agent fees.

You may also sell commercial property:

- under the **margin scheme**
- as part of a going concern if the property is leased when you sell.

If you purchase commercial property to use in your GST-registered business, you can claim the GST included in the purchase price. You may also be able to claim GST on other expenses relating to buying the property, for example the GST included in solicitor fees.

You **can't claim GST credits** if:

- the seller used the margin scheme to work out the GST included in the price
- you're not registered or required to be registered for GST
- the seller wasn't registered or required to be registered for GST.

Leasing or renting commercial property

If you lease out a factory or shop, and you're registered or required to be registered for GST, you:

- are liable for GST on the rent you charge
- can claim GST credits on purchases made relating to leasing your property, for example the GST included in the managing agent's fees
- you may be able to claim the GST included in rent you pay.

For more information, see **GSTR 2000/35** *Goods and services tax: Division 156 – supplies and acquisitions made on a progressive or periodic basis (paragraphs 58 to 65)*.

QC 60250

Farmland

Find out what conditions need to be met when selling your farmland as GST-free.

Last updated 9 July 2025

On this page

Selling or leasing farmland

When you sell farmland, your sale is GST-free if the sale is of a freehold interest, and:

- the land was used for a farming business for at least the period of 5 years immediately before the sale
- the buyer intends it to be used for a farming business.

A sale of farmland includes all fixtures attached to the land, including:

- residential property
- fences
- shearing sheds
- workers' cottages
- dams.

These fixtures form part of the land, so they are included in any GST-free supply of the land. The main residence is included, provided the private use of the residence doesn't cause the land to lose the essential characteristics of farmland.

A lease of farmland that meets these criteria is also GST-free if it:

- is long-term, or
- is by an Australian Government agency

A lease is considered long-term if:

- it is for at least 50 years
- it is renewed or extended and expected to continue for at least 50 years after the renewal or extension date
- the terms of the lease (or renewal) are substantially the same as those under which the supplier held the property (unless the supplier is an Australian Government agency).

Subdivided farmland

Sales of subdivided land that was farmed for at least 5 years will be GST-free if the sale is of a freehold interest, and the:

- land can be used for residential purposes
- sale is made to an associate of the landowner without payment or for payment that's less than the market value of that piece of land.

A lease of subdivided farmland is also GST-free if these conditions are met and the lease is either:

- by an Australian Government agency, or
- a long-term lease.

The sale of farmland, together with certain assets that form part of an enterprise may, in some cases, be seen as a sale of a **going concern** and may be GST-free.

If you sell farmland and don't meet these conditions, the sale may be taxable and you may be liable for GST on the sale.

Using farmland for another purpose

If you purchase a GST-free going concern or farmland that includes residential property (for example, leased residential property) you may need **to adjust (increase) the GST** for any non-creditable purposes the land is used for.

The 'increasing adjustment' is usually worked out as:

> 10% × the sale price × the proportion of non-creditable use.

If the proportion of non-creditable use changes over time, you may need to make **additional increasing or decreasing adjustments**.

Example: making an increasing adjustment

Bill purchases GST-free farmland for $500,000.

He uses the land to carry on a farming business and intends to build a new house on part of the land to rent out.

The rent of the house is expected to represent 20% of Bill's entire business. Bill has an increasing GST adjustment of:

10% × $500,000 × 20% = $10,000.

QC 60250

Selling a going concern

Consider what your GST obligations are if you are selling an ongoing concern.

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On this page

Introduction

You are selling a 'going concern' if the:

- sale includes everything that's necessary for the continued operation of the business
- business is carried on by you until the day of sale.

Property that's part of a sale of a going concern can include any of the following:

- the business property, when 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
- a partially tenanted building, where

  - the vacant part of the building is either actively marketed for lease or undergoing repairs or refurbishment
  - all leases, agreements and covenants are included in the sale.

The sale of a property by itself isn't regarded as a going concern.

GST consequences

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

- The sale is for payment.
- The purchaser is registered or required to be registered for GST.
- The purchaser and seller have agreed in writing that the sale is of a going concern.

If property is part of a GST-free sale of a going concern:

- you're not liable for GST on the sale
- you and the purchaser may be able to claim GST credits on expenses relating to your sale or purchase of the property – for example, GST included in solicitor's fees.

If a property is bought as part of a GST-free supply of a going concern, but the purchaser uses the property for a purpose other than to make taxable sales or GST-free sales, they may have to **make an increasing adjustment**. For example, the purchaser uses the property to make input-taxed sales of residential rent for private purposes.

The amount of the increasing adjustment is usually worked out as follows:

- 10% × the sale price × the proportion of non-creditable use.

If the proportion of non-creditable use changes over time, you may need to make additional increasing or decreasing adjustments.

Example: making an increasing adjustment for a going concern

Michael is registered for GST and buys a newly built unit for $495,000 in the Seabreeze Resort complex. The sale contract says the unit is sold subject to an agreement to lease the unit to the operator of Seabreeze Resort.

The sale is treated as a GST-free supply as Michael is purchasing a leasing enterprise as a going concern.

Michael has a written agreement with the vendor that the:

- sale would be a GST-free sale of a going concern
- lease would be assigned to Michael who, upon its expiry, would grant a new lease under varied terms to the operator.

As Michael will be making an input-taxed supply of the residential unit to the operator, his use of the unit is for a non-creditable purpose.

Michael will have an increasing adjustment. Using the above formula, the adjustment will be:

- 10% × $495,000 (sale price) × 100% (non-creditable use) = $49,500.

For more about selling a going concern, see:

- GST adjustment for a property transaction
- Making adjustments on your activity statements
- Goods and Services Tax Ruling 2002/5 *Goods and services tax: when is a 'supply of a going concern' GST-free?*
- Sale of a business as a going concern – supporting information

QC 60250

Strata schemes and real estate agent services

Work out the required responsibilities for strata schemes and real estate agent services.

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On this page

Strata schemes

The owners' corporation or body corporate is the body made up of all the owners in a strata scheme. It has the responsibility for:

- maintaining and repairing common property of the strata scheme
- managing finances of the strata scheme, including setting and collecting levies.

For GST purposes, the owners' corporation is carrying on an enterprise. It must register for GST if it is:

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

It may be considered to be a non-profit body if there's no intention to distribute interest income or profits from rental or other activities to the members.

If an owners' corporation is registered for GST, the fees or levies it charges members will include GST – for example, for car parking, ongoing maintenance or administration. It can also claim GST credits on purchases made relating to maintaining and administering the property held in common, such as:

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

Owners of commercial units registered for GST may be entitled to an input tax credit if their unit in the strata scheme is used for their business.

Real estate agent services

If you're a real estate agent and registered or required to be registered for GST, you are liable for GST on your service fees, 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.

Your services are taxable even if the property owner isn't an Australian resident, or if the services relate to input taxed residential property.

A property owner renting or selling existing residential property can't claim GST included in fees and charges, because the rent or sale is input taxed.

GST-registered property owners may be able to claim the GST included in their agent’s fees as GST credits when they:

- sell **new residential property**
- sell or lease commercial property or commercial residential property.

For more information, see **GSTR 2000/37** *Goods and services tax: agency relationships and the application of the law.*

QC 60250

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